

Prospectus Supplement to Prospectus dated September 11, 2000.

U.S.\$2,150,000,000

The Federative Republic of Brazil

8 7/8% U.S. Dollar-Denominated Global Bonds due 2024 ("Global Bonds")

The Global Bonds will mature at par on April 15, 2024. Brazil will pay interest on the Global Bonds in U.S. dollars on April 15 and October 15 of each year, commencing on April 15, 2001. Interest on the Global Bonds will accrue from March 22, 2001. Brazil may not redeem the Global Bonds before maturity. The Global Bonds are direct, unconditional, unsecured and unsubordinated external indebtedness of Brazil.

U.S.\$2,150,000,000 in aggregate principal amount of Global Bonds is being issued pursuant to the recently conducted invitation of the Federative Republic of Brazil ("Brazil") to the owners of its U.S.\$2,933,290,000 USD Par Series Z-L Bonds due 2024 ("Par Bonds"), U.S.\$3,426,428,000 USD Discount Series Z-L Bonds due 2024 ("Discount Bonds"), U.S.\$5,577,017,000 USD Front-Loaded Interest Reduction with Capitalization Series L Bonds due 2014 ("C Bonds") and U.S.\$6,376,151,000 USD Debt Conversion Series L Bonds due 2012 ("DCBs") (collectively, the "Old Bonds") to submit, in a modified Dutch auction, offers to exchange Old Bonds for a combination of Global Bonds and a U.S. dollar amount in cash on the terms and subject to the conditions set forth in the prospectus supplement dated March 7, 2001, the accompanying prospectus dated September 11, 2000 included therein and the related letter of transmittal (which together constitute the "Invitation"). See Annex A hereto for a summary of the results of the Invitation.

Application has been made to list the Global Bonds on the Luxembourg Stock Exchange.

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 prospectus to which it relates. Any representation to the contrary is a criminal offense.

The joint dealer managers for the Invitation are:

Credit Suisse First Boston

Salomon Smith Barney

The date of this Prospectus Supplement is March 14, 2001

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INTRODUCTION

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Brazil has not authorized anyone to provide you with information that is different. This document may only be used where it is legal to offer and sell the Global Bonds. The information in this prospectus supplement and the accompanying prospectus may only be accurate as of the date of this prospectus supplement or the accompanying prospectus, as applicable. Capitalized terms used but not defined in this prospectus supplement shall have the meanings specified in the prospectus supplement dated March 7, 2001, or, if that prospectus supplement does not contain a definition, in the accompanying prospectus dated September 11, 2000.

All references in this document to the joint dealer managers' websites at <http://primedebt.csfb.com/brazilexchange> and <http://direct2.sbi.com/exchange> (the "Invitation Websites"), which are inserted as inactive textual references to these "uniform resource locators" or "URLs", are for your informational reference only. Information on the Invitation Websites is not incorporated by reference in this document.

Brazil does not assume responsibility for the information that appears on the Invitation Websites other than the Invitation and Brazil's Annual Report for 1999 on Form 18-K, which was filed with the U.S. Securities and Exchange Commission (the "SEC") on September 29, 2000, and other information that Brazil has specifically authorized for display on the Invitation Websites under the dealer managers agreement described in this prospectus supplement, and does not intend for that information to be incorporated by reference in this document.

Brazil is furnishing this prospectus supplement and the accompanying prospectus solely for use by prospective investors and current holders of the Old Bonds in the context of the Invitation and the issuance of the Global Bonds. After having made all reasonable queries, Brazil confirms that:

- the information contained in this prospectus supplement and the accompanying prospectus is true and correct in all material respects and is not misleading;
- it honestly holds the opinions and intentions expressed in this prospectus supplement and the accompanying prospectus;
- to the best of its knowledge and belief, it has not omitted other facts the omission of which makes this prospectus supplement and the accompanying prospectus as a whole misleading; and
- it accepts responsibility for the information it has provided in this prospectus supplement and the accompanying prospectus.

The Global Bonds are debt securities of Brazil being offered under Brazil's Registration Statement No. 333-12488 filed with the SEC under the U.S. Securities Act of 1933, as amended; the accompanying prospectus is part of the 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 the Invitation 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 for 1999 on Form 18-K, which was filed on September 29, 2000, and all amendments thereto since then) contain information regarding Brazil, the Global Bonds and other matters. You can inspect those documents at the office of the SEC.

Until forty days after the date of this Prospectus Supplement, all dealers effecting transactions in the Global Bonds in the United States, whether or not participating in this distribution, may be required to deliver a copy of this prospectus supplement and the accompanying prospectus. This is in addition to the obligation of these dealers to deliver a prospectus in connection with this distribution with respect to their unsold allotments or subscriptions

FORWARD-LOOKING STATEMENTS

Brazil has made forward-looking statements in this document. 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 ratings of Brazil; and
- the decisions of international financial institutions, such as the International Monetary Fund, regarding the terms of their financial assistance to Brazil, and

internal factors, such as:

- general economic and business conditions in Brazil;
- present and future exchange rates of the Brazilian currency;
- foreign currency reserves;
- the ability of the Brazilian Government to enact key economic reforms;
- the level of domestic debt;
- domestic inflation;
- the level of foreign direct and portfolio investment; and
- the level of Brazilian domestic interest rates.

SOVEREIGN IMMUNITY AND ARBITRATION

Brazil is a foreign sovereign state. Consequently, it may be difficult for you to obtain or realize upon judgments of courts in the United States against Brazil. Also, under Brazilian law, Brazil is prohibited from submitting to the jurisdiction of a foreign court to adjudicate any dispute or claim relating to its securities. Brazil has, however, consented to arbitration in New York City of these disputes or claims in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law, excluding Article 26 thereof.

For more information, see "Arbitration and Enforceability" in the accompanying prospectus.

CERTAIN LEGAL RESTRICTIONS

The distribution of materials relating to the Invitation, and the transactions contemplated by the Invitation, may be restricted by law in certain jurisdictions. If materials relating to the Invitation come into your possession, you are required by Brazil to inform yourself of and to observe all of these restrictions. The materials relating to the Invitation do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the Invitation be made by a licensed broker or dealer and any joint dealer manager, or any affiliate of any joint dealer manager, is a licensed broker or dealer in that jurisdiction, the Invitation shall be deemed to be made by such joint dealer manager or such affiliate on behalf of Brazil in that jurisdiction. For more information, see “Jurisdictional Restrictions” in this prospectus supplement.

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement. It is not complete and may not contain all the information that you should consider in connection with the Global Bonds. You should read the entire prospectus supplement and the accompanying prospectus carefully.

The Global Bonds

Issuer	The Federative Republic of Brazil.
Securities Offered	8 7/8% U.S. Dollar-Denominated Global Bonds due 2024.
Issue Amount	U.S.\$2,150,000,000 aggregate principal amount.
Maturity	The Global Bonds will mature on April 15, 2024.
Interest	The Global Bonds will bear interest from the Settlement Date at 8 7/8% per year. Brazil will pay interest semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2001.
Redemption	Brazil may not redeem the Global Bonds prior to maturity.
Default	The Global Bonds will contain events of default, the occurrence of which may result in acceleration of Brazil's obligations under the Global Bonds prior to maturity, including, without limitation, Brazil's obligation to pay the outstanding principal amount (that is, the par value) of the Global Bonds. See "Debt Securities—Default; Acceleration of Maturity" in the accompanying prospectus.
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. Brazil expects the Global Bonds to be issued with original issue discount. Please see "Taxation—United States Federal Income and Estate Taxation—Taxation of the Global Bonds" in this prospectus supplement for more information. 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	Brazil may, from time to time, issue further bonds that may form a single series with the Global Bonds.
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.
Form and Settlement	Brazil will issue the Global Bonds in the form of one or more fully registered global securities registered in the name of a nominee of The Depository Trust Company ("DTC") and deposit the global securities with a custodian for DTC. You may hold a beneficial interest in the global securities through DTC, Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg") or the

Euroclear System (“Euroclear”), directly as a participant in one of those clearing systems or indirectly through financial institutions that are participants in any of those systems.

As an owner of a beneficial interest in the global securities, you will generally not be entitled to have the Global Bonds registered in your name, will not be entitled to receive certificates in your name evidencing the Global Bonds and will not be considered the holder of any Global Bonds under the fiscal agency agreement for the Global Bonds.

