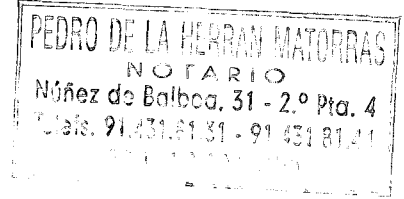


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# LOAN AGREEMENT

BETWEEN



**THE FEDERATIVE REPUBLIC OF BRAZIL  
REPRESENTED BY THE MINISTRY OF FINANCE**

As Borrower

and

**BANCO BILBAO VIZCAYA ARGENTARIA S.A.  
BNP PARIBAS S.A.  
BANCO SANTANDER CENTRAL HISPANO S.A.**

As Joint Lead Arrangers

and

**BANCO BILBAO VIZCAYA ARGENTARIA S.A.**

As Agent



EA



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**TABLE OF CONTENTS**



1. DEFINITIONS
2. FACILITY
3. DISBURSEMENT
4. INTEREST
5. INSURANCE PREMIUM
6. REPAYMENT OF PRINCIPAL
7. PREPAYMENT
8. PAYMENTS
9. APPLICATION OF SUMS RECEIVED BY THE BANKS
10. REPRESENTATIONS AND WARRANTIES
11. CONDITIONS PRECEDENT
12. COVENANTS AND UNDERTAKINGS
13. EVENTS OF DEFAULT
14. EXPENSES AND STAMP DUTIES
15. WAIVER
16. NOTICES
17. ASSIGNMENT
18. GOVERNING LAW AND JURISDICTION
19. INDEPENDENCE
20. MISCELLANEOUS
21. OUT-OF-POCKET COST AND EXPENSES
22. ENTRY INTO FORCE OF THIS LOAN AGREEMENT

**EXHIBIT I** DOCUMENTS AGAINST WHICH THE AGENT SHALL EXECUTE PAYMENTS TO THE SUPPLIER UNDER THE FACILITY AND MODEL OF DISBURSEMENT REQUEST UNDER THE LOAN AGREEMENT

**EXHIBIT II** OPINION OF THE OFFICE OF THE ATTORNEY GENERAL OF THE NATIONAL TREASURY

**EXHIBIT III** PARTICIPATION OF THE BANKS

**EXHIBIT IV** NOTICE OF DISBURSEMENT

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# LOAN AGREEMENT



This Loan Agreement made and entered into this 19<sup>th</sup> May 2005, by and between:

- (1) The **FEDERATIVE REPUBLIC OF BRAZIL**, acting by and through its Ministry of Finance, whose office is at Esplanada dos Ministerios Bloco P, 8° andar, CEP 70048-9000 Brasilia, DF, Brasil (hereafter called the "Borrower") and,
  
- (2) **BANCO BILBAO VIZCAYA ARGENTARIA S.A.**, a financial institution established and existing under the laws of Spain, whose registered office is at Plaza de San Nicolás, 4 48005 – Bilbao (España), and
  
- (3) **BNP PARIBAS S.A.**, a financial institution established under the laws of France, whose registered office is at 16 boulevard des Italiens 75009 Paris, and,
  
- (4) **BANCO SANTANDER CENTRAL HISPANO S.A.**, a financial institution established and existing under the laws of Spain, whose registered office is at Paseo de Pereda, 9-12, Santander (España)

(hereinafter called jointly "the Banks" and severally a "Bank").

## WHEREAS :

- The Federative Republic of Brazil represented by Ministry of Defense acting by and through Comando da Aeronáutica have entered into a contract (Contract number 001/DEPED-SDDP/2005) with a value of USD 298,730,000, with EADS CASA (the "CL-X Commercial Contract") and a contract (Contract number 003/DEPED-SDDP/2005) with a value of USD 423,380,000, with EADS CASA (the "P-3BR Commercial Contract"), being "the Commercial Contracts";

- The Banks are willing to lend to the Borrower and the Borrower a, Banks an aggregate amount not exceeding USD 698.730.000,-(six million seven hundred thirty thousand Dollars), subject to the terms hereinafter set forth, for the purpose of financing the payment obligations under the Commercial Contracts in respect of equipment, goods and services supplied under the Commercial Contracts.
- BANCO BILBAO VIZCAYA ARGENTARIA S.A. has agreed to act as Agent for and on behalf of the Banks in connection with the obligations to be performed under this Loan Agreement in accordance with an Agency Agreement entered into by the Agent, BNP PARIBAS and BANCO SANTANDER CENTRAL HISPANO, S.A.

**NOW, THEREFORE,** in consideration of the premises and mutual covenants contained herein, the parties hereto hereby agree as follows:

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**ARTICLE 1. DEFINITIONS**

In addition to those terms defined above, the following terms shall have the meanings set forth below, which shall include both singular and plural thereof, unless otherwise specifically provided for:

- "Agent": means BANCO BILBAO VIZCAYA ARGENTARIA S.A.
- "Availability Period": means :
- (i) For CL-X Commercial Contract nr. 001/DEPED-SDDP/2005, the period beginning on the Effective Date of this Agreement and ending December 31<sup>st</sup> 2009, during which Disbursements under the Loan Agreement are made in the manner specified in Article 3 hereof, in any case no later than the Final Disbursement Date;
  - (ii) For P-3BR Commercial Contract nr.003/DEPED-SDDP/2005, the period beginning on the Effective Date of this Agreement and ending December 31<sup>st</sup> 2012, during which Disbursements under the Loan Agreement are made in the manner specified in Article 3 hereof, in any case no later than the Final Disbursement Date.
- "Banks": means BANCO BILBAO VIZCAYA ARGENTARIA S.A., BNP PARIBAS S.A and BANCO SANTANDER CENTRAL HISPANO S.A.
- "Borrower": means THE FEDERATIVE REPUBLIC OF BRAZIL, acting by and through its MINISTRY OF FINANCE.
- "Business Day ": means any day on which commercial banks are open for business and on which foreign exchange dealings between banks may be carried out in each of Brasilia, New York and Madrid.
- "Buyer": means the Brazilian Ministry of Defense acting by and through Comando da Aeronáutica / Subdepartamento de Desenvolvimento e Programas-SDDP, of the Federative Republic of Brazil.



"CESCE": means *Compañía Española de Seguros de Crédito a la Exportación* S.A., the Spanish Export Credit Agency.

"CESCE Insurance": means the insurance policy issued by CESCE, in respect of this Loan Agreement, in favor of the Banks.

"CESCE Premium": means the amount payable as premium to CESCE which shall be paid by the Borrower through the Agent in relation to and for the maintenance of the CESCE Insurance.

"CIRR": means the Commercial Interest Reference Rate set by ICO in accordance with the OECD Consensus and officially notified by ICO in a letter sent to the Agent. And established in the Interest Make-Up Agreement.

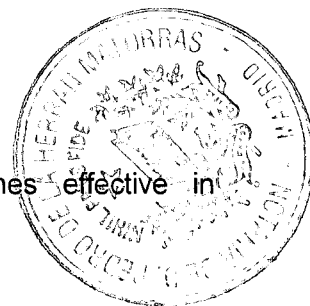
"Commercial Contracts": means the following commercial contracts, with respect to the equipment and services of Spanish origin, plus certain percentage of foreign goods, under the responsibility of the Supplier:

- (i) the commercial contract (Contract nº 001/DEPED-SDDP/2005) for an amount of USD 298,730,000, with EADS CASA for the supply of 12 Aircrafts C 295, related logistic support activities and flight simulator (the "CL-X Commercial Contract") and
- (ii) the commercial contract (Contract nº 003/DEPED-SDDP/2005) for an amount of USD 423,380,000, with EADS CASA for the Modernization of the P-3 Orion Maritime Patrol Aircraft (the "P-3BR Commercial Contract"),

"Disbursement": means each advance on account of the Facility Amount made by the Agent to the Borrower, in accordance with Article 3 hereof.

"Disbursement Date" means any date on which a Disbursement is made.

"Due Date" means the date of any payment obligation of the Borrower under this Loan Agreement.



"Effective Date": means the date this Loan Agreement becomes effective in accordance with the Article 11 hereof.

"Event of Default": shall have the meaning set forth in Article 13 of this Loan Agreement.

