

[Table of Contents](#)

Filed Pursuant to Rule 424(b)(5)

File No. 333-12900

**PROSPECTUS SUPPLEMENT  
(To Prospectus dated October 24, 2005)**

**US\$500,000,000**



**Federative Republic of Brazil**

**7.125% Global Bonds due 2037**

Brazil will pay interest on the global bonds on January 20 and July 20 of each year, commencing on July 20, 2006. The global bonds will mature on January 20, 2037.

The global bonds will be a further issuance of, and will be consolidated to form a single series with, the US \$1,000,000,000 aggregate principal amount of Brazil's outstanding 7.125% Global Bonds due 2037 that were previously issued on January 18, 2006. The total aggregate principal amount of the previously issued global bonds and the global bonds now being issued will be US\$1,500,000,000.

The global bonds will be designated Collective Action Securities and, as such, will contain provisions regarding acceleration and future modifications to their terms that differ from those applicable to much of Brazil's outstanding public external indebtedness. Under these provisions, which are described in the sections entitled "Description of the Global Bonds—Default; Acceleration of Maturity" and "—Amendments and Waivers" in this prospectus supplement and "Collective Action Securities" in the accompanying prospectus, Brazil may amend the payment provisions of the global bonds and certain other terms with the consent of the holders of 75% of the aggregate principal amount of the outstanding global bonds.

Application has been made to list the global bonds on the Luxembourg Stock Exchange and to have the global bonds, together with the previously issued global bonds, trade on the Euro MTF Market, the alternative market of the Luxembourg Stock Exchange.

See "[Risk Factors](#)" beginning on page S-7 to read about certain risk factors you should consider before investing in the global bonds.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	<u>Per Global Bond</u>	<u>Total</u>
Public offering price(1)	103.747%	US\$518,735,000
Underwriting discount	0.300%	US\$1,500,000
Proceeds, before expenses, to Brazil(1)	103.447%	US\$517,235,000

(1) Plus accrued interest totaling US\$6,432,291.67, or US\$12.86 per US\$1,000 principal amount of global bonds, from January 18, 2006 to March 23, 2006, the date Brazil expects to deliver the global bonds offered by this prospectus supplement, and any additional interest, if any, from March 23, 2006.

The global bonds will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company, or DTC, the Euroclear System and Clearstream Banking, Luxembourg, *société anonyme*, against payment on or about March 23, 2006.

*Joint Lead Managers and Joint Bookrunners*

**HSBC**

**JPMorgan**

*Co-Manager*

**Itaú**

The date of this prospectus supplement is March 16, 2006

## Table of Contents

**You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. Brazil has not authorized anyone else to provide you with different information. Brazil is not making an offer of these securities in any state where the offer is not permitted. You should not rely on any other information in making your investment decision.**

**This prospectus can only be used for the purposes for which it has been published.**

### **TABLE OF CONTENTS** **Prospectus Supplement**

	<b>Pag</b>
<a href="#">Summary of the Offering</a>	S-
<a href="#">Risk Factors</a>	S-
<a href="#">Table of References</a>	S-
<a href="#">About This Prospectus Supplement</a>	S-
<a href="#">Forward-Looking Statements</a>	S-1
<a href="#">Use of Proceeds</a>	S-1
<a href="#">Recent Developments</a>	S-1
<a href="#">Description of the Global Bonds</a>	S-1
<a href="#">Global Clearance and Settlement</a>	S-2
<a href="#">Taxation</a>	S-2
<a href="#">Underwriting</a>	S-2
<a href="#">Validity of the Global Bonds</a>	S-3
<a href="#">Official Statements and Documents</a>	S-3
<a href="#">General Information</a>	S-3

### **Prospectus**

Where You Can Find More Information	
Data Dissemination	
Use of Proceeds	
Debt Securities	
Collective Action Securities	1
Warrants	1
Governing Law	1
Arbitration and Enforceability	1
Plan of Distribution	1
Validity of the Securities	2
Official Statements	2

Authorized Representative

S-1

## [Table of Contents](#)

### **SUMMARY OF THE OFFERING**

*This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you should consider before investing in the global bonds. You should read this entire prospectus supplement and the accompanying prospectus carefully.*

#### **The Issuer**

##### **Overview**

Brazil is the fifth largest country in the world and occupies nearly half the land area of South America. Brazil shares a border with every country in South America except Chile and Ecuador. The capital of Brazil is Brasília, and the official language is Portuguese. On December 31, 2004, Brazil's estimated population was 182.7 million.

Brazil is a federative republic with broad powers granted to the federal Government. Brazil is officially divided into five regions consisting of 26 States and the Federal District, where Brazil's capital, Brasília, is located.

##### **Government**

The Federal Constitution provides for three independent branches of government: an executive branch headed by the President; a legislative branch consisting of the bicameral National Congress, composed of the Chamber of Deputies and the Senate; and a judicial branch consisting of the Federal Supreme Court and lower federal and State courts.

Under the Constitution, the President is elected by direct vote. A constitutional amendment adopted in June 1997 permits the re-election for a second term of the President and certain other elected officials. The President's powers include the right to appoint ministers and key executives in selected administrative posts.

The legislative branch of government consists of a bicameral National Congress composed of the Senate and the Chamber of Deputies. The Senate is composed of 81 Senators, elected for staggered eight-year terms, and the Chamber of Deputies has 513 Deputies, elected for concurrent four-year terms. Each State and the Federal District is entitled to three Senators. The number of Deputies is based on a proportional representation system weighted in favor of the less populated States which, as the population increases in the larger States, assures the smaller States an important role in the National Congress.

The judicial power is exercised by the Federal Supreme Court (composed of 11 Justices), the Superior Court of Justice (composed of 33 Justices), the Federal Regional Courts (appeals courts), military courts, labor courts, electoral courts and the several lower federal courts. The Federal Supreme Court, whose members are appointed for life by the President, has ultimate appellate jurisdiction over decisions rendered by lower federal and State courts on Constitutional matters.

Following two decades of military governments, in 1985 Brazil made a successful transition to civilian authority

and democratic government. A new Brazilian Constitution was adopted in 1988. In 1989, direct presidential elections were held for the first time in 29 years. After winning a runoff election with 61% of the vote on October 27, 2002, Luiz Inácio Lula da Silva assumed the presidency of Brazil on January 1, 2003. As President, Mr. da Silva has initiated a series of social programs, including a “Zero Hunger” campaign, which is intended to eradicate famine and address poverty in the country, a “Bolsa Família” program that provides assistance to impoverished families and a “First Job” program aimed at facilitating young persons’ entry into the labor market. He has also secured reforms of the tax, pension and judicial systems, moved to establish a

## Table of Contents

framework for public-private partnerships, introduced a regulatory framework for investment in, among others, the electricity sector and secured amendments to the country's bankruptcy law. Finally, the da Silva administration's economic policy has been characterized by fiscal discipline, a floating exchange rate and inflation targeting. Among the da Silva administration's first initiatives was an increase in the consolidated public sector primary surplus target from 3.75% of real gross domestic product ("GDP") in 2002 to 4.25% of GDP in each of 2003, 2004 and 2005. On September 22, 2004, the Government announced that it had raised its primary surplus target for 2004 to 4.5% of GDP from 4.25% of GDP due to better than expected fiscal revenues. The Government maintained its 2005 primary surplus target of 4.25% of GDP. The Government's primary surplus target for 2006 is 4.25% of GDP.

President da Silva's Minister of Finance is Antonio Palocci Filho, who has served in that position since January 1, 2003.

### Selected Brazilian Economic Indicators

	2000	2001	2002	2003	2004
<b>The Economy</b>					
Gross Domestic Product ("GDP"):					
(in billions of constant 2004 Brazilian <i>reais</i> )	R	R	R	R	R
	\$1,621.5	\$1,642.7	\$1,674.4	\$1,683.5	\$1,766.6
(GDP at current prices in US\$ billions)(1)	US	US	US	US	US
	\$602.2	\$509.8	\$459.4	\$506.8	\$604.0
Real GDP Growth (decline)(2)	4.4%	1.3%	1.9%	0.5%	4.9%
Population (millions)	169.6	175.1	177.6	180.2	182.7
GDP Per Capita(3)	US	US	US	US	US
	\$3,515.9	\$2,932.9	\$2,604.3	\$2,831.4	\$3,326.1
Unemployment Rate(4)	7.1%	6.2%	7.1%	12.3%	11.5%
IGP-DI (rate of change)(5)	9.8%	10.4%	26.4%	7.7%	12.1%
Nominal Devaluation Rate(6)	9.3%	18.7%	52.3%	(18.2)%	(8.1)%
Domestic Real Interest Rate(7)	7.0%	6.3%	(5.7)%	14.6%	3.7%
<b>Balance of Payments (in US\$ billions)</b>					
Exports	55.1	58.2	60.4	73.1	96.5
Imports	55.8	55.6	47.2	48.3	62.8
Current Account	(24.2)	(23.2)	(7.6)	4.2	11.7
Capital and Financial Account (net)	19.3	27.1	8.0	5.1	(7.3)
Change in Total Reserves	(2.3)	3.3	0.3	8.5	2.2
Total Official Reserves	33.0	35.9	37.8	49.3	52.9
<b>Public Finance</b>					

Financial Surplus (Deficit) as % of GDP(8)	(3.6)%	(3.5)%	(4.3)%	(5.1)%	(2.7)%
Primary Surplus (Deficit) as % of GDP(9)	3.5	3.7	4.0	4.3	4.6
<b>Public Debt (in billions)</b>					
Gross Internal Debt (Nominal) (10)	US \$322.7	US \$319.9	US \$256.0	US \$347.1	US \$418.8
Gross External Debt (Nominal) (11)	86.7	82.9	80.9	84.8	83.1
<b>Public Debt as % of Nominal GDP</b>					
Net Internal Debt	39.1%	42.2%	41.2%	46.7%	44.3%
Net External Debt(12)	9.6	10.4	14.3	12.0	7.5
Total Public Debt (Nominal) (13)	US \$409.4	US \$402.8	US \$336.9	US \$431.9	US \$501.9



## Table of Contents

- (1) Converted into U.S. dollars based on the weighted average exchange rate for each year.
- (2) Calculated based upon constant average 2004 Brazilian *reais*.
- (3) Not adjusted for purchasing power parity.
- (4) Average annual unemployment rate of the metropolitan regions of Belo Horizonte, Porto Alegre, Recife, Rio de Janeiro, Salvador and São Paulo. The methodology used by Instituto Brasileiro de Geografia e Estatística to determine the average unemployment rate was changed in 2003. The average unemployment rates shown for 2000 through 2002 were determined using the methodology in effect prior to 2003. If the new methodology had been in effect in 2002, the average unemployment rate that year would have been 11.7%.
- (5) The General Price Index-Domestic Supply (*Índice Geral de Preços-Disponibilidade Interna*, or “IGP-DI”) is one indicator of inflation. While many inflation indicators are used in Brazil, the IGP-DI, calculated by the Getúlio Vargas Foundation, an independent research organization, is one of the most widely utilized indices.
- (6) Year-on-year percentage appreciation of the U.S. dollar against the Brazilian *real* (sell side).
- (7) Brazilian federal treasury securities deflated by the IGP-DI and adjusted at each month-end to denote real annual yield.
- (8) Financial results represent the difference between the consolidated public sector debt in one period and the consolidated public sector debt in the previous period, excluding the effects of the Government’s privatization program and the effect of exchange rate fluctuations on the debt levels between periods.
- (9) Primary results represent Government revenues less Government expenditures, excluding interest expenditures on public debt.
- (10) Presents debt on a consolidated basis, which is calculated as the gross internal debt less credits between governmental entities.
- (11) Not including external private debt. Consolidated external private debt as of December 31, 2004 was \$60.1 billion.
- (12) Gross external debt less total reserves.
- (13) Consolidated gross public sector debt.

*Sources: Fundação Instituto Brasileiro de Geografia e Estatística (“IBGE”); Getúlio Vargas Foundation; Central Bank*

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus.*

### **The Global Bonds**

<b>Issuer</b>	Federative Republic of Brazil
<b>Title of Security</b>	7.125% Global Bonds due 2037
<b>Aggregate Principal Amount</b>	US\$500,000,000
<b>Maturity Date</b>	January 20, 2037

<b>Interest Rate</b>	7.125% per annum, computed on the basis of a 360-day year of twelve 30-day months
<b>Interest Payment Dates</b>	January 20 and July 20 of each year, starting July 20, 2006
<b>Price to Public</b>	103.747% of the principal amount, plus accrued interest from January 18, 2006, the date on which the previously issued global bonds were issued.

## Table of Contents

<b>Form</b>	Brazil will issue the global bonds in the form of one or more book-entry securities in fully registered form, without coupons. Brazil will not issue the global bonds in bearer form.
<b>Denominations</b>	Brazil will issue the global bonds only in denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof.
<b>Payment of Principal and Interest</b>	Principal and interest on the global bonds will be payable in U.S. dollars or other legal tender, coin or currency, of the United States of America.
<b>Status</b>	The global bonds will rank equal in right of payment with all of Brazil's existing and future unsecured and unsubordinated external indebtedness.
<b>Single Series</b>	The global bonds will be a further issuance of, and will be consolidated to form a single series with, the US\$1,000,000,000 aggregate principal amount of Brazil's outstanding 7.125% Global Bonds due 2037 that were previously issued on January 18, 2006.
<b>Redemption</b>	The global bonds will not be redeemable prior to maturity and are not entitled to the benefit of any sinking fund.
<b>Negative Pledge</b>	The global bonds will contain certain covenants, including restrictions on the incurrence of certain liens.
<b>Default</b>	The global bonds will contain events of default, the occurrence of which may result in the acceleration of Brazil's obligations under the global bonds prior to maturity upon notice by holders of at least 25% of the aggregate principal amount of the outstanding global bonds.
<b>Collective Action Clauses</b>	The global bonds will be designated Collective Action Securities and, as such, will contain provisions regarding acceleration and voting on amendments, modifications, changes and waivers that differ from those applicable to much of Brazil's outstanding public external indebtedness and described in the accompanying prospectus. The provisions described in this prospectus supplement will govern the global bonds. These provisions are commonly referred to as "collective action clauses". These provisions are described in the sections entitled "Description of the Global Bonds—Default; Acceleration of Maturity" and "—Amendments and Waivers" in this prospectus supplement and "Collective Action Securities" in the accompanying prospectus.
<b>Listing</b>	Application has been made to list the global bonds on the Luxembourg Stock Exchange and to have the global bonds, together with the previously issued global bonds, trade on the Euro MTF Market, the alternative market of the Luxembourg Stock Exchange.

**Fiscal Agent**

The global bonds will be issued pursuant to a fiscal agency agreement, dated as of November 1, 1996, as amended by Amendment No. 1 thereto, dated as of April 28, 2003, Amendment No. 2 thereto, dated as of March 30, 2004, and Amendment No. 3 thereto, dated as of June 28, 2004, between Brazil and JPMorgan Chase Bank, N.A., as fiscal agent, paying agent, transfer agent and registrar.

S-5

## Table of Contents

### **Taxation**

For a discussion of the Brazilian and United States tax consequences associated with the global bonds, see “Taxation—Brazilian Taxation” and “—United States Federal Income and Estate Taxation” in this prospectus supplement and “Debt Securities—Payment of Additional Amounts” in the accompanying prospectus. Investors should consult their own tax advisors in determining the foreign, United States federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the global bonds.

### **Further Issues**

From time to time, without the consent of holders of the global bonds, and subject to the required approvals under Brazilian law, Brazil may create and issue additional debt securities with the same terms and conditions as those of the global bonds (or the same except for the amount of the first interest payment and the issue price), *provided* that such additional debt securities do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such debt securities are subject to the U.S. federal tax laws), a greater amount of original issue discount than the global bonds have as of the date of issuance of such additional debt securities. See “Description of the Global Bonds—Further Issues of the Global Bonds” in this prospectus supplement.

### **Governing Law**

The global bonds will be governed by the laws of the State of New York, except with respect to the authorization and execution of the global bonds, which will be governed by the laws of the Federative Republic of Brazil.