Denominations Brazil will issue the Global Bonds only in denominations of U.S.\$1,000 and integral multiples of U.S.\$1,000.

Listing Application has been made to list the Global Bonds on the Luxembourg Stock Exchange.

Markets..... Brazil will offer the Global Bonds for exchange in those jurisdictions where it is legal to make such offers. For more information, please see “Certain Legal Restrictions”, “Plan of Distribution” and “Jurisdictional Restrictions” in this prospectus supplement.

RECENT DEVELOPMENTS

The information included in this section supplements the information about Brazil contained in Brazil's annual report for 1999 on Form 18-K filed with the SEC on September 29, 2000. 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 Economic Developments

On October 11, 2000, the Brazilian Senate approved legislation known as the Fiscal Crime Law. The legislation amends Brazil's Penal Code (Decree Law No. 2,848 of December 7, 1940) and certain other laws to provide penalties for, among other things, the execution of credit operations in excess of authorized limits, the ordering of expenditures not authorized by law and administrative infractions of public finance laws. The legislation, which was approved by the Chamber of Deputies on May 17, 2000, was enacted on October 19, 2000. The Fiscal Crime Law is a complement to the Fiscal Responsibility Law, which was enacted on May 4, 2000.

On November 28, 2000, the IMF announced that it had completed its sixth review under the IMF-led support program established in December 1998. The IMF commended the Government for its achievement of a R\$36.7 billion (3.4% of GDP) consolidated public sector primary surplus and "an appropriately cautious" monetary policy. The Government's November 3, 2000 Memorandum of Economic Policies stated that GDP grew by 3.6% during the first half of 2000. Employment growth was also strong; according to the Memorandum, employment expanded by 5.1% during the twelve months ended September 30, 2000. Consumer price inflation, as measured by IPCA, nevertheless remained subdued, increasing 7.7% during the twelve months ended September 30, 2000. Brazil's external sector performance also continued to improve. The Memorandum reported that Brazil had registered a trade surplus of U.S.\$0.7 billion during the first nine months of 2000, versus a U.S.\$0.8 billion deficit during the same period in the previous year, and the current account deficit declined to U.S.\$15.9 billion for the first nine months of 2000 from approximately U.S.\$17.3 billion during the same period in the previous year. The Government reported that the current account deficit had been fully financed by foreign direct investment, which totaled U.S.\$21.3 billion during the first nine months of 2000. As a result of the sixth review, the IMF made available for borrowing up to approximately U.S.\$2.135 billion under the standby portion of the IMF facility. As of October 31, 2000, U.S.\$1.8 billion in standby loans remained outstanding under the IMF-led support program.

State and Local Elections

Brazil held local elections on October 1, 2000. In those elections, the ten political parties constituting President Cardoso's coalition won 4,699 mayoral races, while opposition party candidates won 769. Certain other mayoral races were decided in runoff elections held on October 29, 2000, when opposition party candidates won 21 of the 31 mayoral races at issue, including that in the Municipality of São Paulo.

The next round of national elections is scheduled to occur in October 2002, at which time Brazil's voters will elect, among others, a new President.

External Affairs

The presidents of the four Mercosul countries (Argentina, Brazil, Paraguay and Uruguay) and those of Bolivia and Chile announced on December 15, 2000 that they had agreed to macroeconomic convergence targets and mechanisms commencing in 2002. Among the targets agreed are those relating to fiscal flows (the annual variation in consolidated net public sector fiscal debt, as a percentage of GDP), fiscal stock (the three-year average of the ratio of the consolidated net public sector debt (net of international reserves) to nominal GDP) and inflation. Mercosul is a common market organization composed of Argentina, Brazil, Paraguay and Uruguay. In 1996, the Mercosul countries signed agreements with Chile and Bolivia, effective October 1996 and February 1997, for the development of free trade among them.

Gross Domestic Product

Brazil's GDP grew by 4.2% in real terms in 2000, an increase from the 0.79% GDP growth in 1999.

Prices

During 2000, the inflation rate (as measured by GPI-DS) rose 9.81%. The broad consumer index (IPCA) rose 5.97% during 2000, versus the Government's announced target of 6% for 2000.

Unemployment

The unemployment rate stood at 4.83% in December 2000, down from 6.28% in December 1999, 8.05% in March 2000 and 7.41% in June 2000.

Privatization Program

On October 17, 2000, the State of Paraná sold a controlling interest in Banco do Estado do Paraná S.A. (Banestado), the former State bank of Paraná, to Banco Itaú S.A. for R\$1.625 billion (approximately U.S.\$872 million), representing a 302.8% premium over the minimum sale price.

On November 20, 2000, the Government sold 60% of the outstanding common (voting) shares and 30% of the outstanding preferred (nonvoting) shares of *Banco do Estado de São Paulo S.A.* (BANESPA) to Banco Santander Central Hispano of Spain for R\$7.05 billion (approximately U.S.\$3.6 billion), representing a 281% premium over the minimum sale price.

Balance of Payments and Foreign Trade

During 2000, exports totaled approximately U.S.\$55.1 billion and imports totaled U.S.\$55.8 billion, yielding a trade deficit of approximately U.S.\$698 million during that period. The trade deficit reflected in part the impact of crude oil price increases on Brazil's external accounts. Net service expenditures totaling U.S.\$25.7 billion, of which U.S.\$15.1 billion represented net interest payments, put further pressure on the current account, which ended the year with a U.S.\$24.6 billion deficit.

On November 17, 2000, the Government announced a series of economic measures intended to increase exports. Collectively termed the 2001 Export Program, the measures include improvements to the country's ports, a new consignment system to distribute Brazilian products in strategic markets and the creation of an exemption from Brazilian taxation for activities to promote Brazilian products abroad, including expenses for international trade fairs currently taxed at 15%.

Foreign Exchange and International Reserves

As of February 28, 2001, Brazil's international reserves stood at U.S.\$35.5 billion, or approximately seven months of imports of goods.

On February 28, 2001, the real-U.S. dollar exchange rate (sell side) in the commercial exchange market, as published by the Central Bank of Brazil, was R\$2.0452 to U.S.\$1.00, down from R\$1.8234 to U.S.\$1.00 on August 31, 2000, R\$1.8437 to U.S.\$1.00 on September 30, 2000, R\$1.9090 to U.S.\$1.00 on October 31, 2000, R\$1.9554 to U.S.\$1.00 on December 29, 2000 and R\$1.9703 to U.S.\$1.00 on January 31, 2001.

On February 5, 2001, the Brazilian National Treasury announced that it would reduce its annual purchases in the Brazilian foreign exchange markets to \$1.2 billion. The National Treasury had previously announced that it would purchase up to \$3.0 billion in foreign exchange in the domestic market. The National Treasury intends to use the foreign exchange so purchased for the purpose of making principal and interest payments in respect of Brazil's external debt.

Foreign Investment

Net foreign investment inflows totaled U.S.\$30.6 billion during the first eleven months of 2000, compared to U.S.\$28.3 billion during the same period in the previous year. Of that amount, U.S.\$28.3 billion constituted net direct investment, principally from Spain and the United States. The remaining U.S.\$2.3 billion consisted of net portfolio investment.

Monetary Policy

On January 17, 2001, the Central Bank reduced the *Over/Selic* rate target to 15.25% from 15.75%, following a similar reduction in interest rates by the Federal Open Market Committee in the United States. The Central Bank had previously reduced the *Over/Selic* rate target to 15.75% from 16.50% on December 20, 2000.

Public Finance

Brazil's consolidated public sector primary surplus stood at R\$38.2 billion for 2000, or 3.5% of GDP. The IMF target for 2000 is a primary surplus of R\$36.7 billion. The consolidated public sector nominal deficit (the difference between the level of consolidated public sector debt in one period and the level of such debt in the previous period, excluding the effects of the Government's privatization program) for 2000 was equivalent to 4.6% of GDP.

Public Debt

Brazil's net public sector debt stood at R\$563.2 billion (or 49.5% of GDP) on December 31, 2000, up from R\$516.6 billion (or 49.4% of GDP) on December 31, 1999. The interest expense in respect of Brazil's public sector debt during 2000 represented 8.1% of GDP. Brazil's consolidated net public sector external debt stood at R\$111.3 billion on December 31, 2000.