"Executing Agent" means Ministry of Defense acting by and through Comando da Aeronáutica / Secretaria de Economia e Finanças da Aeronáutica-SEFA of Federative Republic of Brazil.

"External Indebtedness" means any indebtedness for or in respect of amounts borrowed or raised under any loan or credit facility or guarantee issued by the Borrower which is denominated in a currency other than the lawful currency of the Federative Republic of Brazil.

"Facility": shall have the meaning set forth in Article 2 of this Loan Agreement.

"Facility Amount": means an amount of up to USD 698.730.000,-(six hundred ninety eight million seven hundred thirty thousand Dollars)

"Final Disbursement Date": means the date after which no Disbursement may be made under the Loan Agreement, i.e. the date which would be in any case no later than December 31<sup>st</sup> 2012.

"ICO": means *Instituto de Crédito Oficial* of Spain.

"Interest Make-Up Agreement": means the agreement to be signed between ICO and the Banks. The financing to be made available by the Banks under this Loan Agreement shall be subsidized by ICO, a Spanish official entity, pursuant to the provisions of law 11/83 by execution of an Interest Make-Up Agreement to be entered into by the Banks and ICO.

"Interest Payment Date": means the last day of an Interest Period.



"Interest Period": shall have the meaning set forth in Article 4.4 below.

"Interest Rate": shall have the meaning set forth in Article 4.2.

"Loan Agreement" and/or "Agreement": means the present Spanish buyer's credit agreement and its annexes thereto, as amended, modified or supplemented.

"OECD Consensus": means the Organization for Economic Co-operation and Development's 1981 Arrangement on Guidelines for Officially Supported Export Credits.

"Repayment Period": means each period beginning on the Starting Date of Repayment and finishing on the complete execution of all the payment obligations of the Borrower under the Loan Agreement.

"ROF": means the evidence of the *Registration of Financial Operation* of this Facility on the Central Bank of Brazil.

"Starting Date of Repayment": means each Disbursement Date .

"Supplier": means EADS CASA, a Spanish corporation and whose registered office is at Avda. Aragón, 404 – 28022 Madrid (España).

"USD" or "Dollars" and the sign "US\$": means the lawful currency of the United States of America.

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**ARTICLE 2. FACILITY**

2.1. The Banks shall make available to the Borrower, under the provisions of the Spanish Ministry of Economy, ICO and CESCE and under the terms and conditions set forth herein, one Spanish buyer's credit in a maximum total amount of USD 698.730.000,-(six hundred ninety eight million seven hundred thirty thousand Dollars) to finance :

2.1.1 up to a maximum amount of USD 298.730.000,- (two hundred ninety eight million seven hundred thirty thousand Dollars) for the Spanish and Assimilated Content of the CL-X Commercial Contract and

2.1.2. up to a maximum amount of USD 400,000,000 (four hundred million Dollars) for the Spanish and Assimilated Content of the P-3BR Commercial Contract.

"Spanish and Assimilated Content" means:

- (a) the goods and services of Spanish origin included in the price of the Commercial Contracts,
- (b) the goods and services (including transport and insurance of any nature) from any country other than the Borrower's country or Spain , incorporated in the supply by the Supplier, and which have been the subject matter of sub-contracting agreements performed under the liability of the Supplier within the limits and conditions determined by the Spanish Authorities.

2.2. The obligations of each Bank under the Loan Agreement are several and the participation of each Bank in the amount of the Facility Amount outstanding at any time shall be determined in proportion to the total participation of such Bank in the Facility assumed by it on the date hereof, according to the breakdown established in EXHIBIT III hereto.

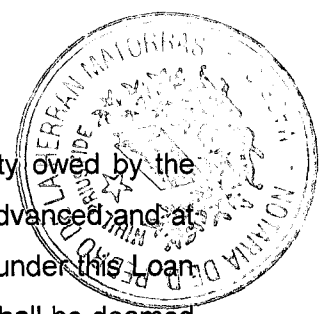
2.3. The failure by a Bank to perform its obligations hereunder shall not affect the obligations of the Borrower towards any other party hereto, nor shall any other Bank be liable for the failure by such Bank to perform its obligations hereunder.

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### ARTICLE 3. DISBURSEMENT

- 3.1 The Facility shall be made available to the Borrower by the Banks in Disbursements up to the aggregate amount of USD USD 698.730.000 (six hundred ninety eight million seven hundred thirty thousand Dollars).
- 3.2 Each drawing on the Facility shall be subject to the Agent having received from the Borrower in advance the amount of each portion of CESCE Premium, which amount shall be distributed proportionally among all drawings, as per Article 5.2. and 5.3. hereof.
- 3.3 The drawings of the Facility shall be subject to the presentation by the Borrower through the Buyer to the Agent of the relevant documents, as per EXHIBIT I to the Loan Agreement, provided that these documents are satisfactory to the Agent and in compliance with CESCE Insurance.
- 3.4 The Agent shall effect payments to the Supplier within 6 days following the date on which the Borrower through the Buyer presents to the Agent the documents in order, as detailed in EXHIBIT I.
- 3.5 The Borrower expressly accepts that all payment made by the Agent pursuant to the terms thereof shall be considered as drawing of the Facility and shall therefore constitute indebtedness of the Borrower vis-à-vis the Agent hereunder.
- 3.6 The Borrower hereby issues irrevocable instructions to the Agent so that, as soon as the Borrower through the Buyer provides to the Agent the relevant documents as per EXHIBIT I to the Loan Agreement and the documents contemplated in Article 3.3. above, the Agent shall make available to the Supplier the funds in respect of payment under the Commercial Contracts by payment as per the Supplier's instructions.
- 3.7 The Borrower hereby expressly acknowledges and agrees that once the funds of each Disbursement have been advanced by the Agent to the Supplier in the special current account in the manner agreed herein, it shall be deemed to all effects and purposes that the Banks have lent to the Borrower, and the Borrower has borrowed from the Banks, the amount in USD of each Disbursement.



3.8 Upon expiry of the Availability Period, the principal amount of the Facility owed by the Borrower shall be determined to be such amount as has been actually advanced and at that time the obligation of the Banks to make any further Disbursements under this Loan Agreement shall terminate. The amount actually advanced as aforesaid shall be deemed to be the aggregate of any payments made to the Supplier in respect of the Commercial Contracts.

3.9 In the event that the Borrower, upon expiration of the Availability Period, and unless an extension thereof is agreed in writing by the parties and subject to the consent of CESCE and ICO, has not made any Disbursement hereunder, the obligation of the Banks to advance the amount of any Disbursement shall be deemed to have become automatically cancelled and this Loan Agreement shall terminate and shall not produce any effects.

3.10 The Borrower will not be entitled to effect any Disbursement under this Loan Agreement if any Event of Default has occurred in accordance with Article 13 hereof.

3.11 The Agent shall in its books open and maintain accounts for the Facility. The Agent shall debit such accounts with all amounts disbursed under the Facility, all interest accrued thereon and any other amounts payable pursuant to the terms and conditions under this Loan Agreement and shall credit such account with all payments of principal and interest and any other amounts paid by the Borrower in respect of the Facility.

The Borrower accepts that the entries in the account, registered on their value date, shall be considered as valid and that the balance of this account shall constitute evidence of the debt repayable as per the terms set for hereunder.

Therefore, the certificate issued by the Agent stating the balance of such account will be the sole element that shows the evidence of the liquid and required payable debt, except clear misunderstanding.

3.12 The Borrower may not cancel the utilization of the Facility in whole or in part without the Agent's prior written consent.

3.13 The Agent shall notify the Borrower and the Buyer by fax any Disbursement under the Facility together with the correspondent repayment schedule as EXHIBIT IV.

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3.14 The Banks obligation to finance the Commercial Contracts shall cease immediately and the Agent shall suspend any Disbursement under this Loan Agreement should any of the following circumstances occur

3.14.1 The CESCE Insurance becomes unenforceable by the Banks, or invalid, or is terminated wholly or partly, or its coverage is reduced;

3.14.2 the Interest Make-Up Agreement with ICO becomes unenforceable by the Banks, or invalid, or is terminated wholly or partly;

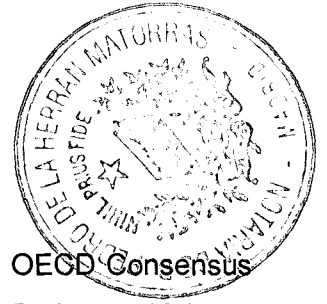
3.14.3 the Commercial Contracts are modified or amended, meaning an increase of the risk according to CESCE, or they are revoked, cancelled or terminated without prior written consent of the Banks and CESCE.

