

Investment Partnerships Program (PPI)

After the launching of the Investment Partnerships Program - PPI, the schedule of concessions and privatization has begun to be drawn by the PPI Council. Since its publication on September 13th, 2016, the Brazilian Government also released the Strategic and General Guidelines ("Guidelines") to be adopted by the federal public administrative bodies or entities in the bidding procedures for PPI undertakings.

For each qualified undertaking in PPI, the administrative bodies or entities in charge shall appoint a public servant who shall be responsible for monitoring and, among others, (i) managing the schedule of planned activities; (ii) pooling and review data, information and assumptions; (iii) harmonizing studies in view of the results of the technical and public hearings; (iv) being responsible for the sequence of steps in the hiring process (bidding procedures); and (v) for the monitoring of the Technical Feasibility, Economic-Financial and Environmental Studies ("EVTEA").

Thus, when the purposes of the administrative agreement so require, the bidding procedure for the undertaking will be conditioned, in accordance with the applicable laws, to the certification of its environmental feasibility by issuing the Preliminary License ("LP") or the requirements for environmental licensing.

With regard to the risks of the undertaking, it has been established that the risk distribution should be foreseen in the invitation to bid and should consider, at least, the identification, evaluation and allocation of risks to the party which could better manage them, in order to minimize future extraordinary contractual reviews. The EVTEAs, on their turn, will be submitted to public consultation prior to their submission to the Federal Court of Accounts (TCU).

Whenever possible, the structuring of the undertakings should consider implementing telecommunication or fibre optic network infrastructure alongside highways, railways, pipelines or other projects where this measure may be relevant.

With regard to the investment program designed for each project, the invitation to bid and the draft agreements shall contain specific rules setting forth mechanisms that discourage delays or non-compliance with the schedule.

Another important aspect provided for in the Guidelines is that the role of the regulatory agencies must be focused on regulating, monitoring, supervising and following up the administrative agreements, while the political decisions related to the undertakings and their planning shall be under the responsibility of the respective Ministry.

Information about the privatization and concessions agenda announced by the PPI Council and related bodies follows below:

Transport

Projects	Bidding terms estimate	Public Auction estimate
BR-364/365/GO/MG	1st Half /2017	1st Half /2017
BR-101/116/290/386/RS	1st Half /2017	1st Half /2017
Salgado Filho Airport	October/2016	February/2017
Deputado Luis Eduardo Magalhães Airport	October2016	February/2017
Hercílio Luz Airport	October/2016	February//2017
Pinto Martins Airport	October2016	February//2017
Santarém Fuel Terminals (STM 04 e 05)	December/2016	May/2017
Rio de Janeiro Wheat terminal	December2016	May/2017
EF-151 SP/MG/GO/TO North-South	1st Half /2017	1st Half /2017
EF-170 MT/PA - Ferrogrão	1st Half /2017	1st Half /2017
EF-334/BA	1st Half /2017	1st Half 2017

In relation to airports, a 25-year term has been established for the operational concession of Salgado Filho International Airport, and 30-year term for the other airports included in the PPI. The bidding procedures will follow the Public Auction (“*Leilão*”) type for all airports simultaneously. The phases of the bidding procedures will be inverted though, with the opening of legal, tax, economic-financial and technical qualification documents of the winner bidder only.

Given certain competitive issues, the airports located in the same geographic region should be granted to different economic groups, as established in the invitation to bid.

An equity interest equivalent to, at least, 15% of the bidder by the airport operator is one of the requirements to the participation in the Public Auction. The airport operator must attest prior experience in processing between 4 and 9 million passengers annually, in a single airport, at least in one of the last five years.

Sanitation

Projects	Bidding terms estimate	Public Auction estimate
Water distribution, collection and treatment of sewage - Cedae	2nd Semester/2017	1st Half/2018
Water distribution, collection and treatment of sewage - Caerd	2nd Semester/2017	1st Half/2018
Water distribution, collection and treatment of sewage - Cosanpa	2nd Semester/2017	1st Half/2018

Undertakings in execution

Porto de Paranaguá Fertilizer Terminal - Fospar S.A.;

TECON Salvador.