## Table of Contents

### **RISK FACTORS**

*This section describes certain risks associated with investing in the global bonds. You should consult your financial and legal advisors about the risk of investing in the global bonds. Brazil disclaims any responsibility for advising you on these matters.*

#### **Risk Factors Relating to the Global Bonds**

*The price at which the global bonds will trade in the secondary market is uncertain.*

Brazil has been advised by the underwriters that they intend to make a market in the global bonds but are not obligated to do so and may discontinue market making at any time without notice. Application has been made to list the global bonds on the Luxembourg Stock Exchange and to have the global bonds, together with the previously issued global bonds, trade on the Euro MTF Market, the alternative market of the Luxembourg Stock Exchange. No assurance can be given as to the liquidity of the trading market for the global bonds. The price at which the global bonds will trade in the secondary market is uncertain.

*The global bonds will contain provisions that permit Brazil to amend the payment terms without the consent of all holders.*

The global bonds will contain provisions regarding acceleration and voting on future amendments, modifications, changes and waivers, which are commonly referred to as “collective action clauses.” Under these provisions, certain key provisions of the global bonds may be amended, including the maturity date, interest rate and other payment terms, with the consent of the holders of 75% of the aggregate principal amount of the outstanding global bonds. See “Description of the Global Bonds—Default; Acceleration of Maturity” and “—Amendments and Waivers” in this prospectus supplement and “Collective Action Securities” in the accompanying prospectus.

#### **Risk Factors Relating to Brazil**

*Brazil is a foreign sovereign state and accordingly it may be difficult to obtain or enforce judgments against it.*

Brazil is a foreign state. As a result, it may not be possible for investors to effect service of process within their own jurisdiction upon Brazil or to enforce against Brazil judgments obtained in their own jurisdiction. See “Arbitration and Enforceability” in the accompanying prospectus.

*Current account deficits may leave Brazil vulnerable to external shocks and reductions in foreign direct investment.*

Brazil recorded current account deficits from 1993 to 2002. Although Brazil was able to finance most of its current account deficit during these years through direct foreign investment, Brazil’s recurring current account deficits and the need to finance them have left Brazil vulnerable at times to external shocks and reductions in foreign direct investment. Although such solvency indicators as the ratio of debt service payments to exports and the ratio of international reserves to total debt have improved and Brazil registered current account surpluses in 2003, 2004 and 2005. Brazil cannot assure you that such current account deficits will not return in the future.

*A significant depreciation in the Brazilian real may have an adverse effect on the Brazilian economy and on Brazil's public debt.*

The value of the Brazilian *real* has at times fluctuated significantly against the U.S. dollar. The second half of 2002 and the first quarter of 2003 posed several challenges for Brazil, for example, which arose in large part from the effects of Argentina's financial crisis, a weak global economy, uncertainties about the country's

## Table of Contents

national elections held in October 2002 and concerns about terrorism and tensions in the Middle East. Through much of the period from July 2002 through October 2002, the Brazilian *real* declined from R\$2.844 to US\$1.00 on June 28, 2002 to R\$3.9552 to US\$1.00 on October 22, 2002. This volatility of the Brazilian *real* has at times had an adverse effect on Brazil's economy as well as on its public debt, which at times has included significant amounts that were indexed to the U.S. dollar.

Brazil has been able to reduce its U.S. dollar-indexed federal domestic debt securities from 29.0% in September 2002 to 2.6% in January 2006 which has reduced the impact of a 1% depreciation in the value of the Brazilian *real* against the U.S. dollar on the ratio of net public sector debt to GDP from 0.4 of a percentage point in September 2002 to 0.05 of a percentage point in October 2005. However, Brazil cannot assure you that a significant depreciation in the Brazilian *real* will not have an adverse effect on the Brazilian economy and on Brazil's public debt in the future.

*Brazil's large stock of public debt has at times made Brazil's finances susceptible to adverse shocks and led to persistent negative debt dynamics.*

Brazil's net debt-to-GDP level increased significantly between 1995 and 2003, rising from 28.1% in May 1995 to 61.7% in September 2002 before falling to 51.6% in January 2006. A significant percentage of this debt is floating rate debt that is indexed to, among other things, the *Over/Selic* rate, the Brazilian *real*/U.S. dollar exchange rate or the inflation rate. On January 31, 2006, Brazil's floating rate domestic debt securities totaled approximately R\$701.1 billion (or 71.2% of all federal domestic debt securities), of which R\$487.4 billion (or 49.5% of all federal domestic debt securities) was indexed to the *Over/Selic* rate. High real interest rates in respect of the large stock of public debt have, at times, led to persistent high debt servicing costs which, together with the need for Brazil to roll over or refinance outstanding indebtedness and the recognition of certain liabilities as obligations of Brazil, have in turn led, at times, to sustained high levels of net public sector debt as well as to nominal deficits. See "Introduction" in Brazil's annual report on Form 18-K for 2004.

### TABLE OF REFERENCES

The information incorporated by reference from Brazil's annual report on Form 18-K includes, but is not limited to, the following items:

#### **EC No. 809/2004 Item**

Issuer's position within the governmental framework

#### **Annual Report on Form 18-K for 2004**

"The Federative Republic of Brazil—Form of Government and Political Parties" on pages D-12 to D-14 of Exhibit D

Geographic location and legal form of the issuer

"The Federative Republic of Brazil" on pages D-11 to D-15 of Exhibit D



Recent events relevant to the issuer's solvency	"The Brazilian Economy—Historical Background" and "—Recent Economic Events and Policies" on pages D-16 to D-21 of Exhibit D
Structure of the issuer's economy	"The Brazilian Economy—Principal Sectors of the Economy" on pages D-26 to D-30 of Exhibit D
Gross domestic product	"The Brazilian Economy—Gross Domestic Product" on pages D-23 to D-25 of Exhibit D
Brazil's political system and government	"The Federative Republic of Brazil—Form of Government and Political Parties" on pages D-12 to D-14 of Exhibit D

## Table of Contents

Tax and budgetary systems of the issuer	“Public Finance—Budget Process” and “—Taxation and Revenue Sharing Systems” on pages D-82 to D-83 and D-85 to D-88 of Exhibit D
Gross public debt of the issuer	“Public Debt” on pages D-90 to D-100 of Exhibit D
Foreign trade and balance of payments	“Balance of Payments and Foreign Trade—Balance of Payments” and “—Foreign Trade” on pages D-46 to D-54 of Exhibit D
Foreign exchange reserves	“Balance of Payments and Foreign Trade—International Reserves” on pages D-57 to D-59 of Exhibit D
Financial position and resources	“Balance of Payments and Foreign Trade—International Reserves” on pages D-57 to D-59 and “Public Finance—2005 Budget” on pages D-83 to D-85 of Exhibit D
Income and expenditure figures and 2005 Budget	“Public Finance—2005 Budget” on pages D-83 to D-85 of Exhibit D

### **ABOUT THIS PROSPECTUS SUPPLEMENT**

Brazil, having taken all reasonable care to ensure that such is the case, confirms that the information contained in this prospectus (which includes this prospectus supplement together with the attached prospectus dated as of October 24, 2005) is, to the best of Brazil’s knowledge, in accordance with the facts in all material respects and contains no material omission likely to affect its import. Brazil accepts responsibility accordingly.

Prospective investors should rely on the information provided in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. No person is authorized to make any representation or give any information not contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. Any such representation or information not contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference in this prospectus supplement and the accompanying prospectus must not be relied upon as having been authorized by Brazil or the underwriters. Please see “General Information—Where You Can Find More Information” for information on the documents that are incorporated by reference in this prospectus supplement and the accompanying prospectus.

Brazil is not offering to sell or soliciting offers to buy any securities other than the global bonds offered under this prospectus supplement, nor is Brazil offering to sell or soliciting offers to buy the global bonds in places where such offers are not permitted by applicable law. You should not assume that the information in this prospectus supplement or the accompanying prospectus, or the information Brazil has previously filed with the

Securities and Exchange Commission, or the “SEC”, and incorporated by reference in this prospectus supplement and the accompanying prospectus, is accurate as of any date other than their respective dates. Brazil’s economic, fiscal or political circumstances may have changed since such dates.

The global bonds described in this prospectus supplement are debt securities of Brazil being offered under registration statement no. 333-129000 filed with the SEC under the U.S. Securities Act of 1933, as amended (which registration statement includes US\$395,436,454 in aggregate principal amount of debt securities covered by Brazil’s registration statement no. 333-121603 filed on December 23, 2004). The accompanying prospectus is part of that registration statement. The accompanying prospectus provides you with a general description of the securities that Brazil may offer, and this prospectus supplement contains specific information about the terms of

## Table of Contents

this offering and the global bonds. This prospectus supplement also adds, updates or changes information provided or incorporated by reference in the accompanying prospectus. Consequently, before you invest, you should read this prospectus supplement together with the accompanying prospectus as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. Those documents (such as Brazil's annual report on Form 18-K for 2004, which was filed on June 30, 2005, as amended from time to time) contain information regarding Brazil, the global bonds and other matters. The registration statement, any post-effective amendments thereto, the various exhibits thereto, and the documents incorporated therein by reference, contain additional information about Brazil and the global bonds. All of those documents may be inspected at the office of the SEC. Our SEC filings are also available to the public from the SEC's website at <http://www.sec.gov>. Certain terms used but not defined in this prospectus supplement are defined in the prospectus.

References to "US\$" or "\$" in this prospectus supplement are to U.S. dollars, references to "R\$" are to Brazilian *reais*, and references to "€" are to euros.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the global bonds in certain jurisdictions may be restricted by law. Persons who receive copies of this prospectus supplement and the accompanying prospectus should inform themselves about and observe those restrictions. See "Underwriting" in this prospectus supplement.

Brazil is a foreign sovereign state. Consequently, it may be difficult for investors to obtain or realize upon judgments of courts in the United States against Brazil. For more information, see "Arbitration and Enforceability" in the accompanying prospectus.

### **FORWARD-LOOKING STATEMENTS**

Brazil has made forward-looking statements in this prospectus supplement and the accompanying prospectus. Statements that are not historical facts are forward-looking statements. These statements are based on Brazil's current plans, estimates, assumptions and projections. Therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and Brazil undertakes no obligation to update any of them in light of new information or future events.

Forward-looking statements involve inherent risks. Brazil cautions you that many factors could affect the future performance of the Brazilian economy. These factors include, but are not limited to:

- External factors, such as:
  - interest rates in financial markets outside Brazil;
  - the impact of changes in the credit rating of Brazil;
  - the impact of changes in the international prices of commodities;
  - economic conditions in Brazil's major export markets; and

- the decisions of international financial institutions regarding the terms of their financial arrangements with Brazil.
- Internal factors, such as:
  - general economic and business conditions in Brazil;
  - present and future exchange rates of the Brazilian currency;
  - foreign currency reserves;

## Table of Contents

- the level of domestic debt;
- domestic inflation;
- the ability of Brazil to effect key economic reforms;
- the level of foreign direct and portfolio investment; and
- the level of Brazilian domestic interest rates.

### **USE OF PROCEEDS**

The net proceeds to Brazil from the sale of the global bonds, not including accrued interest, will be approximately US\$517,120,000, after deduction of underwriting discounts and commissions and expenses payable by Brazil estimated to be US\$115,000. Brazil intends to use the net cash proceeds of the offering to refinance the public debt of Brazil.

### **RECENT DEVELOPMENTS**

*The information included in this section supplements the information about Brazil contained in Brazil's annual report for 2004 on Form 18-K filed with the SEC on June 30, 2005, as amended from time to time. To the extent the information in this section is inconsistent with the information contained in such annual report, the information in this section replaces such information. Initially capitalized terms not defined in this section have the meanings ascribed to them in that annual report. Cross-references in this section are to sections in that annual report.*

#### **Recent Political Developments**

On July 5, 2005, the National Congress approved the formation of a parliamentary commission of inquiry (CPI) to investigate allegations that monthly payments had been made to certain legislators for their support for certain legislation. Known as the "CPI do Mensalão," this CPI investigated not only allegations by Roberto Jefferson, the head of the Brazilian Workers Party (PTB), that the ruling Workers Party (PT) had paid certain Congressmen approximately US\$12,000 per month for their support, but also charges that similar payments had been made during former President Fernando Henrique Cardoso's administration to purchase votes for, among other things, a constitutional amendment that permitted Mr. Cardoso and State Governors to run for reelection. On November 16, 2005, this CPI was concluded without taking any further action.

Certain opposition parties filed suit against the PT on July 19, 2005 after the former treasurer of the PT admitted during a television interview in July 2005 that the PT had raised funds illegally to finance election campaigns. If the Supreme Electoral Court rules against the PT, the party could lose access to public financing before the 2006 elections and its license to operate as a political organization. The chairman, president and treasurer of the PT resigned from their respective posts in July 2005. On September 2, 2005, two parliamentary commissions of inquiry jointly recommended the expulsion of 19 Congressmen accused of participating in the scheme involving

monthly payments to certain legislators. Four Congressmen have resigned, and five have been acquitted. The Chamber of Deputies has expelled Roberto Jefferson, for, among other things, making allegations without proof of alleged monthly payments to certain Congressmen in exchange for their support. Former presidential chief of staff José Dirceu and Pedro Corrêa have also been expelled. Seven Congressmen face a disciplinary process that could end in their expulsion. Severino Cavalcanti, a member of the Partido Popular (PP) and president of the Chamber of Deputies, who has been accused of extorting payments from a catering company operating in the Congressional building, also resigned after facing expulsion.

## Table of Contents

### **Balance of Payments; Foreign Trade; International Reserves**

In 2005, Brazil registered an accumulated trade surplus of approximately US\$44.8 billion, versus an accumulated trade surplus of approximately US\$33.6 billion for the corresponding period in 2004. Exports in 2005 totaled US\$118.3 billion, a 22.6% increase over the corresponding period of 2004, while imports totaled US\$73.6 billion, a 17.1% increase from the US\$62.8 billion recorded for the corresponding period in 2004. The improvement in the trade balance during 2005 resulted in an accumulated current account surplus of approximately US\$14.2 billion, compared to an accumulated surplus of approximately US\$11.7 billion in 2004. The accumulated balance of payments surplus was approximately US\$4.3 billion in 2005 compared to an accumulated surplus of approximately US\$2.2 billion in 2004.

In January 2006, Brazil registered a trade surplus of approximately US\$2.8 billion, versus a trade surplus of approximately US\$2.2 billion for the corresponding period in 2005. Exports in January 2006 totaled US\$9.3 billion, a 24.5% increase over the corresponding period of 2005, while imports totaled US\$6.4 billion, a 22.3% increase from the US\$5.3 billion recorded for the corresponding period in 2005. The trade balance during January 2006 resulted in a current account deficit of approximately US\$452 million, compared to a surplus of approximately US\$802 million in January 2005. The balance of payments surplus was approximately US\$2.7 billion in January 2006 compared to a surplus of approximately US\$2.0 billion in January 2005.

Preliminary trade figures for February 2006 indicate that Brazil registered an accumulated trade surplus of approximately US\$5.7 billion during the first two months of 2006 versus an accumulated trade surplus of approximately US\$5.0 billion during the corresponding period of 2005. Exports during first two months of 2006 totaled US\$18.0 billion, an 18.6% increase over the US\$15.2 billion recorded during the corresponding period of the previous year. Imports during the first two months of 2006 totaled US\$12.4 billion, a 20.7% increase from the US\$10.2 billion recorded during the corresponding period of the previous year.

Brazil's international reserves (which include gold and foreign exchange holdings) totaled US\$49.3 billion on December 31, 2003, US\$52.9 billion on December 31, 2004, US\$53.8 billion on December 30, 2005 and US\$57.5 billion on February 24, 2006.

### **Gross Domestic Product**

Brazil's GDP grew 2.3% in 2005, relative to the previous year. The industrial, services and agricultural sectors increased 2.5%, 2.0%, 0.8%, respectively, in 2005 relative to the previous year. With respect to demand, investments in manufacturing plants, machinery and capital equipment increased 1.6% in 2005 relative to 2004, while household consumption rose by 3.1% using the same base of comparison.

### **Prices**

The broad consumer rate index, or IPCA, rose 9.3% in 2003, 7.6% in 2004, 5.7% in 2005 and 5.5% in the twelve month period ended February 28, 2006.

The inflation rate (as measured by IGP-DI) rose 7.7% in 2003, 12.1% in 2004, 1.2% in 2005 and 1.2% in the



twelve-month period ended February 28, 2006.