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**ARTICLE 4. INTEREST**

- 4.1 The interest rate applicable to the Facility, determined according to OECD Consensus (CIRR rate) shall be the one in force on the date of approval of the Facility by ICO. As soon as it is known, the Agent shall promptly communicate to the Borrower the interest rate applicable to the Facility, which must be accepted by the Borrower.
- 4.2 The Borrower shall pay to the Agent for the Banks on each Interest Payment Date interest in Dollars, as calculated by the Agent on the outstanding principal amount of the Facility, at a rate equal to the applicable CIRR ("the Interest Rate") for the Interest Period to which such Interest Payment Date relates.
- 4.3 Interest shall accrue from day to day and shall be computed on the basis of a 360-day year and for the actual number of days elapsed. Interest shall accrue from and include the first day of an Interest Period up to, but excluding, the last day of such Interest Period.
- 4.4 For the purpose of this Loan Agreement "Interest Period" shall mean a period of 6 months. The first one shall begin on each Disbursement Date. Each succeeding Interest Period shall begin on the last day of the previous Interest Period.
- 4.5 In the event that an Interest Payment Date would fall on a day not being a Business Day, then the following Business Day shall be the Interest Payment Date and the Interest Period shall be extended accordingly, unless the Interest Payment Date would therefore fall in the next calendar month, in which case the Interest Payment Date shall be the immediately preceding Business Day and the Interest Period shall be shortened accordingly.
- 4.6 The Agent shall notify the Borrower at least 30 (thirty) days prior to the Due Date for each interest payment of the actual amount of interest due on such date; provided that a failure by the Agent to notify the Borrower as set out above shall not relieve the Borrower of any of its obligations under this Loan Agreement.
- 4.7 If any amount due under the terms of this Loan Agreement is not paid on the Due Date for payment then in respect of the period during which such sum is overdue for payment, the Borrower shall pay interest thereon at the increased rate of 1% per

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annum above the Interest Rate. Such interest shall be due and payable from day to day without further notice or demand of any kind, from such due date for payment until the date of receipt by the Banks of such amount of overdue amount. A certificate by the Agent as to the rate of interest payable and the manner of calculation under the provisions of this Article shall (in the absence of manifest error) be binding upon the Borrower.

Should any other amounts payable by the Borrower pursuant to this Agreement not be received by the Bank at their respective due dates, such amounts shall constitute debt due and payable, being capitalised as an increase in principal outstanding, and, from their Due Date up to the date of actual payment, new interest shall accrue thereon at the rate determined by the Banks in accordance with the above paragraphs.

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## ARTICLE 5. INSURANCE PREMIUM

- 5.1. The Facility granted under this Loan Agreement shall be made available upon the condition that an insurance cover acceptable by the Banks is obtained from CESCE through an Insurance Policy in favour of the Banks.
- 5.2. The Borrower shall pay to the Agent the CESCE Premium for onward transmission to CESCE, as follows:
- 99,4142% of the 15% of CESCE Premium shall, prior notice in writing of its amount, be paid as a condition precedent to the effectiveness of the Loan Agreement.
  - 99,4142% of the 85% of CESCE Premium shall, prior notice in writing of its amount, be paid proportionally to each drawing, as a condition precedent to every such drawing on the Facility.
- 5.3. The Supplier shall pay to the Agent the CESCE Premium for onward transmission to CESCE, as follows:
- 0,5858% of the 15% of CESCE Premium shall, prior notice in writing of its amount, be paid as a condition precedent to the effectiveness of the Loan Agreement.
  - 0,5858% of the 85% of CESCE Premium shall, prior notice in writing of its amount, be paid proportionally to each drawing, as a condition precedent to every such drawing on the Facility.
- 5.4. The CESCE Premium shall be considered as provisional until the last Disbursement under the Loan Agreement is made and CESCE has issued the definite insurance premium liquidation.
- 5.5. The insurance premium may be increased by CESCE in any of the following situations:
- Increase of the Facility Amount
  - Extension of the Availability Period
  - Modification of the Repayment Period
  - Modification of the repayment terms of the Facility
  - Change of Borrower



**ARTICLE 6. REPAYMENT OF PRINCIPAL**

6.1. The Borrower shall repay the principal amount in 20 (Twenty) equal, consecutive semi-annual installments. The first installment shall become due and payable six (6) months after each Starting Date of Repayment, and according to the conditions stated in this Article.

The following repayments will take place each 6 months from the first one.

6.2. The Agent shall forward to the Borrower by registered airmail, courier service or fax the repayment schedule as soon as it has been set up by the Agent in accordance with the provisions of Article 6.1. above. The repayment schedule shall be binding, final and non-appealable upon the Borrower with the exception of manifest errors.

6.3. Any amounts repaid according to the above, may not be re-borrowed.

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**ARTICLE 7. PREPAYMENT**

7.1 The Borrower may prepay, only on a Principal Repayment Date, the whole or a part of the outstanding of the Facility Amount subject to Spanish Authorities, ICO's approval, and upon reception by the Agent of a written irrevocable notice at least 30 days before the maturity date chosen as prepayment date.

7.2 The amount to be prepaid, which must be an exact multiple of the agreed semi-annually repayment of the Facility Amount , shall be applied to the cancellation of principal in reverse order to the schedule repayment dates. The payments of interest shall be adjusted consequently. Amounts prepaid shall not be available for redrawing.

In case of prepayment, interest shall accrue only in respect of the debt outstanding after such prepayment.

7.3 Prepayment of principal shall only be possible if there are no overdue payments under this Loan Agreement on the date of such prepayment.

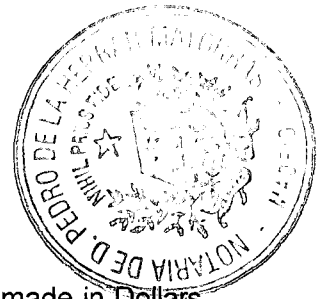
7.4 The Borrower shall pay, on first written demand made by the Agent, all charges, expenses and breakage costs arising from such prepayment claimed by ICO and by the Agent if any.

7.5 The Agent shall proceed as soon as possible to:

(1) Replace the repayment schedule with a new repayment schedule, duly adjusted in accordance with the principal drawn down and outstanding, together with the interest payable thereon; and

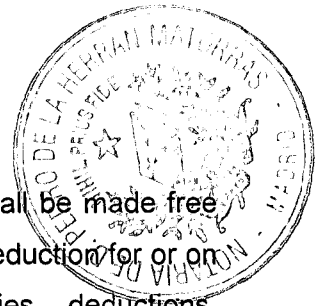
(2) Remit the new repayment schedule to the Borrower, which shall, in the absence of manifest error in the calculation of the amounts due, sign and return to the Agent the revised schedule as evidence of its agreement therewith.

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## ARTICLE 8. PAYMENTS

- 8.1. All payments owed by the Borrower under this Loan Agreement shall be made in Dollars to the account of the Agent no. 612 held with Banco Bilbao Vizcaya Argentaria, S.A. New York (Swift BBVAUS33, Código ABA 026001847) under reference: *Financiación de Comercio Internacional of. 2130 SEFA Brasil*, or such other account as the Agent may notify in written the Borrower and the Executing Agent from time to time. The Borrower shall be released from its obligations to make any particular payment only once the paid sum has been credited at the free disposal of the Agent to the referred account mentioned above.
- 8.2. The Agent shall notify the Borrower and the Executing Agent by facsimile at least 30 (Thirty) days before the Due Date of the following:
- a) the total amount due under such payment obligation,
  - b) the Due Date,
  - c) its contractual basis,
  - d) its computation in case of interest
- However, a failure by the Agent to notify the Borrower as set out above shall not release the Borrower from the payment when due of any of its obligations under this Loan Agreement.
- 8.3. Whenever any payment under this Loan Agreement shall become due on a day which is not a Business Day, the Due Date thereof shall be extended to the next Business Day unless the Due Date would therefore fall in the next calendar month, in which case the Due Date shall be the immediately preceding Business Day and the Interest Period shall be shortened accordingly. During any extension of the Due Date for payment of any principal outstanding under this Loan Agreement interest shall be payable on such principal at the rate prevailing on such Due Date.
- 8.4. The Borrower waives any rights it may have in any jurisdiction to pay any amount hereunder in a currency other than that in which it is expressed to be payable hereunder.
- 8.5. All payments in accordance with this Article shall be made before 11 a.m. New York, NY, United States of America, time.