At November 30, 2000, Brazil's U.S. dollar-indexed domestic securities debt totaled approximately R\$113.8 billion, an increase from approximately R\$109.5 billion of such securities at December 31, 1999.

On August 31, 2000, the Federal Supreme Court of Brazil decided three lawsuits against the Time-in-Service Guarantee Fund (FGTS), a fund established to make severance payments to terminated private sector employees in proportion to their time of service and amounts deposited, and its administrator, *Caixa Econômica Federal*, a multiple service bank owned by the federal Government. The plaintiffs in these cases sought damages for losses resulting from monetary corrections made to individual account balances using inflation indices under five economic stabilization programs implemented by the Government between 1987 and 1992. The Federal Supreme Court ruled that the plaintiffs were eligible for damages with respect to two of the five economic plans. The case was remanded to a lower court for a determination of damages. On September 22, 2000, the Government announced that it would compensate workers for losses arising from the two economic plans. However, the amount of such compensation and the timing of the payment have not yet been determined. The Central Bank has estimated that the liability of the fund and its administrator would amount to approximately R\$38 billion if all potential claimants brought suit for damages arising from the two economic plans and prevailed in such actions.

Certain financial institutions agreed to exchange approximately U.S.\$184.7 million aggregate principal amount of U.S.D Front-Loaded Interest-Reduction with Capitalization Series L Bonds due 2014 for approximately R\$343.6 million aggregate principal amount of real-denominated National Treasury Notes, Series A. The exchange was completed on October 15, 2000. In addition, certain financial institutions agreed to exchange (i) approximately U.S.\$630,000 aggregate principal amount of U.S.D Debt Conversion Series L Bonds due 2012 for approximately R\$1.21 million aggregate principal amount of real-denominated National Treasury Notes, Series D and (ii) approximately U.S.\$130 million aggregate principal amount of Brazil Investment Bonds due 2013 for approximately R\$254.53 million aggregate principal amount of real-denominated National Treasury Notes, Series A. The exchanges were completed on November 1, 2000 and November 15, 2000, respectively. The National Treasury Notes, Series A and Series D are U.S. dollar-indexed domestic Treasury securities.

Since the filing of its annual report for 1999 on Form 18-K on September 29, 2000, Brazil has completed:

- an offering of Euro 750 million aggregate principal amount of Brazil's 9.50% Notes due 2007 on October 5, 2000;
- an offering of ¥60 billion aggregate principal amount of Federative Republic of Brazil Yen Bonds Series 10 (2000) due 2006 on December 22, 2000;
- an offering of U.S.\$1.5 billion aggregate principal amount of Brazil's 10¼% U.S.-Dollar-Denominated Global Bonds due 2006 on January 11, 2001; and
- an offering of Euro 1 billion aggregate principal amount of Brazil's 9.50% Notes due 2011 on January 24, 2001.

THE INVITATION

Purpose of the Invitation

The Invitation is part of a broader program of Brazil to manage its external liabilities. In addition, the issuance of the Global Bonds is intended to provide a liquid, sovereign risk benchmark for Brazil.

Results of the Invitation

For your convenience, we have set forth the results of the Invitation in Annex A to this prospectus supplement.

Annex A includes information about (1) the Clearing Cash Amount for each series of Old Bonds accepted for exchange, (2) the aggregate original principal amount of Old Bonds of each series to be acquired in exchange for Global Bonds pursuant to accepted exchange offers, (3) the aggregate principal amount of Global Bonds to be issued in exchange for each series of Old Bonds pursuant to accepted exchange offers, and (4) in the case of the C Bonds only, the Rounding Price, which is a price per U.S.\$1,000 principal amount of Global Bonds determined by the joint dealer managers and Brazil in their sole discretion for the purpose of paying rounding amounts in respect of Global Bonds.

You may also obtain this information by contacting the exchange agent, the Luxembourg exchange agent, or either of the joint dealer managers.

In addition, Brazil will notify the Luxembourg Stock Exchange of the results of the Invitation.

Settlement

The Settlement Date for the Invitation will be Thursday, March 22, 2001, which is the sixth trading day following March 14, 2001, the date on which Brazil announced the results of the Invitation.

On the Settlement Date:

- if Brazil has accepted your exchange offer, you, as the identified account holder, or Euroclear or Clearstream, Luxembourg, as the case may be, on your behalf, must deliver to Brazil good and marketable title to your Old Bonds, free and clear of all liens, charges, claims, encumbrances, interests, rights of third parties and restrictions of any kind;
- in return you will receive:
 - solely by credit to the Euroclear or Clearstream, Luxembourg account in which your Old Bonds being exchanged were held, the Global Bonds to which you are entitled, and
 - solely by same-day credit to the Euroclear or Clearstream, Luxembourg account in which your Old Bonds being exchanged were held, the cash to which you are entitled pursuant to the terms of the Invitation.

See “Global Clearance and Settlement” in this prospectus supplement for a general description of settlement procedures.

Certain Other Matters

Brazil reserves the right following the completion or the cancellation of the Invitation to:

- offer to exchange or buy Old Bonds or sell new securities, including additional Global Bonds, or

- issue a new invitation to submit offers to exchange or buy Old Bonds or sell new securities, including additional Global Bonds,

in each case on terms that may be more or less favorable than those contemplated by the Invitation.

The making of any offers and the issuance of any new invitation will depend on various factors, including, without limitation, interest rates prevailing at the time and the principal amount of Old Bonds retired pursuant to the Invitation.

The Invitation is, and any offer and acceptance by Brazil shall be, governed by and interpreted in accordance with the laws of the State of New York, United States of America.

The determination by Brazil of the Minimum Cash Amounts, the Clearing Cash Amounts, the Rounding Price and any other calculation or quotation made with respect to the Invitation shall be conclusive and binding on you, absent manifest error.

DESCRIPTION OF THE GLOBAL BONDS

This prospectus supplement describes the terms of these securities in greater detail than the prospectus and may provide information that differs from the prospectus. If the information in this prospectus supplement differs from the prospectus, you should rely on the information in this prospectus supplement.

Brazil will issue the Global Bonds under the fiscal agency agreement, dated as of November 1, 1996, between Brazil and The Chase Manhattan Bank as fiscal agent, registrar, transfer agent and principal payment agent. The information contained in this section and in the prospectus summarizes some of the terms of the Global Bonds and the fiscal agency agreement. Because this is a summary, it does not contain all of the information that may be 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 the securities in making your investment decision. Brazil has filed or will file copies of these documents with the SEC and will also file copies of these documents at the office of the fiscal agent.

General Terms of the Global Bonds

The Global Bonds will:

- mature at par on April 15, 2024;
- bear interest at 8⁷/₈% per year, accruing from the Settlement Date;
- pay interest in U.S. dollars on April 15 and October 15 of each year, commencing on April 15, 2001. Interest will be computed on the basis of a 360-day year of twelve 30-day months;
- pay interest to persons in whose names the Global Bonds are registered at the close of business on the fifteenth calendar day preceding the corresponding payment date;
- not be redeemable prior to maturity;
- not be entitled to the benefit of any sinking fund;
- 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 unsecured and unsubordinated external indebtedness;
- be represented by one or more global securities in fully registered form only, without coupons;
- be registered in the name of a nominee of DTC and recorded on, and transferred through, the records maintained by DTC and its participants, including Euroclear and Clearstream, Luxembourg;
- be available in definitive form only under certain limited circumstances; and
- be issued in denominations of U.S.\$1,000 and integral multiples of U.S.\$1,000.

Acceleration of Maturity

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, including, without limitation, Brazil's obligation to pay the outstanding principal amount (that is, the par value) of the Global Bonds. For more information, see "Debt Securities—Default; Acceleration of Maturity" in the accompanying prospectus.

Payment of Principal and Interest

Brazil will make payments of principal and interest on the Global Bonds in U.S. dollars to DTC, or to its nominee as the registered owner of the Global Bonds, which will receive the funds for distribution to the holders. Brazil expects that the holders will be paid in accordance with the procedures of DTC and its participants. Neither Brazil nor the paying agent shall have any responsibility or liability for any aspect of the records of, or payments made by, DTC or its nominee, or any failure on the part of DTC in making payments to holders of the Global Bonds from the funds it receives.

