

## MEMORANDUM TO CLIENTS

### INFRASTRUCTURE

*July 28, 2016*

#### BNDES presents funding conditions for the expansion and modernization of power transmission infrastructure

Last month, the National Electric Energy Agency (Agência Nacional de Energia Elétrica – ANEEL) published the Bidding Notice for the second phase of Auction No. 13/2015 regarding the construction of power transmission facilities (6,600 km of transmission lines) in the States of Minas Gerais, Bahia, Espírito Santo, Goiás, Piauí, Paraíba, Rio Grande do Norte, Ceará and Pernambuco, involving an expected investment of BRL 11.8 billion.

In the first round of Auction No. 13/2015, in the first semester of 2016, ANEEL auctioned 14 lots, for an estimated investment of BRL 6.9 billion.

For this new round, ANEEL has proposed a structure where conditioning and conditioned lots are linked to a certain extent. Accordingly, if no bid is submitted for a conditioning lot, it will not be possible to proceed with the auction of its related conditioned lots.

The National Economic and Social Development Bank (Banco Nacional de Desenvolvimento Econômico e Social - BNDES) presented last Friday (22<sup>nd</sup> July 2016) conditions for the funding associated with the expansion and modernization of power transmission infrastructure in Brazil (offered in public auctions held between July and December 2016):

	<b>Direct Support</b>	<b>Indirect Support</b>
Financial Cost	TJLP <sup>1</sup>	TJLP
BNDES' Basic Remuneration	1.5% per year	1.5% per year
Risk of Credit Rate	Up to 3.37% depending on the risk rate	To be discussed between the institution and the client

<sup>1</sup> Long-Term Interest Rate (Taxa de Juros a Longo Prazo - TJLP).

There is a change in relation to past auctions, in that BNDES has reduced its level of funding (which is provided at the TJLP interest rate) from 70% to 50% of the total estimated value of the project (transmission lines and substations). The funding is provided for a maximum period of 14 years. Exceptionally, BNDES may fund up to 70%. However, in such cases, the additional 20% will be funded by BNDES at market interest rates.

Please see more information on funding conditions on BNDES' official website (<http://www.bndes.gov.br/>).

### **Attorneys of the Infrastructure practice**

The purpose of this memorandum is to inform our clients about important changes and developments in the area of law. We remain at the reader's disposal for any additional information that may be desired regarding the subject matter herein.

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