- 8.6. All payments to be made by the Borrower to the Agent hereunder shall be made free and clear, without set-off or counterclaim, and without payment of or deduction for or on account of any present or future taxes, levies, imposts, duties, deductions, withholdings, restrictions, conditions or any other charges or fees of whatsoever nature, legally due in the Federative Republic of Brazil.
- 8.7. If at any time any applicable law, regulation or regulatory requirement or any governmental authority, monetary agency or central banking authority in the country from which any payment due under this Loan Agreement for account of the Banks is to be made or any country to whose taxation laws the Borrower may be subject, requires the Borrower to make any deduction or withholding in respect of Taxes from any payment due under this Loan Agreement for the account of the Banks, the sum due from the Borrower in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Banks receive on the due date for such payment a net sum equal to the sum which it would have received, if such deduction or withholding had not been required to be made.
- 8.8. All existing or future taxes and duties of any kind as a consequence of the present Loan Agreement due in the Kingdom of Spain shall be paid by the Banks.

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**ARTICLE 9. APPLICATION OF SUMS RECEIVED BY THE BANKS**

9.1 All amounts received under this Agreement by the Agent for any reason whatsoever will, unless the Agent and the Borrower decide otherwise, be applied :

- a) in priority to overdue payments of any kind in order of their maturity dates,
  
- b) in absence of overdue payments or once such overdue payments have been covered, first to accrued and unpaid interest; second to the payment of expenses; thirdly, to the payment of interest due, as calculated and payable in accordance with Article 4 and fourthly, to the repayment of the instalments due, as calculated and payable in accordance with Article 8, which shall be paid in inverse order of maturity dates of repayment, amounts of interest being recalculated accordingly.

The Agent will advise the Borrower about such application of the funds.

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**ARTICLE 10. REPRESENTATIONS AND WARRANTIES**



10.1. The Borrower represents and warrants to the Banks that :

- (a) The Borrower has the power and authority to enter into this Loan Agreement and to perform the terms and conditions hereof and has taken all necessary action to authorize the execution, delivery and performance of this Loan Agreement
- (b) This Loan Agreement, when executed and delivered by a duly authorized official of the Borrower, constitutes legal, valid and binding obligations of the Borrower enforceable in accordance with its terms.
- (c) The execution and the performance of this Loan Agreement in accordance with the terms and conditions hereof :
  - (i) does not contravene any existing provision of law, statute decree, rule, or regulation to which the Borrower or its assets is subject, or any judgment, decree, franchise, order, permit, consent, or authorization applicable to the Borrower; or
  - (ii) does not conflict or be inconsistent with, or result in any breach or violation of, any term, covenant, condition or provision of, or constitute a default under, or result in the creation or imposition of any lien, security interest, charge or encumbrance upon any of the property or assets of the Borrower pursuant to the terms of any contractual restriction or undertaking under any indenture, mortgage, deed of trust, agreement or other instrument to which the Borrower is a party or by which the Borrower or any of its assets may be bound.
- (d) All consents, approvals, permits, licenses, authorizations of, or exemptions or waivers by, every governmental, judicial or public body or authority required to authorize, or required in connection with, the execution and delivery of this Loan Agreement and the performance hereunder have been obtained.
- (e) The Borrower has no right of immunity from suit, execution or any other legal process with respect to its obligations under this Loan Agreement in the Federative Republic of Brazil, except for the limitation on the alienation of public property provided for in Article 100 of the Civil Code of the Federal Republic of Brazil , *provided* that the execution of a judgment against, and the satisfaction of a

*[Handwritten signatures and initials]*



judgment by, the Borrower in the Federative Republic of Brazil may be made only in accordance with Article 100 of the Constitution of the Federative Republic of Brazil and the procedures set forth in Article 730 et. seq. of the Civil Procedure Code of the Federative Republic of Brazil (which Articles set forth the procedures pursuant to which such judgment must be satisfied by the Borrower, including the requirements that such judgment be registered for inclusion in the budget for payment in a subsequent fiscal year of the Borrower and that payment in respect of such judgment be made through the court that rendered such judgment).

- (f) No Event of Default has occurred and is continuing and the Borrower is not aware of any event or circumstances that will give rise to the occurrence of an Event of Default;
- (g) No litigation, arbitration or administrative proceeding or claim is pending or to the Borrower's knowledge threatened against or affecting it (a) which would, if adversely determined, materially and adversely affect the Borrower's ability to perform its payment obligations under this Loan Agreement or (b) which questions the legality, validity or binding effect of any material provision of this Loan Agreement,

10.2. Any request for Disbursement made by the Borrower through the Buyer to the Banks pursuant to Article 3 hereof shall be deemed to constitute a representation and warranty by the Borrower that all the representations and warranties set forth in Article 10.1 hereof are true and correct as of such date as if made on such date and that no Event of Default nor any event which might constitute an Event of Default has occurred.

*[Handwritten signatures and initials]*



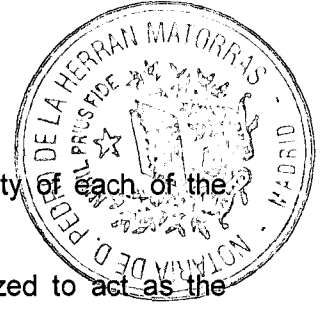
## ARTICLE 11. CONDITIONS PRECEDENT

11.1 The obligations of the Banks under this Loan Agreement to make available the Facility for the first Disbursement are subject to the Agent having notified to the Borrower, the Buyer and the Supplier in written that the following conditions precedent have been fulfilled to the satisfaction of the Banks or waived by the Banks in writing :

- (i) a legal opinion issued by the Borrower's Attorney General of the National Treasury, dated not earlier than the date hereof, addressed to the Agent and the Banks substantially in the form of EXHIBIT II;
- (ii) CESCE has issued without any restrictions the CESCE Insurance for this Loan Agreement in favor of the Banks in terms and conditions satisfactory to the Banks and the Supplier has given an undertaking (regarding certain risks and obligations) satisfactory to CESCE, and the CESCE Insurance has become effective;
- (iii) the Borrower has paid to the Agent the 99,4142% of the 15% of the CESCE Premium amount for onward transmission to CESCE.
- (iv) the Supplier has paid to the Agent the 0,5858% of the 15% of the CESCE Premium amount for onward transmission to CESCE.
- (v) the Agent has received a copy of the Commercial Contracts and a confirmation of the Supplier countersigned by the Buyer that the Commercial Contracts are in force ;
- (vi) the portion of the price of the Commercial Contracts not financed under the Agreement will be paid by the Buyer to the Supplier, with funds originated from other sources than the Agreement.

Payment of such portion for the price of the Commercial Contracts shall be effected following the provisions contained in the Commercial Contracts.

- (vii) Evidence of the registration of this Facility on the Register of Financial Operation – ROF by the Central Bank of Brazil.



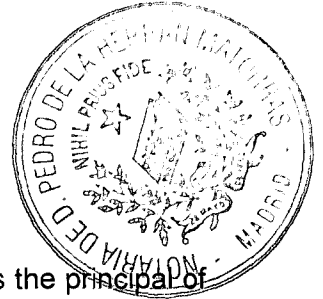
(viii) the Agent has received evidence satisfactory to it of the authority of each of the persons:

a) who have signed this Loan Agreement, and b) who are authorized to act as the representatives of the Borrower, the Executing Agent and the Buyer, for the purpose of signing documents in connection with this Loan Agreement together with a list of specimen authorized signatures;

(ix) The Agent has entered into an Interest Make-Up Agreement with ICO, and that such Interest Make-Up Agreement has become effective and remains in full force and effect. [The Borrower shall notify to the Agent that accepts the applicable CIRR in writing]. The terms and conditions of the referred Interest Make-Up Agreement shall fully conform to the Disbursements effected under this Facility and until payment in full of any amount due and payable hereunder.