### **Foreign Exchange**

The Brazilian *real*-U.S. dollar exchange rate (sell side), as published by the Central Bank, was R\$2.8892 to US \$1.00 on December 31, 2003, R\$2.6544 to US\$1.00 on December 31, 2004, R\$2.3407 to US\$1.00 on December 30, 2005 and R\$2.1355 to US\$1.00 on February 24, 2006.

### **Employment**

After declining from 13.1% in April 2004 to 9.6% in December 2004, the unemployment rate in Brazil's six largest metropolitan areas rose to 10.8% in April 2005 before falling to 9.4% in June 2005. The unemployment

## Table of Contents

rate remained relatively constant through November 2005 before declining to 8.3% in December 2005. The unemployment rate rose again to 9.2% in January 2006.

On January 24, 2006, the Government announced that it would increase the monthly minimum wage by 16.7% to R\$350 from R\$300, effective April 1, 2006.

### **Foreign Investment**

In 2005, net foreign direct investment totaled approximately US\$15.2 billion, compared with approximately US\$18.2 billion of such investment registered in 2004.

In January 2006, net foreign direct investment totaled approximately US\$1.5 billion, compared with approximately US\$1.2 billion of such investment registered in January 2005.

### **Monetary Policy**

Between February 19, 2003 and April 14, 2004, the Central Bank reduced the *Over/Selic* rate target from 26.5% to 16%. In an effort to manage inflationary expectations, the Central Bank increased its *Over/Selic* rate target from 16% to 16.25% on September 15, 2004, 16.75% on October 20, 2004, 17.25% on November 17, 2004, 17.75% on December 15, 2004, 18.25% on January 19, 2005, 18.75% on February 16, 2005, 19.25% on March 16, 2005, 19.5% on April 20, 2005 and 19.75% on May 18, 2005. After leaving the *Over/Selic* rate target unchanged on June 15, 2005, July 20, 2005 and August 17, 2005, the Central Bank reduced its *Over/Selic* target to 19.50% on September 14, 2005, 19.0% on October 19, 2005, 18.5% on November 23, 2005, 18.0% on December 14, 2005, 17.25% on January 18, 2006 and 16.5% on March 8, 2006.

### **Public Finance**

In 2005, Brazil's accumulated consolidated public sector primary surplus totaled R\$93.5 billion (4.8% of GDP), compared with the R\$81.1 billion (4.6% of GDP) consolidated public sector primary surplus recorded in 2004. The accumulated consolidated public sector nominal deficit in 2005 was R\$63.6 billion (3.3% of GDP), compared with the R\$47.1 billion (2.7% of GDP) consolidated public sector nominal deficit recorded in 2004.

In January 2006, Brazil's consolidated public sector primary surplus totaled R\$3.1 billion (1.8% of GDP), compared with the R\$11.4 billion (7.5% of GDP) consolidated public sector primary surplus recorded in January 2005. The consolidated public sector nominal deficit in January 2006 was R\$14.9 billion (8.9% of GDP), compared with the R\$902 million (0.6% of GDP) consolidated public sector nominal deficit recorded in January 2005.

On September 20, 2005, the budget directives law (*Lei de Diretrizes Orçamentárias*) was enacted as Law No. 11,178. The law provides that tax revenues administered by the Federal Revenue Secretariat are not to exceed 16% of GDP and that non-financial current expenditures are not to exceed 17% of GDP. The consolidated primary surplus target for 2006 in accordance with Law No. 11,178 is 4.25% of GDP. As of March 15, 2006, the 2006 budget had not yet been approved by the National Congress. Under Law No. 11,178, the Government is

permitted to spend each month up to one-twelfth of the proposed annual expenditure included in the Government's proposed budget pending before Congress.

On February 15, 2006, President da Silva issued Provisional Measure No. 281, which exempts certain foreign investors from a capital gains tax on trading in Brazilian government bonds. The exemption is limited to investment funds that have at least 98% of their assets invested in Brazilian government bonds and in which all of the investors are nonresidents of Brazil. The exemption does not apply to repurchase transactions or to investors that are resident in countries that have no capital gains taxes or that impose such a tax a rate lower than 20%. The exemption is intended to increase the demand for Brazilian government bonds and, by doing so, reduce Brazil's borrowing costs.

---

## Table of Contents

### **Public Debt**

Brazil's net public sector debt stood at R\$1,014.4 billion (or 51.6% of GDP) on January 31, 2006, compared with R\$957.0 billion (or 51.7% of GDP) on December 31, 2004 and R\$1,002.5 billion (or 51.6% of GDP) on December 31, 2005. On January 31, 2006, Brazil's consolidated net public sector external debt was R\$38.2 billion (or 1.9% of GDP).

On December 31, 2005, Brazil's U.S. dollar-indexed federal domestic debt securities totaled approximately R\$26.4 billion (2.7% of all federal domestic debt securities). By contrast, the aggregate principal amount of the federal domestic debt securities indexed to the *Over/Selic* rate rose from R\$449.0 billion (61.4% of all federal domestic debt securities) on December 31, 2003 to R\$463.0 billion (57.1% of all federal domestic debt securities) on December 31, 2004 and R\$507.2 billion (51.8% of all federal domestic debt securities) on December 31, 2005, while fixed rate federal domestic debt securities increased from R\$104.6 billion (14.3% of all federal domestic debt securities) on December 31, 2003 to R\$184.8 billion (22.8% of all federal domestic debt securities) on December 31, 2004 and R\$293.9 billion (30.0% of all federal domestic debt securities) on December 31, 2005.

Brazil's U.S. dollar-indexed federal domestic debt securities, federal domestic debt securities indexed to the *Over/Selic* rate and fixed rate federal domestic debt securities fell to R\$25.1 billion (2.6% of all federal domestic debt securities), R\$487.4 billion (49.5% of all federal domestic debt securities) and R\$283.9 billion (28.8% of all federal domestic debt securities), respectively, on January 31, 2006, while inflation-indexed debt securities rose from R\$152.2 billion (15.5% of all federal domestic debt securities) on December 31, 2005 to R\$188.6 billion (19.2% of all federal domestic debt securities) on January 31, 2006.

In January 2006, the average tenor of Brazil's federal domestic debt securities was 28.8 months, a reduction from the average tenor of 33.2 months in December 2002 and 31.3 months in December 2003, but an increase from the average tenor of 28.1 months in December 2004 and 27.4 months in December 2005. In 2003 and 2004, Brazil's effort to reduce its vulnerability to external shocks by increasing its issuance of federal domestic fixed-rate debt securities contributed to a further reduction of the average maturity of Brazil's domestic debt securities, because Brazil's fixed-rate federal domestic debt securities tend to be short-term securities. For a description of certain external shocks to which Brazil has been subject, see "The Brazilian Economy—Recent Economic Events and Policies". Of the R\$984.9 billion in federal domestic debt securities outstanding on January 31, 2006, 40.6% were scheduled to mature on or before January 31, 2007.

On July 13, 2005, the Central Bank announced that the Government had decided to prepay US\$4.9 billion in obligations owed to the IMF. Brazil made this prepayment on July 22, 2005. On December 27, 2005, Brazil prepaid the 10.8 billion in special drawing rights (SDRs) (based on a basket of key international currencies, equivalent to approximately US\$15.5 billion calculated at the December 13, 2005 US\$/SDR exchange rate) that remained outstanding to the IMF. Under the original schedule, the final repayment of the amounts due to the IMF would have occurred in 2007. Brazil also announced on December 22, 2005 that it would prepay the remaining US\$2.6 billion in debt that it owed to the Paris Club of creditor nations.

On July 18, 2005, Brazil commenced an invitation to holders of its USD Front-Loaded Interest Reduction with

Capitalization Series L Bonds due 2014 (“C Bonds”) to submit offers to exchange such bonds in a modified Dutch auction for 8% Amortizing Global Bonds (“Amortizing Global Bonds”) on the terms and subject to the conditions set forth in Brazil’s prospectus supplement dated July 18, 2005 to the prospectus dated January 5, 2005. The invitation expired at 4:30 p.m., New York City time, on July 21, 2005. Pursuant to the invitation, Brazil issued US\$4,508,571,000 aggregate principal amount of Amortizing Global Bonds in exchange for US\$ 4,272,201,000 aggregate principal amount of C Bonds tendered pursuant to the invitation. A total of US \$5,310,671,000 aggregate principal amount of C Bonds had been outstanding prior to the exchange. The Amortizing Global Bonds were issued on August 1, 2005. The clearing extension of maturity for the Amortizing Global Bonds was 3.75 years. There was no proration and no cash offering. Accordingly, the Amortizing Global Bonds will mature on January 15, 2018. On October 17, 2005, Brazil exercised its rights to redeem the C Bonds at par value.

## Table of Contents

On September 13, 2005, Brazil completed an offering of US\$1.0 billion aggregate principal amount of its 8.75% Global Bonds due 2025.

On September 26, 2005, Brazil completed an additional offering of R\$3,400,000,000 (equivalent at issuance date to approximately US\$1.5 billion) aggregate principal amount of its 12.50% Global BRL Bonds due 2016. The Global BRL Bonds are denominated in *reais*, Brazil's official currency. Principal of and interest on the Global BRL Bonds will be translated into, and payment of such principal and interest will be made in, U.S. dollars. The offering of Global BRL Bonds was the first offering of Brazilian *real*-denominated bonds made by Brazil in the international capital markets.

Brazil completed the following additional offerings since September 26, 2005:

- an offering of US\$500,000,000 aggregate principal amount of its 7.875% Global Bonds due 2015 on November 17, 2005;
- an offering of US\$500,000,000 aggregate principal amount of its 8.25% Global Bonds due 2034 on December 6, 2005;
- an offering of US\$1,000,000,000 aggregate principal amount of its 7.125% Global Bonds due 2037 on January 18, 2006; and
- an offering of €300,000,000 aggregate principal amount of its 7.375% Global Bonds due 2015 on February 3, 2006.

On February 9, 2006, the Government announced that the Brazilian National Treasury, together with the Central Bank of Brazil as its fiscal agent, had initiated a program for the repurchase of certain external debt securities using Brazil's international reserves. The repurchase program targets the Government's external debt securities that are scheduled to mature through 2010, as well as Brazil's Brady bonds. The Government stated that in connection with the repurchase program, it had repurchased US\$2.3 billion aggregate principal amount of its outstanding external debt securities between January 1, 2006 and February 9, 2006. The Brazilian National Treasury intends to cancel all debt securities repurchased under the program. The program is intended to reduce the Government's debt service payments in the intermediate term. The repurchase program is intended to remain in effect until December 31, 2006.

On February 23, 2006, the Government announced that it planned to redeem all of its outstanding Brady Bonds on April 15, 2006, the next scheduled interest payment date under the bonds. A total of US\$6.6 billion aggregate principal amount of bonds is to be redeemed by Brazil on that date. The Brady Bonds were originally issued in connection with a restructuring of Brazilian public sector external debt in 1994.

## **DESCRIPTION OF THE GLOBAL BONDS**

*Brazil will issue the global bonds under the fiscal agency agreement, dated as of November 1, 1996, as amended by Amendment No. 1 thereto, dated as of April 28, 2003, Amendment No. 2 thereto, dated as of March 30, 2004,*

*and Amendment No. 3 thereto, dated as of June 28, 2004, between Brazil and JPMorgan Chase Bank, N.A., as fiscal agent.*

*The following description is a summary of the material provisions of the global bonds and the fiscal agency agreement. Because it is only a summary, the description may not contain all of the information that is important to you as a potential investor in the global bonds. Therefore, Brazil urges you to read the fiscal agency agreement and the form of global bond in making your decision on whether to invest in the global bonds. Brazil has filed a copy of these documents with the SEC and will also deposit copies of these documents at the office of the fiscal agent in New York City.*

## Table of Contents

*The following description of the particular terms of the global bonds offered hereby supplements and replaces any inconsistent information set forth in the description of the general terms and provisions of the debt securities set forth in the prospectus.*

### **General Terms of the Global Bonds**

The global bonds will:

- be issued in an aggregate principal amount of US\$500,000,000.
- mature at par on January 20, 2037.
- bear interest at 7.125% from January 18, 2006, the date on which the previously issued global bonds were issued, calculated on the basis of a 360-day year consisting of twelve 30-day months.
- pay interest semi-annually in arrears in equal installments on January 20 and July 20 of each year, starting on July 20, 2006, to be paid to the person in whose name the global bond is registered at the close of business on the preceding January 5 or July 5.
- be designated Type B “Collective Action Securities” under the fiscal agency agreement, and, as such, will contain provisions which are described in the sections entitled “—Default; Acceleration of Maturity” and “—Amendments and Waivers” in this prospectus supplement and “Collective Action Securities” in the accompanying prospectus. Under these provisions, Brazil may, among other things, amend the payment provisions of the global bonds and certain other terms with the consent of the holders of 75% of the aggregate principal amount of the outstanding global bonds.
- be a further issuance of, and will be consolidated to form a single series with, the US\$1,000,000,000 aggregate principal amount of Brazil’s outstanding 7.125% Global Bonds due 2037 that were previously issued on January 18, 2006.
- be direct, unconditional and general obligations of Brazil and will rank equal in right of payment with all of Brazil’s payment obligations relating to its existing and future unsecured and unsubordinated external indebtedness.
- be recorded on, and transferred through, the records maintained by DTC and its direct and indirect participants, including the Euroclear System plc (“Euroclear”), and Clearstream Banking, Luxembourg, *société anonyme* (“Clearstream, Luxembourg”).
- be issued in fully registered form, without coupons, in minimum denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof.
- be available in definitive form only under certain limited circumstances.
- not be redeemable prior to maturity and are not entitled to the benefit of any sinking fund.

The global bonds will contain provisions regarding acceleration and voting on amendments, modifications, changes and waivers that differ from those applicable to much of Brazil’s outstanding public external



indebtedness and described in the accompanying prospectus. These provisions are commonly referred to as “collective action clauses”. Under these provisions, Brazil may amend certain key terms of the global bonds, including the maturity date, interest rate and other payment terms, with the consent of the holders of not less than 75% of the aggregate principal amount of the outstanding global bonds. Additionally, if an event of default has occurred and is continuing, the global bonds may be declared to be due and payable immediately by holders of not less than 25% of the aggregate principal amount of the outstanding global bonds. Those provisions are described in the sections entitled “—Default; Acceleration of Maturity” and “—Amendments and Waivers” in this prospectus supplement and “Collective Action Securities” in the accompanying prospectus.

### **Payment of Principal and Interest**

As long as the global bonds are in the form of fully registered book-entry securities, registered in the name of DTC or a nominee of DTC, Brazil will make payments of principal and interest on the global bonds in

---

## Table of Contents

U.S. dollars to DTC, which will receive the funds for distribution to the beneficial holders of the global bonds. Brazil expects that holders of the global bonds will be paid in accordance with the procedures of DTC and its direct and indirect participants. Neither Brazil nor the paying agent will have any responsibility or liability for any aspect of the records of, or payments made by, DTC or any failure on the part of DTC in making payments to holders of the global bonds from the funds it receives.

If the global bonds are issued in definitive form and your name is listed as the registered holder of a global bond in the security register maintained by the fiscal agent, Brazil will make its interest and principal payments to you by wire transfer if:

- you own at least US\$1,000,000 aggregate principal amount of the global bonds;
- not less than 15 days before the payment date, you notify the fiscal agent of your election to receive payment by wire transfer and provide it with your bank account information and wire transfer instructions; and
- with respect to principal payments, you surrender the global bonds at the corporate trust office of the fiscal agent or at the offices of the other paying agents that Brazil appoints pursuant to the fiscal agency agreement.

If Brazil does not pay interest by wire transfer as described above for any reason, it will, subject to applicable laws and regulations, mail a check to you on or before the due date for the payment at your address as it appears on the security register maintained by the fiscal agent on the applicable record date.

If any date for an interest or principal payment is a day on which the law at the place of payment permits or requires banking institutions to close, Brazil will make the payment on the next banking day at such place. Brazil will treat such payments as if they were made on the due date, and no interest on the global bonds will accrue as a result of this delay in payment.

If any money that Brazil pays to the fiscal agent for the payment of principal of or interest on the global bonds is not claimed at the end of two years after the principal or interest was due and payable, the fiscal agent will repay the money to Brazil. After any such repayment, the fiscal agent will not be liable with respect to the payments. However, Brazil's obligations to pay the principal of and interest on the global bonds as they become due will not be affected by such repayment. The global bonds will become void unless presented for payment within five years after the maturity date (or a shorter period if provided by applicable law).