Brazil, through DTC or its nominee, will make its interest and principal payments to you, as a holder, by wire transfer if:

- you own at least U.S.\$1,000,000 aggregate principal amount of the Global Bonds; and
- 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;

OR

- Brazil, through DTC or its nominee, is making such payments at maturity; and
- 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 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 the delay in payment.

If any money that Brazil pays to the fiscal agent for the payment of principal or interest on the Global Bonds is not claimed at the end of two years after the principal or interest was due and payable, then 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 are void unless you present them for payment within five years after the maturity date (or a shorter period if provided by law).

Trading of the Global Bonds

The Global Bonds will be a new issue of securities with no established trading market. Application has been made to list the Global Bonds on the Luxembourg Stock Exchange. The joint dealer managers have advised Brazil that they intend to make a market in the Global Bonds. However, they are not obligated to do so and may discontinue their market-making activities at any time and without giving notice to Brazil. No assurance can be given that a trading market for the Global Bonds will develop, or as to the liquidity of the trading market if it does develop.

You should be aware that it is not possible to predict the price at which the Global Bonds will trade in the secondary market. The value of the Global Bonds will depend on, among other things, prevailing interest rates.

Paying Agents and Transfer Agent

Until the Global Bonds are paid, Brazil will maintain a paying agent in New York City. Brazil has initially appointed The Chase Manhattan Bank to serve as its paying agent and transfer agent in New York City. In addition, so long as any of the Global Bonds are listed on the Luxembourg Stock Exchange and the rules of the exchange require, Brazil will maintain a paying agent in Luxembourg. Brazil has initially appointed Chase Manhattan Bank Luxembourg S.A. to serve as its Luxembourg paying agent and transfer agent. Brazil will promptly provide notice of the termination or appointment of, or of any change in the office of, any paying agent or transfer agent.

Further Issues

Brazil may, without the consent of the holders, increase the principal amount of Global Bonds in the future, on the same terms and conditions and with the same CUSIP and ISIN numbers as the Global Bonds. Brazil may also consolidate such additional debt securities to form a single series with the outstanding Global Bonds.

Notices

Brazil will mail notices to the holders at the address appearing in the security register maintained by the fiscal agent. Brazil will consider a notice to be given at the time it is mailed. So long as the Global Bonds are listed on the Luxembourg Stock Exchange and the rules of the exchange require, Brazil will also publish notices to the holders in a leading newspaper having general circulation in Luxembourg. Brazil expects that it will initially make such publication in the *Luxemburger Wort*. If publication in a leading newspaper in Luxembourg is not practicable, Brazil will give notices in another way consistent with the rules of the Luxembourg Stock Exchange. Brazil will consider notice to be given on the date of its first publication.

Registration and Book-Entry System

Brazil will issue the Global Bonds in the form of one or more fully registered Global Bonds, registered in the name of a nominee of DTC. Financial institutions, acting as direct and indirect participants in DTC, will represent your beneficial interests in the global security. These financial institutions will record the ownership and transfer of your beneficial interests through book-entry accounts, eliminating the need for physical movement of securities.

If you wish to purchase securities under the DTC system, you must either be a direct participant in DTC or make your purchase through a direct participant in DTC. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations which have accounts with DTC. Euroclear and Clearstream, Luxembourg participate in DTC through their New York depositaries. Indirect participants are securities brokers and dealers, banks and trust companies that do not have an account with DTC, but that clear through or maintain a custodial relationship with a direct participant. Thus, indirect participants have access to the DTC system through direct participants. The laws of some states require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in the Global Bonds. The SEC has on file a set of the rules applicable to DTC and its participants.

You may hold your beneficial interests in the global security through Euroclear or Clearstream, Luxembourg, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream, Luxembourg will hold their participants' beneficial interests in the global security 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. 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.

In sum, you may elect to hold your beneficial interests in the global security:

- in the United States, through DTC;

- in Europe, through Euroclear or Clearstream, Luxembourg; or
- through organizations that participate in such systems.

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.

Definitive Securities

Brazil will issue securities in definitive form in exchange for a global security 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; or
- at any time Brazil decides it no longer wishes to have all or part of the Global Bonds represented by a global security.

If Brazil issues definitive securities, they will have the same terms and authorized denominations as the global security. You may present definitive securities for transfer or exchange at the corporate trust office of the fiscal agent in New York City, or at the office of the Luxembourg transfer agent, according to the procedures in the fiscal agency agreement. When you surrender a security for transfer or exchange, the fiscal agent will authenticate and deliver to you a security or securities of the appropriate form and denomination and of the same aggregate principal amount as the security you are surrendering. You will not be charged a fee for the registration of transfers or exchanges of definitive securities. However, you may 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 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 and any other agent for any losses they may suffer relating to the 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 security you are exchanging, Brazil will execute, and the fiscal agent will authenticate and deliver to you, a substitute security with the same terms as the 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 security.

GLOBAL CLEARANCE AND SETTLEMENT

The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg and their book-entry systems has been obtained from sources Brazil believes to be reliable. Brazil makes no representation or warranty with respect to this information, other than that it has been accurately extracted and/or summarized from those sources.

Arrangements have been made with each of DTC, Euroclear and Clearstream, Luxembourg to facilitate initial issuance of the Global Bonds. Transfers within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant system. Cross-market transfers between investors who hold or who will hold Global Bonds through DTC and investors who hold or will hold Global Bonds through Euroclear or Clearstream, Luxembourg will be effected in DTC through the respective depositaries of Euroclear or Clearstream, Luxembourg.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the following procedures to facilitate transfers of interests in the Global Bonds among participants in DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or to continue to perform these procedures and these procedures may be discontinued at any time. Neither Brazil nor the fiscal agent will have any responsibilities 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.

The Clearing Systems

DTC

DTC is a limited-purpose trust company organized under the laws of the State of New York, 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 pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. DTC participants include the joint dealer managers, the U.S. depositaries, the fiscal agent, securities brokers and dealers, banks, trust companies and clearing corporations and may in the future include certain other organizations. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Transfers of ownership or other interests in the Global Bonds in DTC may be made only through DTC participants. In addition, beneficial owners of the Global Bonds in DTC will receive all distributions of principal of and interest on the Global Bonds from the fiscal agent through such DTC participant.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depositary.

Clearstream, Luxembourg holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.

Clearstream, Luxembourg interfaces with domestic markets in several countries. As a professional depositary, Clearstream, Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream, Luxembourg participants are financial institutions around the world, including the joint dealer managers, other securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Indirect access to Clearstream, Luxembourg is also available to others that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant either directly or indirectly.

Distributions with respect to Global Bonds held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures to the extent received by the depositary for Clearstream, Luxembourg.

Euroclear

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash.

Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the “Euroclear Operator”) under contract with Euro-Clear Clearance Systems, S.C., a Belgian cooperative corporation (the “Cooperative”). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), the joint dealer managers, other securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Because the Euroclear Operator is a Belgian banking corporation, Euroclear is regulated and examined by the Belgian Banking Commission.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law, which are referred to as the “Terms and Conditions”. The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to the Global Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the depositary for Euroclear.

Initial Settlement

Upon the issuance of the Global Bonds, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by the book-entry security to the accounts of persons who have accounts with DTC. Ownership of beneficial interests in the Global Bonds will be limited to persons who have accounts with direct account holders, including Euroclear and Clearstream, Luxembourg, or indirect account holders. Ownership of beneficial interests in the Global Bonds will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee, with respect to interests of direct account holders, and the records of direct account holders, with respect to interests of indirect DTC accountholders.

Euroclear and Clearstream, Luxembourg will hold omnibus positions on behalf of their participants through customers’ securities accounts for Euroclear and Clearstream, Luxembourg on the books of their respective depositaries, which in turn will hold positions in customers’ securities accounts in the depositaries’ names on the books of DTC.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important for you to establish at the time of a secondary market trade the location of both the purchaser's and seller's accounts to ensure that settlement can be on the desired value date.

Trading Between DTC Accountholders

Secondary market trading of Global Bonds represented by the book-entry security between DTC accountholders will trade in DTC's settlement system and will therefore settle in same-day funds.