11.2 The Borrower agrees that all the conditions set out previously shall be fulfilled on a best effort basis within 120 (one hundred and twenty) days of the signing date of this Loan Agreement and in any case before the first Disbursement under the Facility.



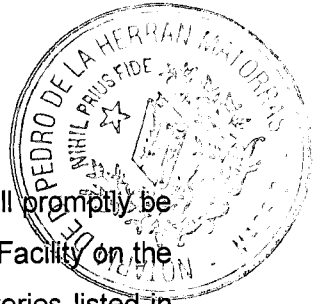


## ARTICLE 12. COVENANTS AND UNDERTAKINGS

From the date of the execution of this Loan Agreement and until such time as the principal of the Facility, accrued interest thereon and any other sum payable hereunder have been fully paid and there shall remain nothing owing by the Borrower to the Banks under this Loan Agreement, the Borrower covenants and undertakes :

- (a) That the amount borrowed pursuant to this Loan Agreement shall be utilized by the Borrower solely for the purpose of financing the payments of the Commercial Contracts as required to be made by the Borrower to the Supplier.
- (b) That the Borrower shall punctually pay all amounts due under this Loan Agreement at the times and on the dates specified herein and shall duly perform and observe all of its other obligations under this Loan Agreement.
- (c) That the Facility will constitute direct, unconditional and general obligations of, and will rank at least *pari passu* in right of payment with all other unsecured External Indebtedness of the Borrower.
- (d) To obtain and promptly renew (if necessary) all consents, licenses, approvals and authorizations as may be required under any applicable law or regulation to enable the Borrower to perform any of its obligations under this Loan Agreement and to comply with the terms of any such consents, licenses, approvals and authorizations and in particular obtain the approval of the Central Bank related to the payment of principal, interest, fees, commissions and all other amounts due in respect thereof in Dollars in accordance with the terms hereof;
- (e) That the Borrower shall promptly inform the Agent of any circumstances which will lead to an Event of Default (as established in Article 13), which could affect the accuracy of the representations made in this Loan Agreement (as per Article 10) or which will otherwise affect the ability of the Borrower to perform its obligations under the Loan Agreement.

*[Handwritten signatures and initials]*



- (f) The Borrower shall promptly advise the Agent or procure that the Agent shall promptly be advised, and in any event prior to any Disbursement to be made under any Facility on the basis of such modification, of any modification relative to any of the signatories listed in Article 11, and shall transmit simultaneously together with such communication the specimen signatures and specimen stamp(s) and/or seal(s) (as relevant) of the new authorised signatories, following such together with the powers of attorney and other relevant documents evidencing the authority of such signatories.

Handwritten initials and scribbles, including a large stylized 'S' or '9' shape, and the letters 'eu', 'fu', and 'le'.

A long, thin, vertical handwritten scribble or signature mark on the right side of the page.



### ARTICLE 13. EVENTS OF DEFAULT

- 13.1 Upon the occurrence of any of the events of default described hereafter, the Agent and the Banks shall be entitled to terminate the Agreement and the Borrower shall then be obliged to prepay the outstanding of the Facility Amount, plus all interest accrued to such date, fees and expenses and taxes payable by the Borrower, within a period of 7 (seven) Business Days following the date of notification of the accelerated termination. As from the date of such notice, interest shall accrue on all amounts outstanding at the rate contemplated in Article 4.1 up to the date of actual payment.
- 13.2 Should any amounts remain outstanding by the Borrower after said period of 7 (seven) Business Days, the delay interest contemplated in Article 4.7 shall be applicable up to the date of actual payment.
- 13.3 Any failure by the Bank to exercise the rights conferred upon it in this Article may not be alleged by the Borrower a waiver of such rights or as a tacit acceptance of the Default.
- 13.4 The termination of this Loan Agreement shall occur upon the occurrence of any of the following events:
- a) the Borrower fails to pay when due any amount payable by it under this Loan Agreement and this failure is not remedied within 5 (five) Business Days from the corresponding Due Date; or
  - b) the Borrower fails to comply with any undertaking or any other provision of this Loan Agreement and this failure, if capable of remedy, is not remedied within 20 (twenty) Business Days after notice thereof has been given by the Agent to the Borrower; or
  - c) any representation, warranty or statement made by the Borrower in or in connection with, this Loan Agreement or in any accounts, certificates, statements or opinions delivered by or on behalf of the Borrower under or in connection with this Loan Agreement is incorrect, untrue or misleading when made or is not complied with in any material respect; or
  - d) any External Indebtedness of the Borrower to the Agent or the Banks or any other loan insured by CESCE is not paid by the Borrower when due (by acceleration or otherwise) or an event of default occurs under any such payment obligation; or



- e) any consent, license, approval and authorization is withdrawn or ceases to be in full force and effect, or it becomes unlawful for the Borrower to perform any of its obligations under this Loan Agreement; or
  - f) if the Commercial Contracts are modified, amended revoked, cancelled or terminated without prior written notification to the Agent, provided that such notification will not be required in case of any modification or amendment to the Commercial Contracts due to technical reasons, or
  - g) if the proceeds of this Loan Agreement are not utilized as payment for the purchase of goods and services under the Commercial Contracts; or
  - h) if the Federative Republic of Brazil declares a, or otherwise enter into a de facto, suspension of payments or moratorium on the payment of its External Indebtedness ; or
  - i) any extraordinary situation or a material adverse change in the business, assets or financial condition of the Borrower or circumstances of a national or international financial, political or economic nature occurs, which situation or change of circumstances gives reasonable grounds to the Agent and the Banks, after consultation with the Borrower, to conclude that the Borrower will be unable to, perform or observe its obligations under this Loan Agreement.
- 13.5 After the Agent has given notice of termination of this Loan Agreement as set out above, the obligations of the Agent and the Banks under this Loan Agreement shall be cancelled forthwith and all amounts outstanding under the Facility shall become immediately due and payable together with all interest accrued thereon (up to and including the date of payment by the Borrower) and all other amounts payable under this Loan Agreement.

*[Handwritten signatures and initials]*



**ARTICLE 14. EXPENSES AND STAMP DUTIES**

14.1 The Borrower shall pay or reimburse the Agent upon demand the reasonable and documented legal fees and expenses of legal counsel made necessary and recognized by the concerned arbitral tribunal as a result of any default by the Borrower of its obligation under the present Loan Agreement.

14.2. The Borrower shall timely pay any and all stamp, registration and similar taxes, charges or duties imposed by any level of government or any subdivision, agency or instrumentality in the Federative Republic of Brazil in regard with the effectiveness of this Loan Agreement and shall indemnify and hold the Banks harmless from and against any loss, damage, cost, expense, claim or liability which the Banks may sustain or incur as a consequence of any delay in paying or failure to pay by the Borrower such taxes, charges or duties which may be payable or determined to be payable in the Federative Republic of Brazil in connection with the execution and delivery of this Loan Agreement.



**ARTICLE 15. WAIVER**

15.1. No failure to exercise or delay in exercising any right, power or privilege hereunder by the Banks shall operate as a waiver thereof or of any other right, power or privilege which the Banks may have, nor shall any single or partial exercise of any such right, power or privilege preclude any further exercise thereof or of any other right, power or privilege which the Banks may have hereunder.

*[Handwritten signatures and initials]*

*[Large handwritten signature]*



## ARTICLE 16. NOTICES

16.1. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be sent by registered airmail letter, postage prepaid or fax (with confirmation by registered airmail letter, postage prepaid) to the other party at its address set forth below or to such other address as may from time to time be notified by one party to the other in accordance with this Article 16:

If to the Agent:

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.  
Financiación Comercio Internacional  
C/ Alcalá, 16 – 2º planta  
28014 – MADRID (España)  
Fax No. +34 91 537 7811

If to the Banks:

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.  
Financiación Comercio Internacional  
C/ Alcalá, 16 – 2º planta  
28014 – MADRID (España)  
Fax No. +34 91 537 7811

BNP PARIBAS, acting through its Branch in Spain:

ECEP - Export Finance  
C/ Ribera del Loira, 28  
28042 – MADRID (España)  
Fax No. +34 91 388 8051

BANCO SANTANDER CENTRAL HISPANO, S.A.