### **Default; Acceleration of Maturity**

Any of the following events will be an event of default with respect to the global bonds:

- (a) a default by Brazil in any payment of principal of or interest on the global bonds which continues for 30 days after such payment was due;
- (b) a default which is materially prejudicial to the interests of the holders of the global bonds in the performance of any other obligation under the global bonds which continues for 30 days after the holder of any global bonds

provides to the fiscal agent written notice requiring this default be remedied;

(c) an acceleration of any aggregate principal amount of public external indebtedness of Brazil, which exceeds US\$25,000,000 (or its equivalent in any other currency), by reason of an event of default arising from Brazil's failure to make any payment of principal or interest under this public external indebtedness when due;

(d) a failure of Brazil to make any payment in respect of the public external indebtedness of Brazil in an aggregate principal amount in excess of US\$25,000,000 (or its equivalent in any other currency) when due (as

---

## **Table of Contents**

such date may be extended by virtue of any applicable grace period or waiver), which continues for 30 days after the holder of any global bonds provides to the fiscal agent written notice requiring this default be remedied;

(e) a declaration by Brazil of a moratorium with respect to the payment of principal of or interest on public external indebtedness of Brazil which does not expressly exclude the global bonds and which is materially prejudicial to the interests of the holder of the global bonds; or

(f) a denial or repudiation by Brazil of its obligations under the global bonds.

If an event of default described above occurs and is continuing, the holders of at least 25% of the aggregate principal amount of the outstanding global bonds may, by notice to the fiscal agent, declare all the global bonds to be due and payable immediately. Holders of global bonds may exercise these rights only by providing a written demand to Brazil and the fiscal agent at a time when the event of default is continuing.

Upon any declaration of acceleration, the principal, interest and all other amounts payable on the global bonds will be immediately due and payable on the date Brazil receives written notice of the declaration, unless Brazil has remedied the event or events of default prior to receiving the notice. The holders of 66 2/3% or more of the aggregate principal amount of the outstanding global bonds may rescind a declaration of acceleration if the event or events of default giving rise to the declaration have been cured or waived.

### **Paying Agents and Transfer Agents**

Until the global bonds are paid, Brazil will maintain a paying agent in New York City. Brazil has initially appointed JPMorgan Chase Bank, N.A. to serve as its paying agent and transfer agent in New York City.

In addition, so long as the global bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, Brazil will maintain a paying agent and transfer agent in Luxembourg. Brazil has initially appointed J.P. Morgan Bank Luxembourg S.A. to serve as its Luxembourg paying agent and transfer agent.

Brazil may at any time appoint new paying agents and transfer agents. Brazil will promptly provide notice (as described under “—Notices”) of the termination or appointment of, or of any change in the office of, any paying agent or transfer agent.

### **Definitive Securities**

Brazil will issue global bonds in definitive form in exchange for the book-entry securities only if:

- DTC notifies Brazil that it is unwilling, unable or no longer qualified to continue to act as depositary or ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934 at a time when it is required to be and Brazil does not appoint a successor depositary within 90 days;
- at any time Brazil decides it no longer wishes to have all or part of the global bonds represented by a book-entry security; or
- an event of default has occurred and is continuing with respect to the global bonds.

If Brazil issues definitive securities, they will have the same terms and authorized denominations as the book-entry security. You may present definitive securities for transfer, exchange or payment at the corporate trust office of the fiscal agent in New York City or at the office of the Luxembourg paying agent and transfer agent, according to the procedures in the fiscal agency agreement, and, in the case of definitive securities presented for payment, principal and interest thereon will be payable at the offices of either the fiscal agent in New York City or the Luxembourg paying agent and transfer agent, *provided* that interest thereon may be paid by check mailed to the registered holders of definitive securities. In the case of a transfer of part of a definitive security, the registrar or transfer agent will issue a new definitive security to the transferee and a second

## Table of Contents

definitive security in respect of the balance of the definitive security to the transferor. Definitive securities presented for transfer must be accompanied by an executed instrument of assignment and transfer, copies of which are available at the office of the Luxembourg transfer agent. You will not be charged a fee for the registration of transfers or exchanges of definitive securities. You may, however, be charged for any stamp, tax or other governmental charge that must be paid in connection with the transfer, exchange or registration. Brazil, the fiscal agent and any other agent of Brazil may treat the person in whose name any definitive security is registered as the owner of such security for all purposes.

If any definitive security becomes mutilated, destroyed, stolen or lost, you can have it replaced by delivering the definitive security or the evidence of its loss, theft or destruction to the fiscal agent or the Luxembourg transfer agent. Brazil and the fiscal agent may require you to sign an indemnity under which you agree to pay Brazil, the fiscal agent or any other agent of Brazil for any losses that they may suffer relating to the definitive security that was mutilated, destroyed, stolen or lost. Brazil and the fiscal agent may also require you to present other documents or proof. After you deliver these documents, if neither Brazil nor the fiscal agent have notice that a *bona fide* purchaser has acquired the definitive security you are exchanging, Brazil will execute, and the fiscal agent will authenticate and deliver to you, a substitute definitive security with the same terms as the definitive security you are exchanging. You will be required to pay all expenses and reasonable charges associated with the replacement of the mutilated, destroyed, stolen or lost definitive security.

### **Notices**

Brazil will publish notices to the holders of the global bonds in a leading newspaper having general circulation in London and New York. Brazil expects that it will make such publication in the *Financial Times* and *The Wall Street Journal*. So long as the global bonds are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, Brazil will also publish notices to the holders of the global bonds in a leading newspaper having general circulation in Luxembourg or arrange to make such notices available on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>. If Brazil elects to publish notices in Luxembourg, Brazil expects that it will initially make such publication in the *d'Wort*. If publication in a leading newspaper in Luxembourg is not practicable, Brazil will publish such notices in one other leading English language daily newspaper with general circulation in Europe. Brazil will consider a notice to be given on the date of its first publication.

In the case of the book-entry securities, notices also will be sent to DTC or its nominee as the holder thereof, and DTC will communicate such notices to DTC participants in accordance with its standard procedures.

### **Further Issues of the Global Bonds**

From time to time, without the consent of holders of the global bonds, and subject to the required approvals under Brazilian law, Brazil may create and issue additional debt securities with the same terms and conditions as those of the global bonds (or the same except for the amount of the first interest payment and the issue price), *provided* that such additional debt securities do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such debt securities are subject to the U.S. federal tax laws), a greater amount of

original issue discount than the global bonds have as of the date of issuance of such additional debt securities. Brazil may also consolidate the additional debt securities to form a single series with the outstanding global bonds.

### **Amendments and Waivers**

Brazil, the fiscal agent and the holders may generally modify or take actions with respect to the fiscal agency agreement or the terms of the global bonds with:

- the affirmative vote of the holders of not less than 66 2/3% in aggregate principal amount of the outstanding global bonds that are represented at a duly called and held meeting; or

## Table of Contents

- the written consent of the holders of 66 2/3% in aggregate principal amount of the outstanding global bonds.

However, the holders of not less than 75% in aggregate principal amount of the outstanding global bonds, voting at a meeting or by written consent, must consent to any amendment, modification, change or waiver with respect to the global bonds that would:

- change the due date for the payment of the principal of, or any installment of interest on, the global bonds;
- reduce the principal amount of the global bonds;
- reduce the portion of the principal amount that is payable in the event of an acceleration of the maturity of the global bonds;
- reduce the interest rate of the global bonds;
- change the currency in which any amount in respect of the global bonds is payable or the place or places in which such payment is to be made;
- permit early redemption of the global bonds;
- change the definition of “outstanding” with respect to the global bonds;
- change Brazil’s obligation to pay any additional amounts;
- change the governing law provision of the global bonds;
- change Brazil’s appointment of an agent for the service of process, agreement not to raise certain defenses based on its sovereign immunity or agreement to submit to arbitration in respect of disputes relating to the global bonds;
- change the status of the global bonds, as described under “Debt Securities—Status of the Debt Securities” in the prospectus;
- in connection with an offer to acquire all or any portion of the global bonds, amend any event of default under the global bonds; or
- reduce the proportion of the principal amount of the global bonds that is required:
  - to modify, amend or supplement the fiscal agency agreement or the terms and conditions of the global bonds; or
  - to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action.

We refer to the above subjects as “reserved matters”. A change to a reserved matter, including the payment terms of the global bonds, can be made without your consent, as long as a supermajority of the holders (that is, the holders of at least 75% in aggregate principal amount of the outstanding global bonds) agrees to the change.



If both Brazil and the fiscal agent agree, they may, without your consent, modify, amend or supplement the fiscal agency agreement or the global bonds for the purpose of:

- adding to the covenants of Brazil;
- surrendering any right or power conferred upon Brazil;
- securing the global bonds pursuant to the requirements of the global bonds or otherwise;
- correcting or supplementing any defective provision contained in the fiscal agency agreement or in the global bonds; or

## Table of Contents

- amending the fiscal agency agreement or the global bonds in any manner which Brazil and the fiscal agent may determine and that does not adversely affect the interest of any holder of the global bonds in any material respect.

Any modification, amendment or supplement approved in the manner described in this section shall be binding on the holders of the global bonds.

For purposes of determining whether the required percentage of holders of global bonds is present at a meeting of holders for quorum purposes or has approved any amendment, modification or change to, or waiver of, the global bonds or the fiscal agency agreement, or whether the required percentage of holders has delivered a notice of acceleration of the global bonds, global bonds owned, directly or indirectly, by Brazil or any public sector instrumentality of Brazil will be disregarded and deemed not to be “outstanding”, except that in determining whether the fiscal agent shall be protected in relying upon any amendment, modification, change or waiver, or any notice from holders, only global bonds that the fiscal agent knows to be so owned shall be so disregarded. As used in this paragraph, “public sector instrumentality” means Banco Central do Brasil, any department, ministry or agency of the federal government of Brazil or any corporation, trust, financial institution or other entity owned or controlled by the federal government of Brazil or any of the foregoing, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

Please refer to the section entitled “Meetings and Amendments” in the prospectus for information on the procedures for convening and conducting meetings of the holders of global bonds.

## **GLOBAL CLEARANCE AND SETTLEMENT**

*Brazil has obtained the information in this section from sources it believes to be reliable, including from DTC, Euroclear and Clearstream, Luxembourg, and Brazil takes responsibility for the accurate reproduction of this information. Brazil takes no responsibility, however, for the accuracy of this information. DTC, Euroclear and Clearstream, Luxembourg are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither Brazil nor the fiscal agent will be responsible for DTC's, Euroclear's or Clearstream, Luxembourg's performance of their obligations under their rules and procedures. Nor will Brazil or the fiscal agent be responsible for the performance by direct or indirect participants of their obligations under their rules and procedures.*

### **Introduction**

The Depository Trust Company

DTC is:

- a limited-purpose trust company organized within the meaning of the New York Banking Law;

- a “banking organization” under the New York Banking Law;
- a member of the Federal Reserve System;
- a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between its participants. It does this through electronic book-entry changes in the accounts

## Table of Contents

of its direct participants, eliminating the need for physical movement of securities certificates. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange and the National Association of Securities Dealers, Inc.

The laws of some states require certain purchasers of securities to take physical delivery of the securities in definitive form. These laws may impair your ability to transfer beneficial interests in the global bonds to such purchasers. DTC can act only on behalf of its direct participants, who in turn act on behalf of indirect participants and certain banks. Thus, your ability to pledge beneficial interests in the global bonds to persons that do not participate in the DTC system, and to take other actions, may be limited because you will not possess a physical certificate that represents your interest.

### *Euroclear and Clearstream, Luxembourg*

Like DTC, Euroclear and Clearstream, Luxembourg hold securities for their participants and facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in their accounts. Euroclear and Clearstream, Luxembourg provide various services to their participants, including the safekeeping, administration, clearance and settlement, and lending and borrowing of internationally traded securities. Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and other organizations. The underwriters are participants in Euroclear or Clearstream, Luxembourg. Other banks, brokers, dealers and trust companies have indirect access to Euroclear or Clearstream, Luxembourg by clearing through or maintaining a custodial relationship with Euroclear or Clearstream, Luxembourg participants.

### *Ownership of the Global Bonds through DTC, Euroclear and Clearstream, Luxembourg*

Brazil will issue the global bonds in the form of one or more fully registered book-entry securities, registered in the name of Cede & Co., a nominee of DTC. Financial institutions, acting as direct and indirect participants in DTC, will represent your beneficial interests in the book-entry securities. These financial institutions will record the ownership and transfer of your beneficial interests through book-entry accounts. You may hold your beneficial interests in the book-entry securities through Euroclear or Clearstream, Luxembourg, if you are a participant in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream, Luxembourg will hold their participants' beneficial interests in the book-entry securities in their customers' securities accounts with their depositaries. These depositaries of Euroclear and Clearstream, Luxembourg in turn will hold such interests in their customers' securities accounts with DTC.

Brazil and the fiscal agent generally will treat the registered holder of the global bonds, initially Cede & Co., as the absolute owner of the global bonds for all purposes. Once Brazil and the fiscal agent make payments to the registered holders, Brazil and the fiscal agent will no longer be liable on the global bonds for the amounts so paid. Accordingly, if you own a beneficial interest in the book-entry securities, you must rely on the procedures of the institutions through which you hold your interests in the book-entry securities (including DTC, Euroclear, Clearstream, Luxembourg, and their participants) to exercise any of the rights granted to the holder of the book-entry securities. Under existing industry practice, if you desire to take any action that Cede & Co., as the holder

of such book-entry securities, is entitled to take, then Cede & Co. would authorize the DTC participant through which you own your beneficial interest to take such action, and that DTC participant would then either authorize you to take the action or act for you on your instructions.

DTC may grant proxies or authorize its participants (or persons holding beneficial interests in the global bonds through such participants) to exercise any rights of a holder or take any other actions that a holder is entitled to take under the fiscal agency agreement or the global bonds. Euroclear's or Clearstream, Luxembourg's ability to take actions as a holder under the global bonds or the fiscal agency agreement will be limited by the ability of their respective depositaries to carry out such actions for them through DTC. Euroclear and Clearstream, Luxembourg will take such actions only in accordance with their respective rules and procedures.

## Table of Contents

You may incur fees for the maintenance and operation of the book-entry accounts with the clearing systems in which your beneficial interests are held.

### **Transfers Within and Between DTC, Euroclear and Clearstream, Luxembourg**

Since the purchaser determines the place of delivery, it is important for you to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be on the desired value date. Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the following procedures in order to facilitate transfers of interests in the book-entry security among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. Neither Brazil nor the fiscal agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

#### *Trading Between DTC Purchasers and Sellers*

DTC participants will transfer interests in the global bonds among themselves in the ordinary way according to DTC rules governing global securities issues.

#### *Trading Between Euroclear and/or Clearstream, Luxembourg Participants*

Participants in Euroclear and Clearstream, Luxembourg will transfer interests in the global bonds among themselves in the ordinary way according to the rules and operating procedures of Euroclear and Clearstream, Luxembourg governing conventional Eurobonds.

#### *Trading Between a DTC Seller and a Euroclear or Clearstream, Luxembourg Purchaser*

When the global bonds are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg participant, the purchaser must first send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its depository to receive the global bonds and make payment for them. On the settlement date, the depository will make payment to the DTC participant's account and the global bonds will be credited to the depository's account. After settlement has been completed, DTC will credit the global bonds to Euroclear or Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg will credit the global bonds, in accordance with its usual procedures, to the participant's account, and the participant will then credit the purchaser's account. These securities credits will appear the next day (European time) after the settlement date. The cash debit from the account of Euroclear or Clearstream, Luxembourg will be back-valued to the value date (which will be the preceding day if settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the cash debit will instead be valued at the actual settlement date.

Participants in Euroclear and Clearstream, Luxembourg will need to make funds available to Euroclear or Clearstream, Luxembourg in order to pay for the global bonds by wire transfer on the value date. The most direct

way of doing this is to pre-position funds (i.e., have funds in place at Euroclear or Clearstream, Luxembourg before the value date), either from cash on hand or existing lines of credit. Under this approach, however, participants may take on credit exposure to Euroclear and Clearstream, Luxembourg until the global bonds are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to a participant, the participant may decide not to pre-position funds, but to allow Euroclear or Clearstream, Luxembourg to draw on the line of credit to finance settlement for the global bonds. Under this procedure, Euroclear or Clearstream, Luxembourg would charge the participant overdraft charges for one day, assuming that the overdraft would be cleared when the global bonds were credited to the participant's account. However, interest on the global bonds

## Table of Contents

would accrue from the value date. Therefore, in many cases the interest income on global bonds which the participant earns during that one-day period will substantially reduce or offset the amount of the participant's overdraft charges. Of course, this result will depend on the cost of funds (i.e., the interest rate that Euroclear or Clearstream, Luxembourg charges) to each participant.