Trading Between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market trading between Clearstream, Luxembourg participants and/or Euroclear participants will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading Between DTC Seller and Clearstream, Luxembourg or Euroclear Purchaser

When interests are to be transferred from the account of a DTC accountholder to the account of a Clearstream, Luxembourg participant or a Euroclear participant, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear participant at least one business day prior to settlement. Clearstream, Luxembourg or Euroclear will instruct its respective depositary to receive the beneficial interest against payment. Payment will include interest accrued on the beneficial interest in the Global Bonds from and including the last interest payment date to and excluding the settlement date. Payment will then be made by the depositary to the DTC accountholder's account against delivery of the interest in the Global Bonds. After settlement has been completed, the interest will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Clearstream, Luxembourg participant's or Euroclear participant's account. The securities credit will appear the next day, European time. The cash debit will be back-valued to, and the interest of the Global Bonds will accrue from, the value date, which will be the preceding day when settlement occurs in New York. If settlement is not completed on the intended value date, that is, if the trade fails, the Clearstream, Luxembourg or Euroclear cash debit will be valued instead as of the actual settlement date.

Clearstream, Luxembourg participants and Euroclear participants will need to make available to the respective clearing system the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement either from cash on hand or existing lines of credit, as participants would for any settlement occurring within Clearstream, Luxembourg or Euroclear. Under this approach, participants may take on credit exposure to Clearstream, Luxembourg or Euroclear until the interests in the Global Bonds are credited to their accounts one day later.

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to a Clearstream, Luxembourg or Euroclear participant, the participant may elect not to preposition funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Clearstream, Luxembourg participants or Euroclear participants purchasing interests in the Global Bonds would incur overdraft charges for one day, assuming they cleared the overdraft when the interests in the Global Bonds were credited to their accounts. However, interest on the book-entry security would accrue from the value date. Therefore, in many cases the investment income on the interest in the Global Bonds earned during that one-day period may substantially reduce or offset the amount of the overdraft charges, although this result will depend on each participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC accountholders can employ their usual procedures for transferring Global Bonds to the respective depositaries of Clearstream, Luxembourg or Euroclear for the benefit of Clearstream, Luxembourg participants or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to DTC accountholders, a cross-market sale transaction will settle no differently from a trade between two DTC accountholders.

Finally, day traders that use Clearstream, Luxembourg or Euroclear to purchase interests in the Global Bonds from DTC accountholders for delivery to Clearstream, Luxembourg participants or Euroclear participants

should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- borrowing through Clearstream, Luxembourg or Euroclear for one day, until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts, in accordance with the clearing system's customary procedures;
- borrowing the interests in the United States from a DTC accountholder no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear account in order to settle the sale side of the trade; or
- staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC accountholder is at least one day prior to the value date for the sale to the Clearstream, Luxembourg participant or Euroclear participant.

Trading Between Euroclear or Clearstream, Luxembourg Seller and DTC Purchaser

Due to time zone differences in their favor, Clearstream, Luxembourg and Euroclear participants may employ their customary procedures for transactions in which interests in the Global Bonds are to be transferred by the respective clearing system, through its respective depositary, to a DTC accountholder. The seller must first send instructions to Euroclear or Clearstream, Luxembourg through a participant, at least one business day prior to settlement. Clearstream, Luxembourg or Euroclear will instruct its respective depositary to credit the interest in the Global Bonds to the DTC accountholder's account against payment. Payment will include interest accrued on the beneficial interest in the Global Bonds from and including the last interest payment date to and excluding the settlement date. The payment will then be reflected in the account of the Clearstream, Luxembourg participant or Euroclear participant the following day. Receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account will be back-valued to the value date, which will be the preceding day, when settlement occurs in New York. If the Clearstream, Luxembourg or Euroclear participant has a line of credit in its clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date, that is, if the trade fails, receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would instead be valued as of the actual settlement date.

TAXATION

General

An exchange of Old Bonds for Global Bonds pursuant to the Invitation may be a taxable transaction under the laws applicable to a Bondholder. Also, holders of Global Bonds may be subject to tax in respect of their Global Bonds. Each Bondholder should consult its own tax advisor to determine the particular tax consequences for it in respect of the exchange of Old Bonds for Global Bonds or the receipt, ownership or disposition of Global Bonds.

Brazilian Taxation

The following is a summary of certain aspects of Brazilian federal income taxation that may be relevant to:

- non-Brazilian holders of Old Bonds that offer their Old Bonds for exchange pursuant to the Invitation, and
- non-Brazilian holders of Global Bonds in connection with the holding and disposition of their Global Bonds acquired pursuant to the Invitation.

The summary is based on Brazilian laws, rules and regulations now in effect, all of which are subject to change.

This summary is not intended to constitute a complete analysis of the Brazilian income tax consequences to non-residents of Brazil of the exchange of Old Bonds for Global Bonds or 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.

No Brazilian withholding or other Brazilian taxes will apply to the exchange by non-residents of Brazil of Old Bonds for Global Bonds pursuant to the Invitation or the payment to non-residents of Brazil of the Clearing Cash Amount, accrued interest or rounding amounts in respect of any Old Bonds so exchanged. The exchange of Old Bonds for Global Bonds by non-residents of Brazil pursuant to the Invitation will not be subject to any Brazilian stamp tax or other similar Brazilian taxes.

Unless a non-Brazilian holder of a Global Bond has some connection with the Republic 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 subject 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.

Persons considering exchanging Old Bonds for Global Bonds should consult their own tax advisers in determining the Brazilian tax consequences to them of the exchange of Old Bonds pursuant to the Invitation and/or the receipt, ownership and disposition of the Global Bonds.

United States Federal Income and Estate Taxation

The following is a summary of certain U.S. federal income and estate tax considerations that may be relevant to the exchange of Old Bonds for Global Bonds pursuant to the Invitation and/or to the receipt, ownership or disposition of Global Bonds. This summary is based on U.S. federal tax laws in effect on the date of this prospectus supplement. All of these laws and authorities are subject to change, possibly with retroactive effect. No

assurances can be given that any change in these laws or authorities will not affect the accuracy of the discussion set forth in this summary.

This summary deals only with holders that hold the Old Bonds and Global Bonds as capital assets as defined in the U.S. federal tax laws. This summary does not address tax considerations applicable to

- holders of Global Bonds who do not acquire the Global Bonds pursuant to the Invitation;
- special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations and life insurance companies;
- traders in securities that elect to mark to market;
- persons that hold Old Bonds or Global Bonds as a hedge against (or hedged against) currency or interest rate risks or as part of a straddle or conversion transaction; and
- persons whose functional currency for tax purposes is not the U.S. dollar.

Bondholders should consult their own tax advisors in determining the tax treatment of the exchange of Old Bonds for Global Bonds pursuant to the Invitation and of the receipt, ownership and disposition of Global Bonds, including the application to their particular circumstances of the tax considerations discussed below and of any relevant state, local, foreign or other tax laws.

As used herein, the term “United States Holder” means a holder of Old Bonds or Global Bonds who or that is:

- a citizen or resident of the United States;
- a domestic corporation or partnership;
- an estate the income of which is subject to regular U.S. federal income taxation regardless of 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 U.S. persons have the authority to control all substantial decisions of that trust.

United States Holders

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

Exchange of Old Bonds for Global Bonds

An exchange of Old Bonds for Global Bonds pursuant to the Invitation will be considered for U.S. federal income tax purposes to be a modification of the Old Bonds. The tax consequences of that modification will depend on whether the modification is considered to be significant. As discussed below, if the modification is significant, the exchange generally will be a taxable transaction (“Taxable Exchange”). If it is not significant, the exchange generally will not be taxable, except with respect to accrued interest and cash received as a result of rounding, and possibly also with respect to cash paid in respect of the Clearing Cash Amounts, as discussed below (a “Non-taxable Exchange”).

The determination whether a modification is significant will be made separately as to each type of Old Bond. The modification of an Old Bond will be a significant modification if, based upon all the facts and circumstances and taking into account all modifications of each type of Old Bond, the legal rights or obligations that are altered and the degree to which they are altered are “economically significant”. Although the differences between each type of Old Bond and the Global Bonds are not identical, Brazil believes that the differences between each series of Old Bonds and the Global Bonds, including differences in their maturities, interest rates, principal amortization, collateralization or character, will be economically significant. Accordingly, Brazil will treat the exchanges of Old Bonds for Global Bonds pursuant to the Invitation as significant modifications that will result in Taxable Exchanges.