Financiación de Exportaciones  
Cuidad Grupo Santander  
Avda de Cantabria, s/n.  
Edificio Amazonia Planta 2  
28660 Boadilla del Monte, MADRID (España)  
Fax No. +34 91 257 16 81



If to the Borrower:

MINISTRY OF FINANCE OF BRAZIL

Ministério da Fazenda

Procuradoria-Geral da Fazenda Nacional

Esplanada dos Ministérios Bloco P, 8 andar, sala 805

70048-900-BRASILIA - DF - BRASIL

Fax No.:55.61.412.17 .40

Copy to:

Comando da Aeronáutica SEFA

Esplanada dos Ministérios, Bloco M, 2º andar, sala 36

70045-900 Brasília, DF -Brasil

Attention: Divisão de Contratos e Convênios

Fax No.:55.61.323-1019

If to the Buyer:

Subdepartamento de Desenvolvimento e Programas, - SDDP

Anexo do Comando da Aeronáutica – 2º Andar

70.045-900 Brasília, DF – Brasil

Attention: Chefe do SDDP

Fax: 55.61.224-6112

Copy to :

Secretaria de Economia e Finanças da Aeronáutica – SEFA

Esplanada dos Ministérios, Bloco M, 2º Andar, sala 36

70.045-900 Brasília, DF – Brasil

Attention: Divisão de Contratos e Convênios

Fax: 55.61.323-1019

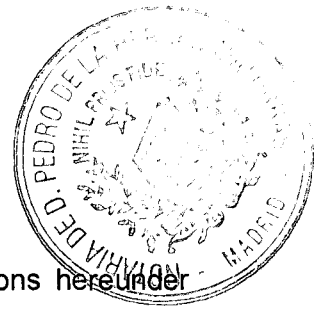
or to such other address as may from time to time be notified in writing by either party to the other, provided that any such variation shall take effect as from the third day after the day of receipt of the respective Notice by the other party (unless a later date should have been notified therein).

The failure of Agent to forward any Notice or the failure thereof to arrive shall never be deemed to release the Borrower from any of its obligations under this Loan Agreement or any other document envisaged hereunder



16.2. All notices shall be effective for purposes of this Loan Agreement at the time of receipt by the addressee.





**ARTICLE 17. ASSIGNMENT**

17.1 The Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Banks, CESCE and if applicable ICO.

17.2. Any Bank may, at any time, sell, assign, grant participation in, or otherwise dispose of any rights, claims and/or obligations under this Loan Agreement, including without limitation the rights to assign, pledge or transfer in whole or in part any amounts outstanding under this Loan Agreement including the collateral provided therefore, if any, to any financial institution informing such assignment to the Borrower. At the request of the Bank, the Borrower may, from time to time, designate any and full further instruments as may, in the reasonable opinion of the Banks, be necessary or advisable to give full force and effect to such assignment or to evidence the effectiveness of the Loan Agreement. The foregoing shall be at no cost to the Borrower.

In case of such disposition, all references to the Bank in this Loan Agreement shall, if applicable, be construed as including such financial institution.

17.3 The Borrower agrees that the Agent and the Banks shall be entitled to give information regarding the Borrower and this Loan Agreement to a prospective assignee or transferee or to any other person or company who may propose entering into contractual relations with the Agent or the Banks in relation to this Loan Agreement, provided that nothing in this Agreement shall oblige the Borrower to disclose any information which is subject to confidentiality restriction under applicable law or Commercial Contracts.

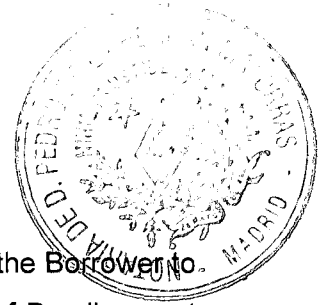
*[Handwritten signatures and initials, including 'ED' and 'AV', and a vertical line.]*



**ARTICLE 18. GOVERNING LAW AND JURISDICTION**

- (a) This Loan Agreement shall be governed by and construed in accordance with the laws of Spain.
- (b) Any dispute, controversy or claim arising out of or relating to this Loan Agreement, including any question regarding its existence, validity, interpretation, breach or termination (a "**Dispute**"), shall be finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce as in effect on the date hereof (other than by application of Article 23 thereof (Conservatory and Interim Measures)), which Rules are deemed to be incorporated by reference into this Article.
- (c) The tribunal shall consist of three arbitrators, one of whom shall be nominated by the Banks, the other one shall be nominated by the Borrower and the third one, who shall be the chairman of the tribunal, by the two party-nominated arbitrators within 30 days of the last of their appointments. Save that, if either party should fail to nominate an arbitrator within 30 days of receiving written notice of the nomination of an arbitrator by the other party, the second arbitrator shall, at the written request of the party which has already made a nomination, be appointed forthwith by the International Court of Arbitration of the International Chamber of Commerce (the "**ICC Court**"). Likewise, if the party-nominated arbitrators fail to make an agreed nomination for the chairman within 30 days of the last of their appointments, the chairman shall, at the written request of either party, be appointed forthwith by the ICC Court. The seat of the arbitration shall be London, England. The language of the arbitration (including written submissions by the parties) shall be English. The arbitrators shall state the reasons for their decisions in writing and shall make such decisions in accordance with the laws of Spain.
- (d) Any award shall be final and binding from the day it is made.
- (e) The Borrower hereby agrees that in any arbitration proceedings as defined in this article it will not rely upon or seek to raise any immunity, which it may otherwise have in respect of itself. The Borrower also agrees not to plead or claim any immunity from the execution or enforcement of the arbitral award in the Federative Republic of Brazil.

*[Handwritten signatures and initials]*



- (f) Nothing in this Loan Agreement may be interpreted as an agreement of the Borrower to submit to the jurisdiction of any court outside the Federative Republic of Brazil except for the sole purpose of converting an arbitral award under this Loan Agreement into a judgment.
  
- (g) Service of process or other legal summons in connection with any proceedings described in this Article 18 may be served upon the Borrower (a) pursuant to Article 35, Section I of Supplementary Law No. 73 of February 10, 1993, by delivery to the Attorney General of the Federative Republic of Brazil as its authorized agent upon whom any such process or legal summons may be served by rogatory letter or (b) by such other means permissible under the laws of the Federative Republic of Brazil.

*[Handwritten signature]*  
*[Handwritten initials]*

*[Handwritten signature]*



**ARTICLE 19. INDEPENDENCE**

19.1. The Borrower may not refer to any matter, any dispute or incidence arising in the Commercial Contracts to avoid payment or repayment of the amounts owed hereunder.

19.2 In consideration of the Agent 's payment of the amounts under this Agreement to the Supplier and, as the case may be, to CESCE, the Borrower expressly waives the possibility of any counterclaim against the Agent and the Banks deriving from a default by the Supplier of any obligation corresponding to it under the Commercial Contracts. The Borrower undertakes to repay or pay to the Agent these amounts unconditionally and irrespective of the fulfilment or otherwise of the contractual obligations of the Supplier under the Commercial Contracts.



**ARTICLE 20. MISCELLANEOUS**

20.1. The headings of this Loan Agreement are inserted for convenience of reference only and shall not affect the construction or interpretation hereof.

20.2 This Loan Agreement shall not be amended, changed or modified in any manner except by an instrument in writing signed by a duly authorized representative of each of the parties hereto or their respective successors or assigns, as the case may be.

20.3 All documents to be delivered under this Loan Agreement shall be in the English language. If the original of any such document is in any other language, such document may be delivered in such language provided it is accompanied by a qualified English translation.

20.4. This Loan Agreement shall remain in effect until all amounts due to the Banks hereunder have been paid in full.



**ARTICLE 21. OUT-OF POCKET COST**

21.1. The Borrower shall reimburse the Agent, up to the aggregate amount of USD15,500, on demand and against presentation of written statements all reasonable and duly documented out-of-pocket costs, charges and expenses (including, but not limited to, legal fees) incurred by it in connection with the negotiation, preparation, execution and performance of this Loan Agreement as well as in connection with an enforcement of or preservation of the rights of the Agent and the Banks under this Loan Agreement. All such costs, charges and expenses shall be reimbursed to the Agent in the currency in which they have been incurred.