Since the settlement will occur during New York business hours, a DTC participant selling an interest in the global bonds can use its usual procedures for transferring global bonds to the depositaries of Euroclear or Clearstream, Luxembourg for the benefit of Euroclear or Clearstream, Luxembourg participants. The DTC seller will receive the sale proceeds on the settlement date. Thus, to the DTC seller, a cross-market sale will settle no differently than a trade between two DTC participants.

### *Trading Between a Euroclear or Clearstream, Luxembourg Seller and DTC Purchaser*

Due to time zone differences in their favor, Euroclear and Clearstream, Luxembourg participants can use their usual procedures to transfer global bonds through their depositaries to a DTC participant. The seller must first send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its depository to credit the global bonds to the DTC participant's account and receive payment. The payment will be credited in the account of the Euroclear or Clearstream, Luxembourg participant on the following day, but the receipt of the cash proceeds will be back-valued to the value date (which will be the preceding day if settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the receipt of the cash proceeds will instead be valued at the actual settlement date.

If the Euroclear or Clearstream, Luxembourg participant selling the global bonds has a line of credit with Euroclear or Clearstream, Luxembourg and elects to be in debit for the global bonds until it receives the sale proceeds in its account, then the back-valuation may substantially reduce or offset any overdraft charges that the participant incurs over that one-day period.

Finally, a day trader that uses Euroclear or Clearstream, Luxembourg and that purchases global bonds from a DTC participant for credit to a Euroclear or Clearstream, Luxembourg accountholder should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

- borrowing through Euroclear or Clearstream, Luxembourg for one day (until the purchase side of the day trade is reflected in its Euroclear or Clearstream, Luxembourg account) in accordance with the clearing system's customary procedures;
- borrowing the global bonds in the United States from a DTC participant no later than one day prior to settlement which would give the global bonds sufficient time to be reflected in the borrower's Euroclear or Clearstream, Luxembourg account in order to settle the sale side of the trade; or



- staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear or Clearstream, Luxembourg accountholder.

## TAXATION

### **Brazilian Taxation**

*The following is a summary of certain Brazilian federal income taxation considerations that may be relevant to a prospective non-Brazilian investor in the global bonds. The summary is based on Brazilian laws, rules and regulations in effect on the date of this prospectus supplement, all of which are subject to change, possibly with retroactive effect. This summary is not intended to constitute a complete analysis of the Brazilian income tax consequences to non-residents of Brazil of the purchase, receipt, ownership or disposition of the global bonds. This summary does not describe any of the tax consequences that may be applicable to residents of Brazil.*

---

## **Table of Contents**

**Prospective purchasers of the global bonds should consult their own tax advisors to determine the tax consequences arising from the purchase, ownership and disposition of the global bonds.**

Unless a non-Brazilian holder of a global bond has some connection with Brazil other than the mere holding of a global bond or the receipt of principal or interest in respect of a global bond, payments of interest and principal on a global bond to that non-Brazilian holder will be made free and clear of, and without deduction for or on account of, Brazilian taxes.

Capital gains resulting from any trades of global bonds effected between or in respect of accounts maintained by or on behalf of non-residents of Brazil will not be subjected to Brazilian income tax or other Brazilian taxes if these non-residents have no connection with Brazil other than as holders of an interest in the global bonds.

Payments of interest and principal on the global bonds to, and any gain realized upon the disposition of global bonds by, non-Brazilian holders of global bonds will not be subject to Brazilian estate tax.

### **United States Federal Income and Estate Taxation**

*The following is a summary of certain United States federal income and estate tax considerations that may be relevant to a beneficial owner of a global bond who purchases the global bonds in the offering at the offering price. The summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as in effect on the date of this prospectus supplement. All of these laws and authorities are subject to change at any time, perhaps with retroactive effect. No assurances can be given that any changes in these laws or authorities will not affect the accuracy of the discussions set forth in this summary.*

*This summary deals only with beneficial owners that hold the global bonds as capital assets as defined in the United States federal tax laws. This summary does not address tax considerations applicable to special classes of holders, such as:*

- dealers in securities or currencies, certain securities traders, banks, tax-exempt organizations and life insurance companies;*
- traders in securities that elect to mark to market;*
- persons that hold global bonds as part of a hedging transaction or a position in a straddle or conversion transaction; and*
- United States Holders (as defined below) whose functional currency is not the U.S. dollar.*

**Prospective purchasers of global bonds should consult their own tax advisors concerning the consequences in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of the ownership of global bonds.**

### *Definition of United States Holder*

A “United States Holder” is a beneficial owner of global bonds who or that is:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate the income of which is subject to United States federal income tax without regard to its source;  
or
- a trust if a court within the United States is able to exercise primary supervision over the administration of that trust and one or more United States persons have the authority to control all substantial decisions of the trust.

## Table of Contents

### *United States Holders*

The following discussion applies to you if you are a United States Holder.

#### *Payments of Interest*

Stated interest on a global bond will be taxable to a United States Holder as ordinary income at the time it is received or accrued, depending on the United States Holder's method of accounting for tax purposes. A United States Holder who purchases a global bond at a price in excess of its principal amount, including a United States Holder who purchases at the public offering price, will be treated as having purchased that global bond at a premium, and may elect to treat that premium as "amortizable bond premium." A United States Holder who makes that election will reduce the amount of interest included in income for each accrual period by the portion of the premium allocable to that period based upon the global bond's yield to maturity. A United States Holder who elects to amortize bond premium will be required to apply that election to all debt instruments the interest on which is not excludible from gross income ("Fully Taxable Bonds") held by the holder at the beginning of the first taxable year to which the election applies and to all Fully Taxable Bonds the holder later acquires. Once made, this election may not be revoked without the consent of the Internal Revenue Service.

Interest paid by Brazil on the global bonds will constitute income from sources outside the United States and under the foreign tax credit rules, interest paid in taxable years beginning before January 1, 2007, with certain exceptions, will be "passive" or "financial services" income, while interest paid in taxable years beginning after December 31, 2006 will, depending on your circumstances, be "passive" or "general" income, which, in either case, is treated separately from other types of income for purposes of computing the foreign tax credit allowable to a United States Holder under the United States federal income tax laws.

#### *Purchase, Sale, Redemption and Retirement of the Global Bonds*

A United States Holder's adjusted tax basis in a global bond will generally be its cost. A United States Holder will generally recognize capital gain or loss on the sale, redemption or retirement of a global bond equal to the difference between the amount realized (not including any amounts attributable to accrued but unpaid interest) on the sale, redemption or retirement and the holder's tax basis in the global bond. That capital gain or loss will be long-term capital gain or loss if the global bond was held for more than one year. Under current law, net capital gains of individuals may be taxed at lower rates than items of ordinary income. The ability of a United States Holder to offset capital losses against ordinary income is limited. Any gain or loss recognized by a United States Holder on the sale, redemption or retirement of a global bond generally will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes.

### *Non-United States Holders*

The following discussion applies to you if you are not a United States person for United States federal income tax purposes (a "Non-United States Holder").

#### *Interest on the Global Bonds*

Subject to the discussion of backup withholding below, a Non-United States Holder will not be subject to United States federal income tax, including withholding tax, on payments of interest unless that holder:

- is an insurance company carrying on a U.S. insurance business to which the interest is attributable within the meaning of the United States federal tax laws; or
- has an office or other fixed place of business in the United States to which the interest is attributable and the interest is derived in the active conduct of a banking, financing or similar business within the United States.

---

## Table of Contents

### *Disposition of the Global Bonds*

Subject to the discussion of backup withholding below, a Non-United States Holder will not be subject to United States federal income tax on any capital gain realized on the sale or exchange of the global bonds unless:

- that gain or income is effectively connected with the conduct by that Non-United States Holder of a trade or business within the United States; or
- in the case of a Non-United States Holder who is an individual, that Non-United States Holder is present in the United States for a total of 183 days or more during the taxable year in which that gain or income is realized, and either:
  - that gain is attributable to an office or fixed place of business maintained in the United States by that Non-United States Holder; or
  - that Non-United States Holder has a tax home in the United States.

### *Estate Tax*

The global bonds will be treated as situated outside the United States for purposes of the United States federal estate tax. Thus, for purposes of that tax, the global bonds will not be included in the gross estate of an individual in the case of a nonresident of the United States who was not a citizen of the United States at the time of death if income on the global bonds would not have been effectively connected with a United States trade or business at the time of the individual's death.

### *Backup Withholding and Information Reporting*

In general, information reporting requirements will apply to payments of principal of and interest on the global bonds to non-corporate United States Holders if those payments are made within the United States or by or through a custodian or nominee that is a United States Controlled Person, as defined below. Backup withholding will apply to those payments if such a United States Holder fails to provide an accurate taxpayer identification number or, in the case of interest payments, fails to certify that it is not subject to backup withholding or is notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States federal income tax returns. Payments of principal and interest to beneficial owners who are Non-United States Holders generally will not be subject to information reporting and backup withholding, but those holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on United States Internal Revenue Service Forms W-8BEN.

The payment of proceeds of a sale or redemption of global bonds effected at the U.S. office of a broker will generally be subject to the information reporting and backup withholding rules described above. In addition, the information reporting rules will apply to payments or proceeds of a sale or redemption effected at a foreign office of a broker that is a United States Controlled Person, unless the broker has documentary evidence that the holder or beneficial owner is not a United States Holder (and has no actual knowledge or reason to know to the contrary) or the holder or beneficial owner otherwise establishes an exemption.

A payment to a foreign partnership is treated, with some exceptions, for backup withholding purposes as a payment directly to the partners, so that the partners are required to provide any required certifications. If you hold a global bond through a partnership or other pass-through entity, you should consult your own tax advisors regarding the application of these rules to your situation.

A “United States Controlled Person” is:

- a United States person (as defined in the United States Treasury regulations);
- a controlled foreign corporation for United States federal income tax purposes;
- a foreign person 50% or more of whose gross income is derived for tax purposes from a U.S. trade or business for a specified three-year period; or
- a foreign partnership in which United States persons hold more than 50% of the income or capital interests or which is engaged in a U.S. trade or business.

## Table of Contents

Any amounts withheld under the backup withholding rules from a payment to a holder of a global bond generally will be allowed as a refund or a credit against the holder's United States federal income tax liability as long as the holder provides the required information to the Internal Revenue Service.

### **EU Savings Directive**

Under the EU Savings Directive Member States of the European Union are required, as from July 1, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a paying agent within its jurisdiction to an individual or a Residual Entity resident or established in another Member State. The same regime applies to payments to individuals or Residual Entities resident in any of the following territories: Netherlands Antilles, Aruba, Guernsey, Jersey, the Isle of Man, Montserrat and the British Virgin Islands. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither Brazil nor the fiscal agent, any paying agent or any other person would be obliged to pay additional amounts with respect to any global bond as a result of the imposition of such withholding tax.

## **UNDERWRITING**

Brazil and the underwriters for the offering named below have entered into an underwriting agreement dated March 16, 2006 with respect to the global bonds. Subject to certain conditions, each underwriter has severally agreed to purchase the principal amount of the global bonds indicated in the following table:

<u>Underwriter</u>	<u>Principal Amount</u>
HSBC Securities (USA) Inc.	US\$245,000,000
J.P. Morgan Securities Inc.	US\$245,000,000
Itau Securities Inc.	US\$ 10,000,000
Total	<u>US\$500,000,000</u>

Global bonds sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement, plus accrued interest from January 18, 2006. If all global bonds are not sold at such public offering price, the underwriters may change the offering price and the other selling terms.

Brazil has been advised by the underwriters that the underwriters intend to make a market in the global bonds but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the global bonds.

The global bonds are offered for sale in those jurisdictions where it is legal to make such offers. Only offers and sales of the global bonds in the United States, as part of the initial distribution thereof or in connection with resales thereof under circumstances where this prospectus supplement and the accompanying prospectus must be



delivered, are made pursuant to the registration statement, of which the prospectus, as supplemented by this prospectus supplement, forms a part.

In connection with the offering, the underwriters may purchase and sell the global bonds in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater aggregate principal amount of global bonds than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the global bonds while the offering is in progress. The underwriters also may impose a penalty bid. This occurs when a particular

## Table of Contents

underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased global bonds sold by or for the account of such underwriter in stabilizing or short covering transactions. These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the global bonds. As a result, the price of the global bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the Luxembourg Stock Exchange, in the over-the-counter market or otherwise.

The underwriters are relying on an exemption obtained from the SEC from Rule 101 of Regulation M under the U.S. Securities Exchange Act of 1934, as amended, with respect to the trading activities of the underwriters and certain of their affiliates in connection with the offering.

The underwriters have specifically agreed to act as follows in each of the following places:

European Economic Area: In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each of the underwriters has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of the global bonds to the public in that Relevant Member State prior to the publication of a prospectus in relation to the global bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the global bonds to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances which do not require the publication by Brazil of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of the global bonds to the public” in relation to any global bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the global bonds to be offered so as to enable an investor to decide to purchase or subscribe the global bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom: Each of the underwriters has confirmed that it has complied and will comply with all

applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the global bonds in, from or otherwise involving the United Kingdom.

France: Each of the underwriters has represented and agreed that:

- it has only made and will only make an offer of the global bonds to the public (appel public à l'épargne) in France in the period beginning (1) when a prospectus in relation to the global bonds has been approved by the Autorité des marchés financiers (AMF), on the date of such publication or, (2) when a prospectus has been approved in another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, all in accordance with articles L.412-1 and L.621-8 of the French Code monétaire et financier and the Règlement général of the AMF, and ending at the latest on the date which is 12 months after the date of such publication; or

## Table of Contents

- it has only made and will only make an offer of the global bonds to the public in France (appel public à l'épargne) and/or it has only required and will only require the admission to trading on Euronext Paris S.A. in circumstances which do not require the publication by Brazil of a prospectus pursuant to articles L.411-2 and L.412-1 of the French Code monétaire et financier; and

otherwise, it has not offered or sold and will not offer or sell, directly or indirectly, the global bonds to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus or any other offering material relating to the global bonds, and that such offers, sales and distributions have been and shall only be made in France to (1) providers of investment services relating to portfolio management for the account of third parties, and/or (2) qualified investors (investisseurs qualifiés), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French Code monétaire et financier.

Brazil estimates that its share of the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately US\$115,000.

Purchasers of the global bonds may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the price to the public set forth on the cover of this prospectus supplement.

The underwriters and their respective affiliates have, from time to time, performed, and may in the future perform various financial advisory, commercial banking and investment banking services for Brazil, for which they received or will receive customary fees and expenses. These transactions and services are carried out in the ordinary course of business.

Brazil has agreed to indemnify the several underwriters against certain liabilities, including liabilities under the U.S. Securities Act of 1933, as amended.

### **VALIDITY OF THE GLOBAL BONDS**

The validity of the global bonds will be passed upon for Brazil by Manoel Felipe Rêgo Brandão, the *Procurador-Geral da Fazenda Nacional* (Attorney General of the National Treasury) or another duly authorized Attorney of the National Treasury and by Arnold & Porter LLP, New York, New York, United States counsel to Brazil, and for the underwriters by Sullivan & Cromwell LLP, New York, New York, United States counsel to the underwriters, and Pinheiro Neto Advogados, São Paulo, SP, Brazil, Brazilian counsel to the underwriters.

As to all matters of Brazilian law, Arnold & Porter LLP may rely on the opinion of the Attorney General of the National Treasury (or such other Attorney of the National Treasury), and Sullivan & Cromwell LLP may rely on the opinion of Pinheiro Neto Advogados. As to all matters of United States law, the Attorney General of the National Treasury (or such other Attorney of the National Treasury) may rely on the opinion of Arnold & Porter LLP, and Pinheiro Neto Advogados may rely on the opinion of Sullivan & Cromwell LLP. Certain statements with respect to matters of Brazilian law in this prospectus supplement and the prospectus have been passed upon

by the Attorney General of the National Treasury or another duly authorized Attorney of the National Treasury, and are made upon his authority.