Even if the differences described above did not result in a significant modification, applicable U.S. Treasury regulations provide that an exchange of Old Bonds for Global Bonds also will be treated as a significant modification if the yield of the Global Bonds varies from the annual yield of the Old Bonds by more than five percent of the annual yield of the Old Bonds. For this purpose, the regulations require that the yield of the Global Bonds be computed using the adjusted issue price of the Old Bonds, reduced by the amount of any cash received in respect of the Clearing Cash Amounts.

A United States Holder will recognize gain or loss on a Taxable Exchange of Old Bonds in an amount equal to the difference, if any, between the holder’s adjusted basis in those Old Bonds (after taking into account original issue discount (“OID”) that has accrued in the year of the exchange, if any) and the amount realized by the holder on the exchange. The amount realized by the United States Holder will be equal to the sum of:

- the issue price of the Global Bonds received by the holder in the exchange,
- the amount of any cash received in respect of the Clearing Cash Amounts, and
- the amount of any cash received in respect of accrued but unpaid interest or as a result of rounding the aggregate principal amount of Global Bonds receivable downward to the nearest U.S.\$1,000.

Except to the extent attributable to accrued but unpaid interest or accrued market discount, gain or loss recognized by a United States Holder on a Taxable Exchange of Old Bonds will be capital gain or loss. That gain or loss will be long-term capital gain or loss if the Old Bonds were held for more than one year. Gain or loss attributable to accrued but unpaid interest and market discount will be taxed as ordinary income. 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 exchange of Old Bonds for Global Bonds generally will be treated as income from or loss allocable to sources within the United States for U.S. federal income tax purposes.

The basis of Global Bonds received in a Taxable Exchange will be equal to their issue price. The issue price of Global Bonds received in a Taxable Exchange will be determined in the manner described below.

If a substantial amount of Global Bonds is issued for cash, the issue price per U.S.\$1,000 principal amount of Global Bonds will be the first price at which a substantial amount of Global Bonds are sold to the public for money. If less than a substantial amount of Global Bonds is issued for cash pursuant to the Invitation but a substantial amount of Global Bonds is traded on an established securities market, the issue price of the Global Bonds will be their fair market value on the Settlement Date. A debt instrument is considered to be traded on an established securities market if, at any time during the 60-day period ending 30 days after the issue date of the debt instrument, the debt instrument appears on a system of general circulation (including computer listings disseminated to subscribing brokers, dealers or traders) that provides a reasonable basis to determine fair market value by disseminating either recent price quotations (including rates, yields or other price information) of one or more identified brokers, dealers or traders or actual prices (including rates, yields or other pricing information) of recent sales transactions (a “Quotation Medium”). It is anticipated that the Global Bonds will appear on such a Quotation Medium.

If the exchange of any type of Old Bonds for Global Bonds does not result in a significant modification, a United States Holder will not be required to recognize gain or loss on the exchange, except with respect to the payment of accrued interest and in connection with the receipt of cash as a result of rounding downward the aggregate principal amount of Global Bonds received. The tax treatment of cash received in a Non-taxable Exchange in respect of the Clearing Cash Amounts is not entirely clear, and a United States Holder who receives that cash in a Non-taxable Exchange may be required to treat that cash as ordinary income at the time it is received.

The payment of cash as a result of rounding the principal amount of Global Bonds received downward will be treated as a payment in retirement of a portion of the Old Bonds. That retirement may result in gain or loss to the holder in an amount equal to the difference, if any, between the holder's adjusted basis in the portion of the Old Bonds treated as retired and the cash received. The gain or loss on the portion of the Old Bonds treated as retired will be taxable as described above with respect to a Taxable Exchange.

The basis of the Global Bonds received in a Non-taxable Exchange in the hands of that United States Holder will be the same as that holder's basis in the Old Bonds immediately before the exchange, except that the holder's basis will be reduced in respect of any cash paid in respect of the Clearing Cash Amounts and as a result of rounding down the principal amount of Global Bonds, and will be increased by the amount of any income or gain, or reduced further by the amount of any loss, recognized by the holder in respect of that cash. The holding period of those Global Bonds will include the holding period of the exchanged Old Bonds. The issue price of Global Bonds received in a Non-taxable Exchange will be the same as the adjusted issue price of the Old Bonds exchanged for those Global Bonds, reduced in respect of any cash received in respect of the Clearing Cash Amounts and increased by the amount of any income recognized by the holder in respect of that cash.

Taxation of the Global Bonds

Interest on the Global Bonds

Interest on the Global Bonds will not be exempt from U.S. taxation generally. Except as described below under “—OID on the Global Bonds”, that interest will be taxable to a United States Holder as ordinary income at the time it accrues or is received in accordance with the United States Holder's method of accounting for tax purposes.

That interest will be treated as foreign source income and, subject to certain exceptions, will be treated as “passive income” or “financial services income” for purposes of computing the foreign tax credit allowable under the U.S. federal income tax laws.

OID on the Global Bonds

In general, a Global Bond will not be treated as issued with OID if the amount by which its principal amount exceeds its issue price (determined as described above under “Exchange of Old Bonds for Global Bonds”) is less than the *de minimis* amount of one-quarter of 1 percent of its principal amount multiplied by the number of complete years to its maturity. A Global Bond will have *de minimis* OID if the amount of the excess is less than the *de minimis* amount. Brazil anticipates that the Global Bonds will be issued with OID.

Generally, you must include OID in income before you receive cash attributable to that income. The amount of OID that you must include in income is calculated using the yield to maturity of the Global Bond, which is computed based on a constant annual rate of interest and compounding at the end of each accrual period. You may select an accrual period of any length and you may vary the length of each accrual period over the term of the Global Bond. However, each scheduled payment of interest or principal on the Global Bond must occur on either the first or final day of an accrual period. Using this method, you will include increasingly greater amounts of OID in income over the life of your Global Bond.

You may elect to include in gross income all interest and OID that accrues on your Global Bond using the constant-yield method described above for OID. Generally, this election will apply only to the Global Bond for which you make it. Please consult your tax advisor concerning the advisability and additional consequences of making the election.

A United States Holder of Old Bonds who was required to include accrued OID in income with respect to those bonds generally will be required to continue to include OID in income as it accrues after the exchange of those bonds for Global Bonds if the exchange is a Non-taxable Exchange. In that case, a payment under a Global Bond issued in exchange for an Old Bond may be treated partly as a payment of interest and OID and partly as a payment of principal. Holders of Global Bonds received in a Non-taxable Exchange should consult their tax advisors with regard to the treatment and the effect of those payments.

Disposition of the Global Bonds

A United States Holder generally will recognize gain or loss on the sale or retirement of Global Bonds equal to the difference between the amount realized on that sale or retirement and the adjusted basis of the Global Bonds. A United States Holder's initial basis in Global Bonds received in exchange for Old Bonds will be determined as discussed above under “—United States Holders—Exchange of Old Bonds for Global Bonds”. That basis will be adjusted to reflect accrued OID and payments other than any payments of qualified stated interest (as defined in U.S. Treasury regulations) to the date of disposition.

Except to the extent attributable to accrued but unpaid interest or accrued market discount, gain or loss recognized by a United States Holder on the sale or retirement of Global Bonds will be capital gain or loss. That capital gain or loss will be long-term capital gain or loss if the Global Bonds were:

- held for more than one year by that United States Holder or
- issued in exchange for Old Bonds in a transaction treated as a Non-taxable Exchange and the aggregate period during which that United States Holder held either the Global Bonds or the Old Bonds exchanged for those Global Bonds exceeds one year.

Those capital gains or losses will be taxable as described above under “—United States Holders—Exchange of Old Bonds for Global Bonds”.

Non-United States Holders

The following discussion applies to you if you are a holder of Old Bonds or Global Bonds who or that is not a United States Holder (a “Non-United States Holder”).

Exchange of Old Bonds for Global Bonds

Gain Characterized as Capital Gain

Subject to the discussion of backup withholding below, a Non-United States Holder will not be subject to U.S. federal income tax on any capital gain realized on any Taxable Exchange of Old Bonds for Global Bonds, unless:

- that gain or income is effectively connected with the conduct by the holder of a trade or business within the United States or
- in the case of a Non-United States Holder who is an individual, the 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:
 - the gain or income is attributable to an office or fixed place of business maintained in the United States by that holder or
 - that holder has a tax home in the United States.