**ARTICLE 22. ENTRY INTO FORCE OF THIS LOAN AGREEMENT**

This Loan Agreement will enter into force on the day of signature by all parties hereto.

**IN WITNESS WHEREOF**, the parties hereto have caused this Loan Agreement to be duly executed and delivered in 6 (six) originals copies as of the date first above written.

**THE FEDERATIVE REPUBLIC OF BRAZIL, as Borrower**

By: Excmo. Sr. D. MANOEL FELIPE RÉGO BRANDÃO  
Title: PROCURADOR – GERAL DA FAZENDA NACIONAL

**BANCO BILBAO VIZCAYA ARGENTARIA S.A., as Bank**

By: EMILIO DE LAS HERAS MUELA  
Title: DEPUTY GENERAL MANAGER

**BNP PARIBAS S.A., as Bank**

By: PIERRE JOSEPH COSTA  
Title: GLOBAL HEAD EXPORT FINANCE

**BANCO SANTANDER CENTRAL HISPANO S.A., as Bank**

By: SANTIAGO PUENTE PEREZ-VILLAMIL  
Title: DIRECTOR GLOBAL TRADE FINANCE

By: JOSE LUIS VICENT RODRIGUEZ  
Title: VICE PRESIDENT EXPORT FINANCE

**BANCO BILBAO VIZCAYA ARGENTARIA S.A., as Agent**

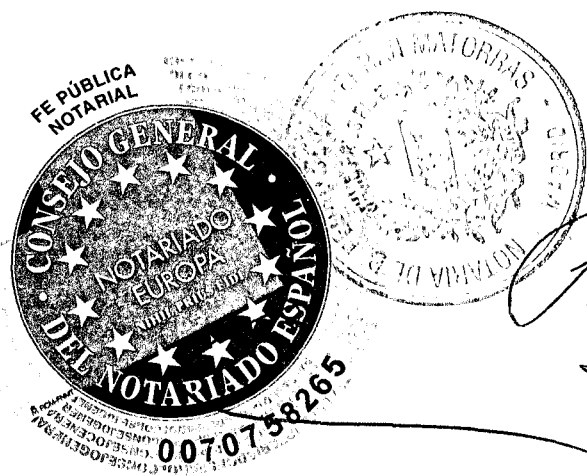
By: EMILIO DE LAS HERAS MUELA  
Title: DEPUTY GENERAL MANAGER



**LEGITIMACION.**- YO, PEDRO DE LA HERRAN MATORRAS, Notario de Madrid y de su Ilustre Colegio, LEGITIMO las firmas que anteceden en el anverso de este folio de DON EMI-LIO-JUAN DE LAS HERAS MUELA, DON PIERRE-JOSEPH COSTA, DON SANTIAGO PUENTE PEREZ-VILLAMIL y DON JOSE-LUIS VICENT RODRIGUEZ, puestas en mi presencia. Esta legitimación la llevo a cabo de conformidad con el Artículo 259 del Reglamento Notarial, habiendo autorizado, con esta fecha, el acta notarial prevista en él, número 1.606 de protocolo. Conozco suficientemente el contenido del presente documento redactado en lengua inglesa.-

El presente documento, con sus anexos, va extendido en cincuenta folios de papel común, todos los cuales rubrico y sello con el de mi Notaría.-----

Madrid, a diecinueve de Mayo de dos mil cinco.- DOY FE.=



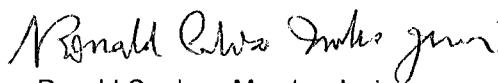
**EMBAIXADA DO BRASIL EM MADRI  
SETOR CONSULAR**

Reconheço verdadeira, por semelhança, a assinatura supra neste documento com 50 folha(s) de PEDRO DE LA HERRAN MATORRAS, tabelião de Madri, Espanha.

E, para constar onde convier, mandei passar o presente, que assinei e fiz selar com o selo desta Embaixada. Dispensada a legalização no Brasil da assinatura da autoridade consular, de acordo com o artigo 2º, do Decreto nº 84.451, de 31.01.80.

**"A presente autenticação não implica aceitação do teor do documento"**

Madri, 19 de maio de 2005.

  
Ronald Cardoso Mendes Junior  
Chefe do Setor Consular





**EXHIBIT I**

**DOCUMENTS AGAINST WHICH THE AGENT SHALL EXECUTE**  
**PAYMENTS TO THE SUPPLIER UNDER THE FACILITY**

The Facility Amount , i.e. USD 698.730.000,-(six hundred ninety eight million seven hundred thirty thousand Dollars) will be disbursed throughout the presentation to the Agent of the following document :

- 1) Original of the Disbursement request bearing the reference of the relevant Commercial Contract, duly signed by the Buyer's Representative in accordance with EXIHIBIT I bis

**EXHIBIT I bis**



**MODEL OF DISBURSEMENT REQUEST UNDER THE LOAN AGREEMENT**

*On letterhead of SEFA*

To :

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.  
Financiación Comercio Internacional  
C/ Alcalá, 16 – 2º planta  
28014 – MADRID (España)  
Fax No. +34 91 537 7811

Attention : [ξ]

**DISBURSEMENT REQUEST**

Ref : Loan Agreement dated [ξ] for USD 698.730.000,-(six hundred ninety eight million seven hundred thirty thousand Dollars)

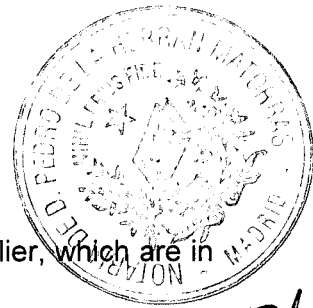
CL-X Commercial Contract number [ξ] *or alternatively* P-3BR Commercial Contract number [ξ]

Dear Sirs,

1. This Request for Disbursement is delivered to you pursuant to Article 3 of the Loan Agreement.

2. We hereby request a Disbursement to the Supplier in respect of goods and services as follows:

- (a) Request for Disbursement number [\_\_\_\_\_];
- (b) Proposed Date of Disbursement:[\_\_\_\_\_];
- (c) Amount of Disbursement: USD [\_\_\_\_\_] (\_\_\_\_\_);
- (d) "Faturas" number.: [\_\_\_\_\_];
- (e) Beneficiary/Location:[\_\_\_\_\_];



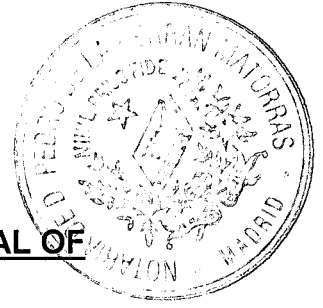
We hereby confirm that we have examined the documents sent by the Supplier, which are in conformity with Article [ξ] of the Commercial Contract.

Date [ξ]

\_\_\_\_\_  
(Buyer's Representative)

*[Handwritten signature]*  
*[Handwritten signature]*

*[Handwritten signature]*



**EXHIBIT II**

**OPINION OF THE OFFICE OF THE ATTORNEY GENERAL OF  
THE NATIONAL TREASURY**

Date .....

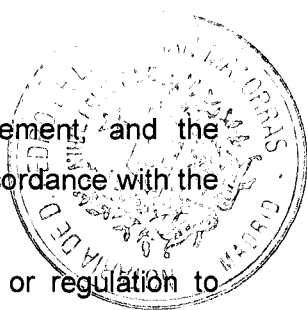
[To the attention of BBVA, BNP Paribas and SCH]

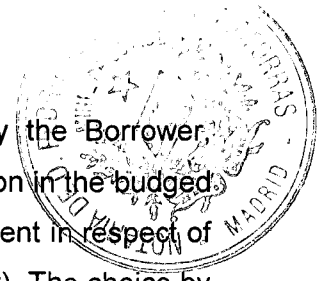
You have asked me for an opinion in connection with a Spanish Export Credit (hereinafter called the "Loan Agreement") dated 19<sup>th</sup> of May, 2005 signed between the Federative Republic of Brazil (hereinafter called the "Borrower") and yourselves. Expressions defined in the Loan Agreement shall have the same meanings when used in this opinion.

In giving this opinion I have examined an executed copy of the Loan Agreement, and other document as I have deemed necessary. I have assumed due compliance with all matters of Spanish laws.