### **OFFICIAL STATEMENTS AND DOCUMENTS**

Information included in this prospectus supplement which is identified as being derived from a publication of, or supplied by, Brazil or one of its agencies or instrumentalities is included on the authority of that publication as a public official document of Brazil. All other information in this prospectus supplement is included as a public official statement made on the authority of Antonio Palocci Filho, Minister of Finance.

S-30

## [Table of Contents](#)

### **GENERAL INFORMATION**

#### **Due Authorization**

Brazil has authorized the creation and issue of the global bonds pursuant to Senate Resolution No. 20 of the Federal Senate of Brazil dated November 16, 2004, enacted pursuant to Article 52 of the Constitution of the Federative Republic of Brazil.

#### **Listing and Listing Agent**

Application has been made to list the global bonds on the Luxembourg Stock Exchange and to have the global bonds, together with the previously issued global bonds, trade on the Euro MTF Market, the alternative market of the Luxembourg Stock Exchange. The Luxembourg listing agent is J.P. Morgan Bank Luxembourg S.A., 6, route de Trèves, L-2633 Senningerberg, Luxembourg.

#### **Litigation**

Neither Brazil nor any governmental agency of Brazil is involved in any litigation or arbitration or administrative proceeding relating to claims or amounts which are material in the context of the issue of the global bonds and which would materially and adversely affect Brazil's ability to meet its obligations under the global bonds and the fiscal agency agreement with respect to the global bonds. No such litigation or arbitration or administrative proceeding is pending, or, so far as Brazil is aware, threatened.

#### **Documents Relating to the Global Bonds**

Copies of the fiscal agency agreement and the form of global bond may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the specified offices of the fiscal agent and paying agents.

#### **Where You Can Find More Information**

Brazil has filed its annual report for 2004 on Form 18-K (except for certain exhibits) with the SEC. You may request copies of this annual report, including its various exhibits and amendments filed from time to time, by contacting the Brazilian Embassy, 3006 Massachusetts Avenue, N.W., Washington, DC 20008, Attn: Finance Section (telephone: (202) 238-2745). Brazil's SEC filings are also available to the public from the SEC's website at <http://www.sec.gov>.

The annual report for 2004 on Form 18-K, each additional amendment to that annual report and each subsequent annual report on Form 18-K that Brazil files with the SEC after the date of this prospectus supplement but before the end of the offering of the global bonds are considered part of and incorporated by reference in this prospectus supplement. You may obtain a copy of all such documents, free of charge, at the office of the listing agent in Luxembourg.

#### **Information on Brazil**

For so long as any global bonds are listed on the Luxembourg Stock Exchange, copies of the most recent monthly press releases of the Central Bank of Brazil in the English language relating to fiscal policy, the foreign sector and monetary policy, or if such monthly press releases cease to be published, comparable economic information of the Central Bank of Brazil, and any document incorporated by reference in this prospectus supplement may be obtained free of charge at the office of the listing agent for the global bonds and at the office of the fiscal agent during usual business hours on any day (Saturdays, Sundays and public holidays excepted).

### **Clearing**

The global bonds have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg (Common Code: 024104117; ISIN: US105756BK57; CUSIP No.: 105756 BK 5).

[Table of Contents](#)

**PROSPECTUS**

**FEDERATIVE REPUBLIC OF BRAZIL**

**\$8,000,000,000**

**Debt Securities  
Warrants**

---

Brazil may offer up to \$8,000,000,000 (or its equivalent in other currencies) aggregate principal amount of its debt securities with or without warrants or other similar securities to purchase, sell or exchange debt securities.

Brazil may offer any combination of debt securities and/or warrants from time to time in one or more offerings. Brazil will provide specific terms of these securities in supplements to this prospectus. You should read this prospectus and any prospectus supplement carefully before you invest.

Brazil may sell the securities directly, through agents designated from time to time or through underwriters or dealers.

---

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

**You should rely only on the information contained or incorporated by reference in this prospectus or any prospectus supplement. Brazil has not authorized anyone to provide you with different or additional information. Brazil is not making an offer of these debt securities or warrants in any place where the offer is not permitted by law. You should not assume that the information in this prospectus or any prospectus supplement or any document incorporated by reference is accurate as of any date other than the date on the front of those documents.**

---

The date of this prospectus is October 24, 2005.



## Table of Contents

### TABLE OF CONTENTS

	<u>Page</u>
<u>Where You Can Find More Information</u>	1
<u>Data Dissemination</u>	1
<u>Use of Proceeds</u>	1
<u>Debt Securities</u>	1
<u>Collective Action Securities</u>	1
<u>Warrants</u>	1
<u>Governing Law</u>	1
<u>Arbitration and Enforceability</u>	1
<u>Plan of Distribution</u>	1
<u>Validity of the Securities</u>	1
<u>Official Statements</u>	1
<u>Authorized Representative</u>	1

### WHERE YOU CAN FIND MORE INFORMATION

Brazil voluntarily files annual reports with the Securities and Exchange Commission, or the SEC. These reports and any amendments to these reports include certain financial, statistical and other information about Brazil, and may be accompanied by exhibits. You may read and copy any document Brazil files with the SEC at the SEC's public reference room in Washington, D.C. Brazil's SEC filings are also available to the public from the SEC's website at <http://www.sec.gov>. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room or log on to [www.sec.gov](http://www.sec.gov).

The SEC allows Brazil to "incorporate by reference" the information Brazil files with it. This means that Brazil can disclose important information to you by referring you to those documents. Information that is incorporated by reference is an important part of this prospectus. Brazil incorporates by reference the following documents:

- Brazil's Annual Report on Form 18-K for the year ended December 31, 2004; and
- All amendments to Brazil's Annual Report on Form 18-K for the year ended December 31, 2004 filed prior to the date of this prospectus.

Brazil also incorporates by reference all future annual reports and amendments to annual reports until it sells all of the debt securities and warrants covered by this prospectus. Each time Brazil files a document with the SEC that is incorporated by reference, the information in that document automatically updates the information contained in previously filed documents.

You may request a free copy of these filings by writing or calling the Embassy of Brazil at the following address:

Embassy of Brazil

3006 Massachusetts Avenue, N.W.  
Washington, D.C. 20008  
Attn: Finance Section  
(202) 238-2745

## **DATA DISSEMINATION**

Brazil is a subscriber to the International Monetary Fund's Special Data Dissemination Standard, or "SDDS", which is designed to improve the timeliness and quality of information of subscribing member countries. The SDDS requires subscribing member countries to provide schedules indicating, in advance, the date on which data will be released, the so-called "Advance Release Calendar". For Brazil, precise dates or "no-later-than dates" for the release of data under the SDDS are disseminated three months in advance through the Advance Release Calendar, which is published on the Internet under the International Monetary Fund's Dissemination Standards Bulletin Board. Summary methodologies of all metadata to enhance transparency of statistical compilation are also provided on the Internet under the International Monetary Fund's Dissemination Standard Bulletin Board. The Internet website is located at <http://dsbb.imf.org/Applications/web/sddscountrycategorylist/?strcode=BRA>. The website and any information on it are not part of this prospectus. All references in this prospectus to this website are inactive textual references to this URL, or "uniform resource locator", and are for your information only.

## **USE OF PROCEEDS**

Unless otherwise specified in the applicable prospectus supplement, Brazil will use the net proceeds from the sale of the securities for the general purposes of Brazil, including the refinancing of domestic and external indebtedness of Brazil.

## Table of Contents

### **DEBT SECURITIES**

Brazil may issue debt securities, with or without warrants, in distinct series at various times, and these debt securities will be issued pursuant to a fiscal agency agreement between Brazil and a fiscal agent. The prospectus supplement that relates to your series of debt securities will identify the fiscal agent and any other paying agent that Brazil has appointed for your series of debt securities. The prospectus supplement relating to your series of debt securities will also describe the financial terms and other specific terms of your series of debt securities. If the terms or conditions described in the prospectus supplement that relate to your series of debt securities differ from the terms or conditions described in this prospectus, you should rely on the terms or conditions described in the prospectus supplement.

In this description of debt securities, you will see some initially capitalized terms. These terms have very particular, legal meanings, and you can find their definitions under the heading “Definitions” below.

#### **General**

The prospectus supplement that relates to your debt securities will specify the following terms:

- the specific title or designation of the debt securities;
- the principal amount of the debt securities;
- the price of the debt securities;
- the stated maturity date on which Brazil agrees to repay principal;
- the rate of any interest the debt securities will bear and, if variable, the method by which the interest rate will be calculated;
- the dates on which any interest payments are scheduled to be made;
- the date or dates from which any interest will accrue;
- the record dates for any interest payable on an interest payment date;
- whether and under what circumstances and terms Brazil may redeem the debt securities before maturity;
- whether and under what circumstances and terms the holders of the debt securities may opt to have their respective debt securities prepaid;
- whether and under what circumstances the debt securities will be entitled to the benefit of a sinking fund or other similar arrangement;
- whether and under what circumstances and terms the holders of the debt securities may opt to obligate Brazil to repurchase or exchange their respective securities, either pursuant to an option that is included in the debt securities or that is or becomes separately tradable following their issuance;
- the currency or currencies in which such debt securities are denominated, which may be U.S. dollars, another foreign currency or units of two or more currencies;

- the currency or currencies for which such debt securities may be purchased and in which principal, premium, if any, and interest may be payable;
- whether any amount payable in respect of the debt securities will be determined based on an index or formula, and, if so, how any such amount will be determined;
- whether the debt securities will be issued upon the exchange or conversion of other debt securities and, if so, the specific terms relating to this exchange or conversion;
- whether any part or all of the debt securities will be in the form of a global security and the circumstance in which a global security is exchangeable for certificated (physical) securities;
- whether the debt securities will be listed and, if listed, the stock exchange on which these debt securities will be listed;
- whether the debt securities will be designated “Collective Action Securities” (as described below under “Collective Action Securities”); and
- any other terms of the debt securities.

If applicable, the prospectus supplement may also describe any United States federal or Brazilian income tax consequences and special considerations applicable to that particular series of debt securities.

## **Table of Contents**

Any moneys held by the fiscal agent in respect of debt securities and remaining unclaimed for two years after those amounts have become due and payable shall be returned to Brazil. After the return of these moneys to Brazil, the holder of this debt security may look only to Brazil for any payment.

Brazil may replace the fiscal agent at any time, subject to the appointment of a replacement fiscal agent. The fiscal agent is an agent of Brazil and is not a trustee for the holders of the debt securities.

### **Status of the Debt Securities**

The debt securities will be direct, unconditional and general obligations of Brazil. Except as described under the heading “Negative Pledge” below, the debt securities are unsecured obligations of Brazil. Brazil has pledged its full faith and credit for the due and punctual payment of principal of and interest on the debt securities.

The debt securities of any series will rank at least equally in right of payment with all other existing and future payment obligations relating to External Indebtedness.

### **Form of Debt Securities**

Unless otherwise specified in the prospectus supplement, debt securities denominated in U.S. dollars will be issued:

- only in fully registered form;
- without interest coupons; and
- in denominations of \$1,000 and greater multiples.

Debt securities denominated in another monetary unit will be issued in the denominations set forth in the applicable prospectus supplement.

### **Payment**

Unless otherwise specified in the applicable prospectus supplement, the principal of the debt securities will be payable in U.S. dollars at the New York office of the fiscal agent upon surrender of the debt securities. Unless otherwise specified in the applicable prospectus supplement, the interest on the debt securities will be payable in U.S. dollars when due by check mailed to the registered holders of the debt securities on the related record date at their registered addresses.

The register of holders of debt securities will be kept at the New York office of the fiscal agent.

### **Negative Pledge**

Brazil undertakes with respect to each series of debt securities that, as long as any debt securities of that series remain outstanding, it will not create or permit to subsist any Security Interest in any of its present or future revenues or properties to secure any Public External Indebtedness of Brazil, unless:

- the debt securities of that series are secured equally and ratably with that Public External Indebtedness; or
- the debt securities of that series have the benefit of another security, guarantee, indemnity or other arrangement as approved by the holders of the debt securities of that series as provided under the heading “Meetings and Amendments” below.

Notwithstanding the foregoing, Brazil may create or permit to subsist:

- Security Interests created prior to the date of issuance of the debt securities of a particular series, including renewals or refinancings of those Security Interests, *provided, however*, that any renewal or refinancing of any those Security Interests secures only the renewal or extension of the original secured financing;
- Security Interests created or contemplated under the agreements (as they may be amended from time to time) implementing the 1992 Financing Plan and explanatory communications relating to the 1992 Financing Plan and implementing documentation for the 1992 Financing Plan, including Security Interests to secure obligations under the Collateralized Bonds;
- Security Interests securing Public External Indebtedness of the Republic issued upon surrender or cancellation of any of the Collateralized Bonds or the principal amount of any Indebtedness of the Republic outstanding as of April 14, 1994, in each case, to the extent those Security Interests are created to secure that Public External Indebtedness on a basis comparable to the Collateralized Bonds;

## Table of Contents

- Security Interests securing Public External Indebtedness incurred or assumed by the Republic in connection with a Project Financing, *provided*, that the property over which those Security Interests are granted consists solely of assets or revenues of the project for which the Project Financing was incurred;
- Security Interests securing Public External Indebtedness which
  - is issued by the Republic in exchange for secured debt of Brazilian public sector bodies (other than Brazil), and;
  - is in an aggregate principal amount outstanding that does not exceed \$25,000,000 (or its equivalent in any other currency); and
- Security Interests securing Public External Indebtedness incurred or assumed by the Republic to finance or refinance the acquisition of the assets in which those Security Interests have been created or permitted to subsist.

## **Definitions**

“1992 Financing Plan” means the Federative Republic of Brazil 1992 Financing Plan dated December 29, 1992 sent to the international banking community with the communication dated December 29, 1992 from the Minister of Finance of Brazil.

“Collateralized Bonds” means the collateralized bonds issued under the agreements (as they may be amended from time to time) implementing the 1992 Financing Plan.

“External Indebtedness” means any Indebtedness for money borrowed which is payable by its terms or at the option of its holder in any currency other than Brazilian currency (other than any such Indebtedness that is originally issued within Brazil).

“Indebtedness” means all unsecured, unsubordinated obligations of Brazil in respect of money borrowed and guarantees given by Brazil in respect of money borrowed by others.

“Public External Indebtedness” means any Public Indebtedness which is payable by its terms or at the option of its holder in any currency other than Brazilian currency (other than such Public Indebtedness that is originally issued within Brazil); settlement of original issuance by delivery of Public Indebtedness (or the instruments evidencing such Public Indebtedness) within Brazil shall be deemed to be original issuance within Brazil.

“Public Indebtedness” means any payment obligation, including any contingent liability, of any person arising from bonds, debentures, notes or other securities which:

- are, or were intended at the time of issuance to be, quoted, listed or traded on any securities exchange or other securities market (including, without limiting the generality of the foregoing, securities eligible for sale pursuant to Rule 144A under the United States Securities Act of 1933 (or any successor law or regulation of similar effect)); and

- have an original maturity of more than one year or are combined with a commitment so that the original maturity of one year or less may be extended at the option of Brazil to a period in excess of one year.

“Project Financing” means any financing of all or part of the costs of the acquisition, construction or development of any project and the person or persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced.

“Security Interest” means any lien, pledge, mortgage, security interest or other encumbrance.

## **Default**

Any of the following events will be an event of default with respect to any series of debt securities:

- (a) a default by Brazil in any payment of principal of or interest on any debt securities of any series, which continues for 30 days after such payment was due;
- (b) a default which is materially prejudicial to the interests of the holders of the debt



## Table of Contents

securities of that series in the performance of any other obligation under the debt securities of that series, which continues for 30 days after the holder of any debt securities of that series provides to the fiscal agent written notice requiring this default be remedied;

(c) an acceleration of any aggregate principal amount of Public External Indebtedness of Brazil, which exceeds \$25,000,000 (or its equivalent in any other currency), by reason of an event of default arising from Brazil's failure to make any payment of principal or interest under this Public External Indebtedness when due;

(d) a failure of Brazil to make any payment in respect of the Public External Indebtedness of Brazil in an aggregate principal amount in excess of \$25,000,000 (or its equivalent in any other currency) when due (as such date may be extended by virtue of any applicable grace period or waiver), which continues for 30 days after the holder of any debt securities of that series provides to the fiscal agent written notice requiring this default be remedied;

(e) a declaration by Brazil of a moratorium with respect to the payment of principal of or interest on Public External Indebtedness of Brazil which does not expressly exclude the debt securities of that series and which is materially prejudicial to the interests of the holders of the debt securities of that series; or

(f) a denial or repudiation by Brazil of its obligations under the debt securities of that series.