Privatization

Resume of privatization procedures involving *Loteria Instantânea Exclusiva - Lotex* public service and *Caixa Instantânea S.A.*, in order to enable the implementation of the operating model that will be chosen for the privatization of said public service.

Mining and Energy

- Continuation of the CELG Distribution S.A. ("CELG D") privatization, process including the conditions and the minimum price for the sale of shares representing controlling interest. The Celg D privatization process was submitted to a public hearing in order to provide information to the general public and receive suggestions and contributions to the referred to privatization process, which will be carried out by means of sale of equity interest representing its controlling interest. The public hearing will take place in Goiânia, State of Goiás, on October 4, 2016, from 9 am to 12 pm, at CDL Goiania - Câmara de Dirigentes Lojistas de Goiânia, Rua 8, nº 626, Setor Oeste, Goiânia, Goiás.

- Fourteenth round of bidding procedures to the exploratory blocks of oil and natural gas under the concession regime;

- Fourth round of bidding procedures to the marginal oil and gas fields (onshore fields) under the concession regime;

- Second round of bidding procedures under the production sharing regime of "áreas unitizáveis", which oil deposits interconnected with areas that was already auctioned and that are subject to unified exploitation;

- Amazonas Distribuidora de Energia S.A. and the concession of public service of electricity distribution;

- Boa Vista Energia S.A. and the concession of public service of electricity distribution and the area under its current (temporary) responsibility;

- Companhia de Eletricidade do Acre and the concession of public service of electricity distribution;

- Companhia Energética de Alagoas and the concession of public service of electricity distribution;

- Companhia de Energia do Piauí and the concession of public service of electricity distribution;

- Centrais Elétricas de Rondônia S.A and the concession of public service of electricity distribution;

- Concession of energy generation for the following hydroelectric power station:

a) Usina Hidrelétrica de Volta Grande;

b) Usina Hidrelétrica de Miranda;

c) Usina Hidrelétrica São Simão;

d) Usina Hidrelétrica de Pery; and

e) Usina Hidrelétrica de Agro Trafo;

- Assets owned by Companhia de Pesquisa e Recursos Minerais – CPRM, which involve the following undertakings:

- a) phosphate of Miriri, in the States of Pernambuco and Paraíba;
- b) copper, lead and zinc of Palmeirópolis, in the States of Tocantins;
- c) coal of Candiota, in the States of Rio Grande do Sul; and
- d) copper of Bom Jardim de Goiás, in the States of Goiás.

Projects	Bidding terms estimate	Public Auction estimate
Fourteenth round of bidding procedures to the exploratory blocks of oil and natural gas under the concession regime	1st Half /2017	2nd Semester/2017
Fourth round of bidding procedures to the marginal oil and gas fields (onshore fields) under the concession regime	2nd Semester/2017	1st Half /2017
Second round of bidding procedures under the production sharing regime of “áreas unitizáveis”	1st Half /2017	2nd Semester/2017
Amazonas Distribuidora de Energia S.A.	2nd Semester/2017	2nd Semester/2017
Boa Vista Energia S.A.	2nd Semester/2017	2nd Semester/2017
Companhia de Eletricidade do Acre	2nd Semester/2017	2nd Semester/2017
Companhia Energética de Alagoas	2nd Semester/2017	2nd Semester/2017
Companhia de Energia do Piauí	2nd Semester/2017	2nd Semester/2017
Centrais Elétricas de Rondônia S.A.	2nd Semester/2017	1st Half /2018
Concession of energy generation for hydroelectric power station	1st Half /2017	2nd Semester/2017
Assets of Companhia de Pesquisa e Recursos Minerais - CPRM	1st Half /2017	2nd Semester/2017

Considering the importance of this subject and the investment opportunities in infrastructure, Mattos Engelberg is closely following the development of these issues and is available to provide any assistance.