Gain Characterized as Interest Income

Subject to the discussion of backup withholding below, a Non-United States Holder will not be subject to U.S. federal income tax, including withholding tax, on income attributable to accrued but unpaid interest, accrued market discount or accrued OID unless:

- the holder is an insurance company carrying on a U.S. insurance business to which the interest is attributable within the meaning of the U.S. federal tax laws or
- the holder 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.

Taxation of Global Bonds

Interest on the Global Bonds

Except as discussed above under “—Non-United States Holders—Exchange of Old Bonds for Global Bonds—Gain Characterized as Interest Income”, and subject to the discussion of backup withholding below, a Non-United States Holder will not be subject to U.S. federal income tax, including withholding tax, on payments of interest or any accrual of OID on the Global Bonds.

Disposition of the Global Bonds

Except as discussed above under “—Non-United States Holders—Exchange of Old Bonds for Global Bonds—Gain Characterized as Capital Gain”, and subject to the discussion of backup withholding below, a Non-United States Holder will not be subject to U.S. federal income tax on any capital gain realized on the sale or exchange of Global Bonds. To the extent gain is attributable to accrued but unpaid interest, see the discussion above under “—Non-United States Holders—Exchange of Old Bonds for Global Bonds—Gain Characterized as Interest Income”.

Estate Tax

The Global Bonds will be treated as situated outside the United States for purposes of the U.S. federal estate tax. Thus, for purposes of this tax, the Global Bonds will not be included in the gross estate in the case of a nonresident of the United States who was not a citizen of the United States at the time of death.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of principal and interest and the accrual of OID on Old Bonds pursuant to the exchange and also to Clearing Amounts and rounding amounts received in the exchange or on 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 U.S. Controlled Person, as defined below. Backup withholding at a rate of 31% 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 federal income tax returns.

Backup withholding and information reporting generally will not apply to principal and interest payments to a Non-United States Holder, but the holder may be required to comply with certification and identification procedures in order to prove its exemption. In the case of Global Bonds held by a foreign partnership, these certification procedures will generally be applied to the partners in the partnership and the partnership will be required to provide certain information, including if applicable its U.S. taxpayer identification number.

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 of proceeds of a sale or redemption effected at a foreign office of a broker that is a U.S. 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 to the contrary) or the holder or beneficial owner otherwise establishes an exemption, and the backup withholding rules will apply to those payments if the broker has actual knowledge that the holder or beneficial owner is a United States Holder.

A U.S. Controlled Person is:

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

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 U.S. federal income tax liability as long as the holder provides the required information to the Internal Revenue Service.

PLAN OF DISTRIBUTION

Brazil has entered into a dealer managers agreement with Credit Suisse First Boston Corporation and Salomon Smith Barney Inc., as the joint dealer managers for the Invitation. Pursuant to the dealer managers agreement, Brazil has:

- retained the joint dealer managers to act, directly or through affiliates, on behalf of Brazil as joint dealer managers in connection with the Invitation,
- agreed to pay the joint dealer managers a fee based on the aggregate principal amount of Global Bonds issued pursuant to the Invitation,
- agreed to indemnify the joint dealer managers against certain liabilities, including liabilities under the U.S. Securities Act of 1933, as amended, and
- agreed that, except as otherwise permitted by the joint dealer managers, it will not offer, sell, or contract to sell or otherwise dispose of any debt securities of Brazil, guaranteed by Brazil or of any Brazilian governmental agency, that are substantially similar to the Global Bonds, are denominated in U.S. dollars, are to be placed outside Brazil and that mature more than one year after the Settlement Date until the completion of the distribution of the Global Bonds as notified to Brazil by the joint dealer managers.

At any given time, the joint dealer managers may trade the Old Bonds or other debt securities of Brazil for their own accounts or for the accounts of customers and may accordingly hold a long or short position in the Old Bonds or other securities of Brazil.

The joint dealer managers have obtained from the SEC an exemption 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 joint dealer managers and certain of their affiliates in connection with the Invitation.

If the joint dealer managers acquire any Global Bonds pursuant to the Invitation, they may resell those Global Bonds 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.

In connection with the Invitation, the joint dealer managers may purchase and sell the Global Bonds or Old Bonds in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover short positions created by the joint dealer managers, for themselves or a syndicate, if there is a syndicate, in connection with the Invitation. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the securities. Short positions created by the joint dealer managers, for themselves or a syndicate, if there is a syndicate, involve the sale by the joint dealer managers of a greater number of securities than they own or have a right to purchase. These activities may stabilize, maintain or otherwise affect the market price of the Global Bonds or Old Bonds, which may be higher than the price that might otherwise prevail in the open market. These activities, if commenced, may be discontinued at any time. These transactions may be effected on the Luxembourg Stock Exchange, in the over-the-counter market or otherwise.

Brazil expects to issue U.S.\$2,150,000,000 aggregate principal amount of Global Bonds and pay an aggregate amount of U.S.\$136,065,227 in cash in exchange for Global Bonds pursuant to the Invitation.

Brazil estimates that its share of the total expenses of the Invitation fees, excluding fees and commissions, will be approximately U.S.\$600,000.

As aggregate compensation for their services in connection with the Invitation, the joint dealer managers expect to receive approximately U.S.\$10,675,000.

Brazil has retained Citibank, N.A., to act as exchange agent in connection with the Invitation, and Chase Manhattan Luxembourg S.A., to act as Luxembourg exchange agent in connection with the Invitation.

Brazil has agreed to (a) pay the exchange agent and the Luxembourg exchange agent customary fees for their services, (b) reimburse the exchange agent and the Luxembourg exchange agent for certain of their out-of-pocket expenses in connection with the Invitation and (c) indemnify the exchange agent and the Luxembourg exchange agent against certain liabilities, including liabilities under the U.S. Securities Act of 1933, as amended.

JURISDICTIONAL RESTRICTIONS

The distribution of the Invitation materials and the transactions contemplated by the Invitation materials may be restricted by law in certain jurisdictions. Persons into whose possession the Invitation materials come are required by Brazil to inform themselves of and to observe any of these restrictions.

The Invitation materials do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation.

In any jurisdiction in which the Invitation is required to be made by a licensed broker or dealer and in which a joint dealer manager or any of its affiliates is so licensed, it shall be deemed to be made by such joint dealer manager or such affiliate on behalf of Brazil.

Argentina

The Global Bonds have not been registered with the *Comisión Nacional de Valores* and may not be offered or sold publicly in Argentina. The Invitation may not be publicly distributed in Argentina. Neither Brazil nor the joint dealer managers will solicit the public in Argentina in connection with the Invitation.

Austria

No Austrian prospectus has been deposited with *Oesterreichische Kontrollbank AG*, and the Global Bonds may not be publicly offered or sold in Austria. In addition, (a) no public offer of the Global Bonds is being made in Austria, (b) the Invitation is a private placement in Austria and (c) the offering of the Global Bonds is only made in Austria to persons who trade or invest in securities in the conduct of their trade, profession or occupation within the meaning of Section 3 para. 1 no. 11 of the Capital Markets Act of Austria.

Bahamas

For assistance in connection with the Invitation, you may contact one of the joint dealer managers at the telephone numbers listed on the back cover page of this prospectus supplement. If you have any questions about the Invitation and/or doubts about its terms and conditions, you should consult with your stockbroker, bank manager, counsel and attorney, accountant or other financial adviser. Neither Brazil nor the joint dealer managers have expressed any opinion as to whether the terms of the Invitation are fair.

You should be aware that

- we can give no assurance regarding the liquidity of the trading market for the Global Bonds,
- the price at which the Global Bonds may trade in the secondary market is uncertain, and
- the price of the Global Bonds, as well as the value of your overall investment, may go down as well as up.

If you are a Bahamian resident, you are subject to Bahamian Exchange Control Regulations.

Bahrain

The public will not be solicited in connection with the Invitation. Neither Brazil nor the joint dealer managers will offer, sell or deliver any Global Bond in Bahrain or distribute copies of this prospectus supplement, the accompanying prospectus or any offering documents relating to the Global Bonds in Bahrain, unless such activities

- are carried out by or through intermediaries authorized to perform investment services in Bahrain,

- are approved by the Bahrain Monetary Agency (“BMA”), and
- are conducted in compliance with the applicable Bahraini banking regulations, including any limitations which the BMA may impose upon the offer or the sale of the Global Bonds in Bahrain.