### **Acceleration of Maturity**

*The following description does not apply to any series of debt securities that has been designated Collective Action Securities. See "Collective Action Securities—Acceleration of Maturity" below for a description of the corresponding terms of Collective Action Securities.*

If an event of default described above occurs, each holder of debt securities of any series may declare the principal of and any accrued interest on the debt securities it holds immediately due and payable; however, if an event of default described in clause (b), (c) or (d) above occurs (unless an event of default described in clause (a), (e) or (f) occurs at the time of receipt of the notice declaring the debt securities of that series due and payable), then any notice declaring the debt securities of that series due and payable becomes effective only when the fiscal agent has received these notices from holders of at least 10% in principal amount of all debt securities of that series then outstanding. Debt securities held directly by Brazil or on its behalf shall not be considered "outstanding" for this purpose.

Holders of debt securities may exercise these rights only by providing a written demand to Brazil and the fiscal agent at a time when the event of default is continuing.

If an event of default described in clause (a), (e) or (f) above ceases to continue, then each holder of debt securities of that series, which has declared its debt securities immediately due and payable, may rescind and annul this declaration. If an event of default described in clause (b), (c) or (d) above ceases to continue and no event of default described in clause (a), (e) or (f) above has occurred and is continuing, then all of the declarations that the debt securities are immediately due and payable may be rescinded and annulled by the

affirmative vote of the holders of that series as provided under the heading “Meetings and Amendments” below.

### **Redemption and Repurchase**

Unless otherwise set forth in the applicable prospectus supplement, the debt securities will not be redeemable prior to maturity at the option of Brazil or the registered holders of these debt securities.

Brazil may at any time purchase debt securities in any manner and for any consideration. These debt securities purchased by Brazil may, at its discretion, be held, resold or cancelled.

### **Meetings and Amendments**

*General.* A meeting of holders of debt securities of any series may be called at any time:

- to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided for in the fiscal agency agreement or the debt securities of that series; or
- to modify, amend or supplement the terms of the debt securities of that series or the fiscal agency agreement.

## Table of Contents

Brazil may at any time call a meeting of holders of debt securities of a series for any purpose described above. This meeting will be held at the time and place determined by Brazil. If an event of default occurs and Brazil or the holders of at least 10% in aggregate principal amount of the outstanding debt securities of a series request (in writing) the fiscal agent to call a meeting, the fiscal agent will call such a meeting.

For the purpose of this prospectus, “outstanding debt securities” does not include:

- previously canceled debt securities;
- debt securities called for redemption;
- debt securities which have become due and payable and for which sufficient funds to pay amounts owed under these debt securities have been paid or provided for;
- debt securities of a series, which have been substituted with another series of debt securities; and
- except in the case of any series of debt securities that has been designated Collective Action Securities, debt securities held directly by Brazil or on its behalf.

*Notice.* The notice of a meeting will set forth the time and place of the meeting and in general terms the action proposed to be taken at the meeting. This notice shall be given as provided in the terms of the debt securities. In addition, this notice shall be given between 30 to 60 days before the meeting date; however, in the case of any meeting to be reconvened after adjournment for lack of a quorum, this notice shall be given between 15 and 60 days before the meeting date.

*Voting; Quorum.* A person that holds outstanding debt securities of a series or is duly appointed to act as proxy for a holder of these debt securities will be entitled to vote at a meeting of holders of the debt securities of that series. The presence at the meeting of persons entitled to vote a majority of the principal amount of the outstanding debt securities shall constitute a quorum.

If a quorum is not present within 30 minutes of the time appointed for the meeting, the meeting may be adjourned for a period of at least 10 days as determined by the chairman of the meeting. If the meeting is convened at the request of the holders, however, then the meeting shall be dissolved.

In the absence of a quorum at a reconvening of a previously adjourned meeting, this meeting may be further adjourned for a period of at least 10 days as determined by the chairman of the meeting. Notice of the reconvening of an adjourned meeting shall be given only once. This notice shall state expressly the percentage of the principal amount of the outstanding debt securities of that series which shall constitute a quorum. Subject to the foregoing, at the reconvening of a meeting adjourned for a lack of a quorum, the presence of persons entitled to vote 25% in principal amount of the outstanding debt securities shall constitute a quorum for the taking of any action set forth in the notice of the original meeting.

In addition, any meeting at which a quorum is present may be adjourned by the vote of a majority of the principal amount of the outstanding debt securities of the series represented at the meeting, and the meeting may be held as

so adjourned without further notice.

If a quorum is present at the meeting, any resolution and all matters shall be effectively passed or decided by the vote of the persons entitled to vote 66 2/3% in aggregate principal amount of the outstanding debt securities of such series represented and voting at the meeting, except as described below.

*Regulations.* The fiscal agent may make reasonable and customary regulations as it deems advisable for any meeting with respect to:

- the proof of the holding of debt securities of a series;
- the adjournment and chairmanship of such meeting;
- the appointment and duties of inspectors of votes, certificates and other evidence of the right to vote; and
- other matters concerning the conduct of the meeting that the fiscal agent deems appropriate.

*Chairman.* The fiscal agent will appoint a temporary chairman of the meeting by an instrument in writing. If Brazil or the holders of the debt

## Table of Contents

securities of a series called the meeting, however, then Brazil or the holders calling the meeting, as the case may be, will appoint a temporary chairman by an instrument in writing.

A permanent chairman and a permanent secretary of the meeting shall be elected by the vote of the persons entitled to vote a majority of the principal amount of the outstanding debt securities of the series represented and voting at the meeting. The chairman of the meeting shall have no right to vote, except as a holder of debt securities of that series or proxy.

*Record.* A record, and at least one duplicate, of the proceedings of each meeting of holders will be prepared. One copy of the record of each meeting will be delivered to Brazil and another to the fiscal agent to be preserved by the fiscal agent.

*Amendments.* (The following description does not apply to any series of debt securities that has been designated *Collective Action Securities*. See “*Collective Action Securities—Amendments and Waivers*” below for a description of the corresponding terms of *Collective Action Securities*). Unless the unanimous consent of holders of debt securities of an affected series is required as specified below, with

- the affirmative vote, in person or by proxy, of the holders of at least 66<sup>2</sup>/<sub>3</sub>% in aggregate principal amount of the outstanding debt securities of a series represented and voting at a duly called and held meeting; or
- the written consent of the holders of 66<sup>2</sup>/<sub>3</sub>% in aggregate principal amount of the outstanding debt securities of a series:

(i) if both Brazil and the fiscal agent agree, they may modify, amend or supplement the terms of the debt securities of that series or, insofar as it affects the debt securities of that series, the fiscal agency agreement, in any way and (ii) holders of debt securities of that series may make, take or give any request, demand, authorization, direction, notice, consent, waiver or action provided by the fiscal agency agreement or the debt securities of that series to be made, given or taken by holders of debt securities of that series.

The written consent or affirmative vote of the holder of each debt security of an affected series is required to:

- change the due date for the payment of the principal of, or any installment of interest on, any debt security of that series;
- reduce the principal amount of any debt security of that series;
- reduce the portion of the principal amount which is payable in the event of an acceleration of the maturity of any debt security of that series;
- reduce the interest rate on any debt security of that series;
- change the currency in which any amount in respect of the debt securities of that series is payable;
- change Brazil’s obligation to pay additional amounts under the debt securities of that series; or
- reduce the proportion of the principal amount of the debt securities of that series that is required:

- to modify, amend or supplement the fiscal agency agreement or the terms and conditions of the debt securities of that series, or
- to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action.

If both Brazil and the fiscal agent agree, they may, without the vote or consent of any holder of debt securities of a series, modify, amend or supplement the fiscal agency agreement or the debt securities of any series for the purpose of:

- adding to the covenants of Brazil;
- surrendering any right or power conferred upon Brazil;
- securing the debt securities of that series pursuant to the requirements of the debt securities or otherwise;
- correcting or supplementing any defective provision contained in the fiscal agency agreement or in the debt securities of that series; or

## Table of Contents

- amending the fiscal agency agreement or the debt securities of that series in any manner which Brazil and the fiscal agent may determine and that does not adversely affect the interest of any holder of debt securities of that series in any material respect.

Any modification, amendment or supplement approved in the manner described in this section shall be binding on the holders of debt securities of such series.

### **Judgment Currency**

If a court or arbitral tribunal renders a judgment or order in respect of amounts due to a holder of a debt security and this judgment or order permits Brazil to pay those amounts in a currency (the “judgment currency”) other than the currency in which the debt security is denominated (the “debt security currency”), Brazil will pay any deficiency arising or resulting from any variation in the rates of exchange between the date as of which the amount in the debt security currency is notionally converted into the amount in the judgment currency for the purposes of this judgment or order and the date of actual payment of this judgment or order.

### **Tax Withholding; Payment of Additional Amounts**

All payments of principal and interest in respect of the debt securities by Brazil will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by or within Brazil or any authority of or within Brazil having power to tax (together, “Taxes”), unless that withholding or deduction is required by law. In that event, Brazil shall pay those additional amounts that will result in receipt by the holders of debt securities of the amounts that would have been received by them had that withholding or deduction not been required, except that no additional amounts shall be payable with respect to any debt security:

- to a holder (or a third party on behalf of a holder) where that holder is liable to pay those Taxes in respect of any debt security by reason of that holder’s having some connection with Brazil other than the mere holding of that debt security or the receipt of principal and interest in respect of that debt security;
- presented for payment more than 30 days after the Relevant Date (see below) except to the extent that the holder of that debt security would have been entitled to additional amounts on presenting the same for payment on the last day of that 30-day period; or
- to the extent that the Taxes to which those additional amounts relate would not have been imposed but for the failure of the holder or beneficial owners of that debt security to comply with any certification, identification or other reporting requirements concerning the nationality, residence or connection with Brazil or any political subdivision or taxing authority of or in Brazil (other than a requirement that has the effect of disclosing the nationality, residence or identity of a beneficial owner of that debt security to Brazil, any paying agency or any governmental authority), of that holder or beneficial owner, as a precondition to exemption from those Taxes.

The term “Relevant Date” in respect of any debt security means the later of:

- the date on which payment in respect of the debt security first becomes due and payable; or
- if the full amount of the money payable has not been received by the fiscal agent on or prior to that due date, the date on which notice is given to the holders of debt securities that the full amount of those moneys has been received and is available for payment.

Any reference in this section to “principal” and/or “interest” includes any additional amounts which may be payable under the debt securities.

### **Global Securities**

The prospectus supplement that relates to your debt securities indicates whether any of the debt securities you purchase will be represented by a



## Table of Contents

global security. The aggregate principal amount of any global security equals the sum of the principal amount of all the debt securities it represents. The global security will be registered in the name of the depositary identified in the prospectus supplement or its nominee, and will be deposited with the depositary, its nominee or a custodian.

*Limitations on Your Ability to Obtain Debt Securities Registered in Your Name.* The global security will not be registered in the name of any person other than the depositary or its nominee. Similarly, the global security will not be exchanged for debt securities that are registered in the name of any person other than the depositary or its nominee. An exception to these restrictions would be made only if:

- the depositary notifies Brazil that it is unwilling, unable or no longer qualified to continue to act as depositary and Brazil does not appoint a successor depositary within 90 days;
- at any time Brazil decides it no longer wishes to have all or part of the debt securities represented by a global security; or
- an event of default has occurred and is continuing with respect to the series of debt securities represented by the global security.

In those circumstances, the depositary will determine in whose names to register any certificated (physical) debt securities issued in exchange for the global security. These certificated (physical) debt securities will be issued:

- only in fully registered form;
- without interest coupons; and
- in denominations of \$1,000 and greater multiples.

The depositary or its nominee will be considered the sole owner and holder of the global security for all purposes. As a result:

- You cannot get debt securities registered in your name for so long as they are represented by the global security;
- You cannot receive certificated (physical) debt securities in your name in exchange for your beneficial interest in the global security;
- You will not be considered to be the owner or holder of the global security or any debt securities represented by the global security for any purpose;
- You cannot assert any right of a holder of the debt securities unless you are authorized by the depositary and the participant through which you hold your beneficial interest; and
- All payments on the global security will be made to the depositary or its nominee.

In some jurisdictions, certain types of purchasers (such as some insurance companies) are not permitted to own securities represented by a global security. These laws may limit your ability to sell or transfer your beneficial

interest in the global security to these types of purchasers.

*Beneficial Interests in and Payments on Global Security.* Institutions that have accounts with the depositary or a nominee of the depositary, such as securities brokers and dealers, are called participants. Only participants, and persons that hold beneficial interests through participants, can own a beneficial interest in the global security. The depositary keeps records of the ownership and transfer of beneficial interests in the global security by its participants. In turn, participants keep records of the ownership and transfer of beneficial interests in the global security by other persons (such as their customers). No other records of the ownership and transfer of beneficial interests in the global security will be kept.

When the depositary receives payment of principal or interest on the global security, the depositary is expected to credit its participants' accounts in amounts that correspond to their respective beneficial interests in the global security. In turn, after the participants' accounts are credited, the participants are expected to credit the accounts of the owners of beneficial interests in the global security in amounts that correspond to the owners' respective beneficial interests in the global security.

The depositary and its participants establish policies and procedures that govern payments, transfers, exchanges and other important matters that affect owners of beneficial interests in the global security. The depositary and its participants may change these policies and procedures from time to time. Brazil has no responsibility or liability for the

## **Table of Contents**

records of owners of beneficial interests in the global security. Also, Brazil is not responsible for maintaining, supervising or reviewing those records or payments. Brazil has no responsibility or liability for any aspect of the relationship between the depositary and its participants or for any aspects of the relationship between participants and owners of beneficial interests in the global security.

### **COLLECTIVE ACTION SECURITIES**

Brazil may designate a particular series of debt securities to be “Collective Action Securities,” the specific terms of which will be described in the prospectus supplement relating to such securities. Such Collective Action Securities may be designated “Type A” or “Type B” or have no designation as to “Type”. This designation as to “Type” is only relevant for determining the threshold for approving certain reserved matters, as described more fully under “—Amendments and Waivers” below.

Collective Action Securities will have the same terms and conditions as the securities described under the heading “Debt Securities” above, except that such Collective Action Securities shall contain different provisions relating to certain aspects of default, acceleration and voting on amendments, modifications, changes and waivers, as follows:

#### **Acceleration of Maturity**

If an event of default described under the heading “Debt Securities—Default” above occurs and is continuing with respect to any series of debt securities that have been designated Collective Action Securities, the holders of at least 25% of the aggregate principal amount of the outstanding debt securities of that series may, by notice to the fiscal agent, declare all the debt securities of that series to be due and payable immediately. Holders of less than 25% of the aggregate principal amount of the outstanding debt securities of that series may not, on their own, declare the debt securities of that series to be due and payable immediately. Holders of debt securities of that series may exercise these rights only by providing a written demand to Brazil and the fiscal agent at a time when the event of default is continuing.

Upon any declaration of acceleration, the principal, interest and all other amounts payable on the debt securities of that series will be immediately due and payable on the date Brazil receives written notice of the declaration, unless Brazil has remedied the event or events of default prior to receiving the notice. The holders of 66 2/3% or more of the aggregate principal amount of the outstanding debt securities of that series may rescind a declaration of acceleration if the event or events of default giving rise to the declaration have been cured or waived.

#### **Amendments and Waivers**

Brazil, the fiscal agent and the holders may generally modify or take actions with respect to the fiscal agency agreement or the terms of the debt securities of any series that have been designated Collective Action Securities with:

- the affirmative vote of the holders of not less than 66 2/3% in aggregate principal amount of the outstanding debt securities of that series that are represented at a duly called and held meeting; or

- the written consent of the holders of 66<sup>2</sup>/<sub>3</sub>% in aggregate principal amount of the outstanding debt securities of that series.