I am of the opinion that

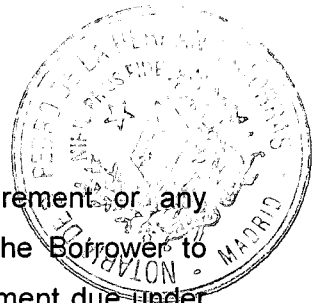
- (a) The Borrower has the power and authority to enter into the Loan Agreement and to borrow the Facility there under and has taken all necessary action to authorize the borrowing under the Loan Agreement and the execution, delivery and performance of the Loan Agreement, in accordance with the terms and conditions thereof.
- (b) The Buyer has the power and authority to present the relevant documents as per EXHIBIT I and Article 3.2 of the Loan Agreement, and to order any Disbursement under the Loan Agreement on behalf of the Borrower.
- (c) The Executing Agent has the power and authority to receive notifications on behalf of the Borrower as established in the Loan Agreement
- (d) The Loan Agreement has been executed and delivered by a duly authorized official of the Borrower, and constitutes legal, valid and binding obligations of the Borrower enforceable in accordance with its terms.

- 
- (e) The execution and delivery by the Borrower of the Loan Agreement, and the performance of the respective obligations contemplated therein, in accordance with the terms and conditions thereof does not
- (i) contravene any existing provision of law, statute, decree, rule or regulation to which the Borrower is subject, or any judgment, decree, franchise, order, permit, consent or authorization applicable to the Borrower; or
  - (ii) conflict or be inconsistent with, or result in any breach or violation of, any term, covenant, condition or provision of, or constitute a default under, or result in the creation or imposition of any lien, security interest, charge or encumbrance upon any of the property or assets of the Borrower pursuant to the terms of any contractual restriction or undertaking under any indenture, mortgage, deed of trust, agreement or other instrument to which the Borrower is a party or by which the Borrower or any of its assets may be bound.
- (f) All consents, approvals, permits, licenses, authorizations of every governmental or public body or authority required to authorize, or required in connection with the execution and delivery of the Loan Agreement and the performance of the respective terms thereof including control authorization for the payment of principal and interest thereon in Dollars, and any other sums payable under the Loan Agreement have been obtained.
- (g) It is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of the Loan Agreement that it be filed, recorded or enrolled with any court and Government or other agency in the Federative Republic of Brazil,.
- (h) The provisions contained in article 3.10 of the Loan Agreement do not contravene the Brazilian Law.
- (i) The Borrower has no right of immunity from suit, execution, or any other legal process with respect to its obligations under this Loan Agreement in any competent court in Brazil, except for the limitation on the alienation of public property provided for in article 100 of the Civil Code of the Federative Republic of Brazil, provided that the execution of a judgment against, and the satisfaction of a judgment by, the Borrower in Brazil may be made only in accordance with article 100 of the Constitution of the Federative Republic of Brazil and the procedures set forth in Article 730 et. Seq. of the Civil Procedure Code of the Federative Republic of Brazil (which Articles set forth the



procedures pursuant to which such judgment must be satisfied by the Borrower, including the requirements that such judgment be registered for inclusion in the budget for payment in a subsequent fiscal year of the Borrower and that payment in respect of such judgment be made through the court that rendered such judgment). The choice by the Borrower of the laws of Spain to govern the Loan Agreement is a valid choice of law. And the submission there under by the Borrower to an arbitral tribunal is valid and binding upon the Borrower.

- (j) Any award of an arbitral tribunal which conforms with Brazilian public policy and law will be enforceable against the Borrower in the federal courts of the Federative Republic of Brazil without re-examination of the merits if such award is ratified by the Superior Court of Justice. Such ratification can be obtained if such award:
  - (i) fulfils all formalities required for the enforceability thereof under the laws of the country where the same was granted;
  - (ii) was issued by a competent arbitral tribunal after service of such process upon the parties to the action as is required by the rules of such arbitral tribunal;
  - (iii) is not subject to appeal;
  - (iv) was authenticated by a Brazilian consulate in the country where the same was issued;
  - (v) is not against the principles of Brazilian public policy as set forth in Article Brazilian Decree Law nr. 4.675, dated September 4th, 1942.
  
- (k) The Facility will constitute direct, unconditional and general obligations of, and will rank at least *pari passu* in right of payment with all other unsecured External Indebtedness of the Borrower.
  
- (l) All payments to be made by the Borrower to the Agent hereunder shall be made free and clear, without set-off or counterclaim, and without payment of our deduction for or on account of any present or future taxes, levies, imposts, duties, deductions, withholding, restrictions, conditions or any other charges or fees of whatever nature, legally due in the Federative Republic of Brazil, until the payment is received by the Banks in the account indicated by the Banks. All existing or future taxes and duties of any kind as a consequence of the present Facility legally due in Spain shall be paid by the Banks.



If at any time any applicable law, regulation or regulatory requirement, or any governmental authority, monetary agency or central bank requires the Borrower to make any deduction or withholding in respect of Taxes from any payment due under this Loan Agreement for the account of the Banks, the sum due from the Borrower in respect of such payment shall be increased in the extent necessary to ensure that, after the making of such deduction or withholding, the Agent receive a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made.

- (m) There are no legal, administrative or other actions, claims or other proceedings current, pending or threatened against the Borrower which if decided adversely would materially and adversely affect the financial condition of the Borrower or could materially and adversely affect the Borrower's ability to perform its obligations under the Loan Agreement.

Yours faithfully

EH  
JW Q





**EXHIBIT III**

**PARTICIPATION OF THE BANKS**

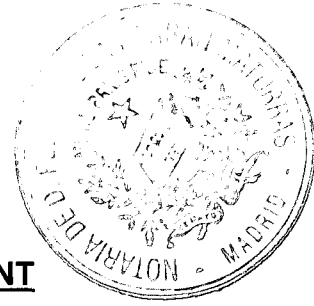
	<u>USD AMOUNT</u>	<u>%</u>
BANCO BILBAO VIZCAYA ARGENTARIA S.A.		38,5
BNP PARIBAS S.A.		23,0
BANCO SANTADER CENTRAL HISPANO S.A.		38,5

*g*

*ey*  
*fu*

*[Handwritten signature]*

**EXHIBIT IV**



**MODEL OF NOTICE OF DISBURSEMENT FOR THE AGENT**

*On letterhead of the Agent*

To :

COMANDO DA AERONAUTICA - SEFA  
Esplanada dos Ministérios, Bloco M, 2º andar, sala 36  
70045-900 Brasília, DF -Brasil  
Attention: Divisão de Contratos e Convênios  
Fax No.:55.61.323-1019

Attention : [ξ]

Copy to :

MINISTRY OF FINANCE OF BRAZIL  
Ministério da Fazenda  
Procuradoria-Geral da Fazenda Nacional  
Esplanada dos Ministério Bloco P, 8 andar, sala 805  
70048-900-BRASILIA - DF - BRASIL  
Fax No.:55.61.412.17 .40

**NOTICE OF DISBURSEMENT**

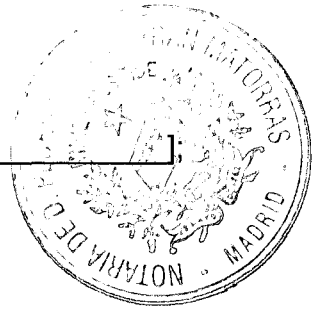
Ref : Loan Agreement dated 19<sup>th</sup> of May, 2005 for USD 698.730.000,-  
CL-X Commercial Contract number 001/DEPED-SDDP/2005 *or alternatively* P-3BR  
Commercial Contract number 003/DEPED-SDDP/2005

Dear Sirs,

1. We hereby declare that, in accordance with your instructions and with the corresponding instructions received from the Buyer, we have made payments to the Supplier, pursuant to and as specified in Article 3 of the above mentioned Loan Agreement, as follows:

(a) Request for Disbursement number [ \_\_\_\_\_ ];

- (b) Date of Disbursement: [\_\_\_\_\_]
- (c) Amount of Disbursement: USD [\_\_\_\_\_] (\_\_\_\_);
- (d) Repayment Schedule



[Place], [DATE].

Yours faithfully,

[\_\_\_\_\_] **BANCO BILBAO VIZCAYA ARGENTARIA S.A., as Agent**

*[Handwritten signature]*  
*[Handwritten signature]*

*[Long handwritten signature]*