However, the holders of not less than 85% (in the case of Collective Action Securities designated “Type A” or having no designation as to “Type”) or 75% (in the case of Collective Action Securities designated “Type B”) in aggregate principal amount of the outstanding debt securities of that series, voting at a meeting or by written consent, must consent to any amendment, modification, change or waiver with respect to the debt securities of that series that would:

- change the due date for the payment of the principal of, or any installment of interest on, the debt securities of that series;
- reduce the principal amount of the debt securities of that series;
- reduce the portion of the principal amount that is payable in the event of an acceleration of the maturity of the debt securities of that series;
- reduce the interest rate of the debt securities of that series;
- change the currency in which any amount in respect of the debt securities of that series is

## Table of Contents

payable or the place or places in which such payment is to be made;

- permit early redemption of the debt securities of that series or, if early redemption is already permitted, shorten the period during which Brazil is not permitted to redeem the debt securities of that series;
- change the definition of “outstanding” with respect to the debt securities of that series;
- change Brazil’s obligation to pay any additional amounts under the debt securities of that series;
- change the governing law provision of the debt securities of that series;
- change Brazil’s appointment of an agent for the service of process, agreement not to raise certain defenses based on its sovereign immunity or agreement to submit to arbitration in respect of disputes relating to the debt securities of that series;
- change the status of the debt securities of that series, as described under “Debt Securities—Status of the Debt Securities” above;
- in connection with an offer to acquire all or any portion of the debt securities of that series, amend any event of default under the debt securities of that series; or
- reduce the proportion of the principal amount of the debt securities of that series that is required:
  - to modify, amend or supplement the fiscal agency agreement or the terms and conditions of the debt securities of that series; or
  - to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action.

Brazil refers to the above subjects as “reserved matters.” A change to a reserved matter, including the payment terms of any series of debt securities that have been designated Collective Action Securities, can be made without your consent, as long as a supermajority of the holders (that is, the holders of at least 85% (in the case of Collective Action Securities designated “Type A” or having no designation as to “Type”) or 75% (in the case of Collective Action Securities designated “Type B”) in aggregate principal amount of the outstanding debt securities) agrees to the change.

If both Brazil and the fiscal agent agree, they may, without the vote or consent of any holder of debt securities of a series, modify, amend or supplement the fiscal agency agreement or the debt securities of any series for the purpose of:

- adding to the covenants of Brazil;
- surrendering any right or power conferred upon Brazil;
- securing the debt securities of that series pursuant to the requirements of the debt securities or otherwise;
- correcting or supplementing any defective provision contained in the fiscal agency agreement or in the debt securities of that series; or

- amending the fiscal agency agreement or the debt securities of that series in any manner which Brazil and the fiscal agent may determine and that does not adversely affect the interest of any holder of debt securities of that series in any material respect.

Any modification, amendment or supplement approved in the manner described in this section shall be binding on the holders of debt securities of such series.

For purposes of determining whether the required percentage of holders of any series of debt securities that have been designated Collective Action Securities is present at a meeting of holders for quorum purposes or has approved any amendment, modification or change to, or waiver of, such debt securities or the fiscal agency agreement, or whether the required percentage of holders has delivered a notice of acceleration, debt securities owned, directly or indirectly, by Brazil or any public sector instrumentality of Brazil will be disregarded and deemed not to be “outstanding,” except that in determining whether the fiscal agent shall be protected in relying upon any amendment, modification, change or waiver, or any notice from holders, only debt securities that the fiscal agent knows to be so owned shall be so disregarded. As used in this paragraph, “public sector

---

## Table of Contents

instrumentality” means the Central Bank, any department, ministry or agency of the federal government of Brazil or any corporation, trust, financial institution or other entity owned or controlled by the federal government of Brazil or any of the foregoing, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

Except as specifically set forth herein, the other terms set forth under “Debt Securities—Meetings and Amendments”, including notice, quorum and other meeting and consent provisions, remain unchanged with respect to Collective Action Securities.

### **Further Issues of Debt Securities of a Series**

From time to time, without the consent of holders of the debt securities of any series that have been designated Collective Action Securities, and subject to the required approvals under Brazilian law, Brazil may create and issue additional debt securities with the same terms and conditions as those of the debt securities of that series (or the same except for the amount of the first interest payment and the issue price), *provided* that such additional debt securities do not have, for purposes of U.S. federal income taxation (regardless of whether any holders of such debt securities are subject to the U.S. federal tax laws), a greater amount of original issue discount than the debt securities of that series have as of the date of issuance of such additional debt securities. Brazil may also consolidate the additional debt securities to form a single series with the outstanding debt securities of that series.

### **WARRANTS**

Brazil may issue warrants or other similar securities, either separately or together with debt securities, that would entitle the holder to purchase debt securities or obligate Brazil to repurchase or exchange debt securities. If Brazil issues any warrants, each issue of warrants will be issued under a warrant agreement between Brazil and a bank or trust company, as warrant agent. The terms of any warrant agreement related to the issue of warrants and the specific terms of the issue of warrants will be described in the prospectus supplement that relates to your particular warrants. The prospectus supplement that relates to your particular warrants or other similar securities will describe the following terms:

- the terms listed under the heading “Debt Securities” as they relate to the particular debt securities you have the right to purchase if you exercise your warrants;
- the amount of debt securities each warrant entitles you to purchase if you exercise your warrants and the purchase price of those debt securities;
- the amount and type of debt securities that you may obligate Brazil to purchase or exchange if you exercise your warrants or other securities and the purchase price for those debt securities;
- the procedures you must follow and the conditions you must satisfy to exercise your warrants or other securities;

- the dates on which your right to exercise your warrants or other securities begins and expires;
- whether and under what conditions Brazil may cancel or terminate your warrants or other securities;
- whether and when your warrants or other securities and any debt securities issued together with your warrants or other securities may be sold or transferred separately;
- whether the certificates that represent the warrants or other securities will be issued in registered or bearer form, whether they will be exchangeable as between such forms and, if issued in registered form, whether the warrants or other securities can be transferred and registered;
- any special United States federal income tax considerations applicable to the issuance of your warrants or other securities; and
- any other terms of such warrants or other securities.



## [Table of Contents](#)

### **GOVERNING LAW**

The fiscal agency agreement, the warrant agreement, the debt securities and the warrants will be governed by and interpreted in accordance with the laws of the State of New York, without regard to any conflicts-of-laws principles that would require the application of the laws of a jurisdiction other than the State of New York. The laws of Brazil will govern all matters concerning authorization and execution of the securities by Brazil.

### **ARBITRATION AND ENFORCEABILITY**

Under Brazilian law, Brazil is prohibited from submitting to the jurisdiction of a foreign court for the purposes of adjudication on the merits in any dispute, controversy or claim against Brazil arising out of or relating to the securities. Brazil has agreed, however, that any dispute, controversy or claim arising out of or relating to the securities (other than any action arising out of or based on United States federal or state securities laws), including the performance, interpretation, construction, breach, termination or invalidity of the securities, shall be finally settled by arbitration in New York, New York.

Under the terms of the securities, a holder of any security is deemed to have agreed to the use of arbitration to resolve any dispute, controversy or claim against Brazil arising out of or relating to the securities (other than any action arising out of or based on United States federal or state securities laws) unless such holder elects to bring such claim in an action in Brazil.

The decision of any arbitral tribunal shall be final to the fullest extent permitted by law. Brazil has agreed that any New York court lawfully entitled to do so may enter a judgment recognizing such an arbitral award. Brazil has agreed that in any arbitration or related legal proceedings for the conversion of an arbitral award into a judgment, it will not raise any defense that it could not raise but for the fact that it is a sovereign state and has consented to the jurisdiction of the United States District Court for the Southern District of New York for the limited purpose of converting into a judgment an arbitral award rendered against Brazil in New York. The realization upon an arbitral award rendered against Brazil would depend upon the application of the United States Foreign Sovereign Immunities Act of 1976, as amended (the "FSIA").

Brazil has not otherwise consented to the jurisdiction of any court outside Brazil in connection with actions arising out of or based on the securities, has not appointed any agent for service of process other than for the purpose of converting an arbitral award into a judgment, and has not agreed to waive any defense of sovereign immunity to which it may be entitled in any action other than its immunity from jurisdiction in an action to recognize an arbitral award or in an action brought in Brazil. Brazil has agreed that any process or other legal summons in connection with obtaining judicial acceptance of any arbitral award in the United States District Court for the Southern District of New York may be served upon it by delivery to the *Advogado Geral da União* (Attorney General) of Brazil of letters rogatory or by any other means permissible under the laws of the State of New York and Brazil.

Because Brazil has not waived its sovereign immunity in connection with any action brought outside Brazil arising out of or relating to the securities (including without limitation any action arising out of or based on United States federal or state securities law) other than in the limited circumstances described above in

connection with an action for the judicial recognition of an arbitral award, it will not be possible to obtain a United States judgment against Brazil unless a court were to determine that (i) Brazil is not entitled under the FSIA to sovereign immunity with respect to such actions and (ii) the matter should not be referred to arbitration as contemplated by the securities. Any judgment rendered against Brazil by a court outside Brazil in an action in which Brazil has not submitted to the jurisdiction of such court or otherwise expressly waived its defense of sovereign immunity would not be enforceable against Brazil under its laws.

The enforcement by a Brazilian court of a foreign arbitral award is subject to the recognition of such award by the Superior Court of Justice of Brazil. The Superior Court of Justice will recognize such an award if all of the required formalities are observed and the award does not contravene Brazilian national sovereignty, public policy and “good morals”. Under Article 100 (formerly Article 67) of the Civil Code of Brazil, the public property of the Republic located in Brazil is not subject to execution or attachment, either prior to or after judgment. The execution of an arbitral award against the Republic in Brazil is only

## Table of Contents

available in accordance with the procedures set forth in Article 730 *et seq.* of the Brazilian Civil Procedure Code, which envisions the registration of the recognized award for inclusion in the budget for payment in a subsequent fiscal year of the Republic.

Pursuant to legislation adopted in 2004, recognition of foreign arbitral awards for purposes of enforcement in Brazil may be sought directly in the Superior Court of Justice of Brazil without the need to first convert the arbitral award into a judgment in the place of arbitration.

Notwithstanding the foregoing, a holder of any security may institute legal proceedings against Brazil in the federal courts of Brazil, and Brazil has waived any immunity from jurisdiction or execution of judgment in Brazil (except for the limitation on alienation of public property referred to in Article 100 of the Civil Code of Brazil) to which it might otherwise be entitled in any such proceeding.

### **PLAN OF DISTRIBUTION**

Brazil may sell any combination of the debt securities and/or warrants or other similar securities in any of three ways:

- through underwriters or dealers;
- directly to one or more purchasers; or
- through agents.

Each prospectus supplement will set forth:

- the name or names of any underwriters or agents;
- the purchase price of the securities of that series;
- the net proceeds to Brazil from the sale of these securities;
- any underwriting discounts, agent commissions or other items constituting underwriters' or agents' compensation;
- any initial public offering price;
- any discounts or concessions allowed or reallocated or paid to dealers; and
- any securities exchanges on which the securities may be listed.

The securities may be sold from time to time in distinct series by different means at different prices that are negotiated and fixed or that vary based on market prices.

Underwriters used in the sale of securities will distribute these securities on a firm commitment basis. In this case, the underwriters will acquire these securities for their own account and may resell them from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices to be determined at the time of sale. Brazil may offer the securities to the public either through underwriting

syndicates represented by managing underwriters or directly by underwriters. Unless otherwise set forth in the applicable prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all such securities if any are purchased. The underwriters may change any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

Brazil may also sell securities of any series directly to the public or through agents designated by Brazil from time to time. Unless otherwise specified in the applicable prospectus supplement, an agent used in the sale of securities will sell the securities on a reasonable best efforts basis for the period of its appointment.

In compliance with NASD guidelines, the maximum compensation to any underwriters or agents in connection with the sale of any securities pursuant to this prospectus and any applicable prospectus supplement will not exceed 8% of the aggregate total offering price to the public of such securities as set forth on the cover page of the applicable prospectus supplement; however, it is anticipated that the maximum compensation paid will be significantly less than 8%.

Brazil may authorize agents, underwriters or dealers to solicit offers by certain specified entities to purchase the securities from Brazil under “delayed delivery” contracts. Purchasers of securities under delayed delivery contracts will pay the public offering price plus accrued interest, if any, and will take delivery of these securities on a date or dates stated in the applicable prospectus supplement.

## **Table of Contents**

Delayed delivery contracts will be subject only to those conditions set forth in the applicable prospectus supplement. The applicable prospectus supplement will set forth the commission payable for solicitation of these delayed delivery contracts.

Brazil may offer the securities of any series to present holders of other securities of Brazil as consideration for the purchase or exchange by Brazil of other securities. This offer may be in connection with a publicly announced tender, exchange or other offer for these securities or in privately negotiated transactions. This offering may be in addition to or in lieu of sales of securities directly or through underwriters or agents as set forth in the applicable prospectus supplement.

Brazil may agree to indemnify agents and underwriters against certain liabilities, including liabilities under the United States Securities Act of 1933, or to contribute to payments which the agents or underwriters may be required to make in respect of any of these liabilities. Agents and underwriters may engage in transactions with or perform services for Brazil in the ordinary course of business.

### **VALIDITY OF THE SECURITIES**

The validity of the debt securities and warrants or other similar securities will be passed upon for Brazil by a Deputy Attorney General of the National Treasury, or another duly authorized attorney of the Office of the Attorney General of the National Treasury and by Arnold & Porter LLP, United States counsel to Brazil, and for the underwriters, if any, by United States counsel and Brazilian counsel to the underwriters named in the applicable prospectus supplement.

As to all matters of Brazilian law, Arnold & Porter LLP may rely on the opinion of the Deputy Attorney General of the National Treasury (or such other attorney of the Office of the Attorney General of the National Treasury). As to all matters of United States law, the Deputy Attorney General of the National Treasury (or such other attorney of the Office of the Attorney General of the National Treasury) may rely on the opinion of Arnold & Porter LLP. Certain statements with respect to matters of Brazilian law in this prospectus have been passed upon by the Deputy Attorney General of the National Treasury, and are made upon his authority.

### **OFFICIAL STATEMENTS**

Information included in this prospectus which is identified as being derived from a publication of, or supplied by, Brazil or one of its agencies or instrumentalities is included on the authority of that publication as a public official document of Brazil. All other information in this prospectus and the registration statement (of which this prospectus is a part) is included as a public official statement made on the authority of the Minister of Finance.

### **AUTHORIZED REPRESENTATIVE**

The authorized representative of Brazil in the United States of America is the Ambassador of Brazil to the United States of America, whose address is:

Embassy of Brazil

Prospectus Supplement

3006 Massachusetts Avenue, N.W.  
Washington, D.C. 20008

**Table of Contents**

**THE ISSUER**

**The Federative Republic of Brazil**  
Ministry of Finance  
Secretaria do Tesouro Nacional  
Esplanada dos Ministérios  
Brasília, DF  
Brazil

**FISCAL AGENT**

**JPMorgan Chase Bank, N.A.**  
Worldwide Securities Services  
4 New York Plaza, 15th Floor  
New York, New York 10004  
United States

**PAYING AGENT AND TRANSFER AGENT**

**J.P. Morgan Bank Luxembourg S.A.**  
6, route de Trèves  
L-2633 Senningerberg  
Luxembourg

**LEGAL ADVISORS**

*To Brazil, as to U.S. law:*  
**Arnold & Porter LLP**  
399 Park Avenue  
New York, New York 10022  
United States

*To the underwriters, as to U.S. law:*  
**Sullivan & Cromwell LLP**  
125 Broad Street  
New York, New York 10004  
United States

*To Brazil, as to Brazilian law:*  
**Manoel Felipe Rêgo Brandão**  
Procurador-Geral da Fazenda Nacional  
Esplanada dos Ministérios  
Brasília, DF  
Brazil

*To the underwriters, as to Brazilian law:*  
**Pinheiro Neto Advogados**  
Rua Boa Vista, 254, 9th Floor  
01014-907 São Paulo, São Paulo  
Brazil

**LISTING AGENT**

**J.P. Morgan Bank Luxembourg S.A.**

6, route de Trèves  
L-2633 Senningerberg  
Luxembourg



[Table of Contents](#)

---

**US\$500,000,000**



**Federative Republic of Brazil**

**7.125% Global Bonds due 2037**

---

**PROSPECTUS SUPPLEMENT**

---

*Joint Lead Managers and Joint Bookrunners*

**HSBC**

**JPMorgan**

---

*Co-Manager*

**Itaú**

**March 16, 2006**

---