Belgium

The Invitation has not been notified to or approved by the *Commission bancaire et financière / Commissie voor het Bank- en Financiewezen*. Accordingly,

- the Invitation may not be advertised,
- the Global Bonds may not be offered or sold, and
- no prospectus, information circular, brochure or similar document may be distributed,

in each case directly or indirectly, to any persons in Belgium other than institutional investors referred to in article 3, 2° of the Belgian Royal Decree of July 7, 1999 on the public character of financial transactions acting for their own account.

Brazil

The Global Bonds may not be offered or sold to the public in Brazil. Accordingly, the Invitation has not been nor will it be registered with the Brazilian Securities and Exchange Commission nor has it been submitted to the foregoing agency for approval. Documents relating to the Invitation, as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of the Global Bonds pursuant to the Invitation is not a public offering of securities in Brazil, nor be used in connection with any offer for subscription or sale of Global Bonds to the public in Brazil.

Canada

Provinces

The Global Bonds are being offered in Canada only to investors located in the provinces of Ontario and Québec.

Resale Restrictions

The distribution of the Global Bonds in Canada will be made only on a private placement basis and will be exempt from the requirement that Brazil prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Global Bonds must be made in accordance with applicable securities laws which may require resales to be made in accordance with exemptions from registration and prospectus requirements. Purchasers are advised to seek legal advice prior to any resale of the Global Bonds.

Representations of Purchasers

Each Canadian investor who purchases Global Bonds will be deemed to have represented to Brazil, the joint dealer managers and any dealer who offers or sells Global Bonds to such purchaser that:

- the offer and sale of the Global Bonds was made exclusively through the Invitation;
- such purchaser has reviewed the terms referred to above under “Resale Restrictions”;

- where required by law, such purchaser is purchasing as principal and not as agent; and
- such purchaser or any ultimate purchaser for which purchaser is acting as agent is entitled under applicable Canadian securities laws to purchase such Global Bonds without the benefit of a prospectus qualified under such securities laws, and (a) in the case of a purchaser located in Ontario, such purchaser is a person to which a dealer registered as an international dealer in Ontario may offer or sell Global Bonds, and (b) in the case of a purchaser located in Québec, such purchaser is a “sophisticated purchaser” within the meaning of the *Securities Act* (Québec).

Language of Documents

Each investor, by submitting an offer, acknowledges that it is the investor’s express wish that all documents evidencing or relating in any way to the sale of the Global Bonds be drawn up in the English language only.

Chaque investisseur, par le dépôt d’une offre, reconnaît que c’est à sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des Obligations Globales soient rédigés en anglais seulement.

France

The Global Bonds may not be offered or sold to the public in France. Accordingly, the Invitation has not been submitted to the *Commission des opérations de bourse* for approval. Any documents relating to the Invitation as well as the information contained in this prospectus supplement, the accompanying prospectus and in documents relating to the Invitation may not be supplied to the public in France or be used in connection with any offer for subscription or sale of Global Bonds to the public in France.

Germany

No Selling Prospectus has been published according to the German Securities Selling Prospectus Act (*Verkaufsprospektgesetz*). Accordingly, the Invitation is only made to and is only capable of acceptance by persons who purchase and sell securities (as principal or agent) as part of their profession or business. Recipients of the Invitation, this prospectus supplement and the accompanying prospectus agree that they have not and will not pass on the Invitation, this prospectus supplement or the accompanying prospectus to persons in Germany except to persons who purchase and sell securities (as principal or agent) as part of their profession or business.

Hong Kong

Each joint dealer manager has agreed that it has not issued and will not issue any Invitation materials or advertisements relating to the Global Bonds in Hong Kong, except if permitted to do so by the securities laws of Hong Kong, other than with respect to the Global Bonds which are intended to be disposed of only:

- to persons outside of Hong Kong, or
- to persons in Hong Kong whose business involves the acquisition, disposal or lending of securities, whether as principal or agent.

Italy

Unless authorized by the National Commission for the Corporations and Exchange (CONSOB), neither Brazil nor the selling bondholders nor any joint dealer manager will solicit the public in Italy in connection with the Invitation. Accordingly, no filings have been made with the Italian securities regulatory authorities in connection with the Invitation, and the Invitation and any other documents concerning the Invitation will not be distributed to the public in Italy.

Japan

The Global Bonds have not been and will not be registered under the Securities and Exchange Law of Japan. The Global Bonds (or any beneficial interest therein) acquired in Japan may not be transferred by any holder thereof in Japan to any other person unless such Global Bonds (or such beneficial interests therein) and all other Global Bonds (or beneficial interests therein) acquired by such holder are transferred in one lot to a single person, or to a non-resident of Japan (as defined in the Foreign Exchange and Foreign Trade Law of Japan).

Luxembourg

The Global Bonds may not be offered or sold, directly or indirectly, to the public in Luxembourg, except for Global Bonds for which the requirement of Luxembourg law concerning public offerings has been met.

Mexico

The Global Bonds have not been registered with the National Registry of Securities and Intermediaries maintained by the Mexican National Banking and Securities Commission and may not be offered or sold publicly in Mexico. The Invitation may not be publicly distributed in Mexico.

The Netherlands

The Global Bonds are not and will not be offered in or from within The Netherlands other than to persons who trade or invest in securities in the conduct of their profession or trade (which includes banks, pension funds, insurance companies, securities intermediaries (including dealers and brokers), other institutions and commercial enterprises which as an ancillary activity, regularly invest in securities).

Panama

The Global Bonds have not been registered and will not be registered with the National Securities Commission of the Republic of Panama under Decree Law No. 1 of July 8, 1999 (the “Panamanian Securities Law”) and may not be publicly offered or sold within Panama, except in certain limited transactions exempt from the registration requirements of the Panamanian Securities Law.

Portugal

The Invitation has not been registered with the Portuguese Stock Exchange Commission, and, therefore, the Global Bonds may not be offered or sold publicly in Portugal. In addition, the Invitation may not be publicly distributed in Portugal.

South Korea

None of the Global Bonds may be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in the Republic of Korea or to any resident of Korea except pursuant to applicable laws and regulations of the Republic of Korea. For a period of one year from the issue date of the Global Bonds, no holder of the Global Bonds who is in Korea or a resident of Korea may transfer the Global Bonds in the Republic of Korea or to any resident of Korea unless such transfer involves all of the Global Bonds held by it. In addition, no offer for the Old Bonds in exchange for the Global Bonds may be made, directly or indirectly, in the Republic of Korea or to any resident of Korea except pursuant to applicable laws and regulations of the Republic of Korea.

Spain

The Invitation has not been registered with the National Securities Market Commission of Spain. Therefore, no Global Bonds may be offered, sold or delivered, nor any offer in respect of Old Bonds made, nor may any prospectus or any other offering or publicity material relating to the Invitation or the Global Bonds be distributed, in the Kingdom of Spain by Brazil, any joint dealer manager or any other person on their behalf.

Switzerland

The offering of the Global Bonds is made in Switzerland on the basis of a private placement, not as a public offering. The Global Bonds will not be listed on the SWX Swiss Exchange. This prospectus supplement does not, therefore, constitute a prospectus within the meaning of Art. 1156 of the Swiss Federal Code of Obligations or Arts. 32 et seq. of the Listing Rules of the SWX Swiss Exchange.

The United Arab Emirates

The Invitation is not intended to constitute an offering, sale or delivery of Global Bonds under the laws of the United Arab Emirates. The Global Bonds have not been and will not be registered under U.A.E. Central Bank Circular 22/99, Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Securities and Commodities Exchange, or with the U.A.E. Central Bank, the Dubai Financial Market or with any other U.A.E. exchanges.

The United Kingdom

The applicable provisions of the Financial Services Act 1986 must be complied with in respect of anything done in relation to the Invitation in, from or otherwise involving the United Kingdom.

Uruguay

The Global Bonds have not been registered with the Central Bank of Uruguay, and no public offering of the Global Bonds is being made in Uruguay.

Venezuela

The Global Bonds have not been registered with the *Comisión Nacional de Valores* and may not be offered or sold in Venezuela.

VALIDITY OF THE GLOBAL BONDS

The validity of the Global Bonds will be passed upon for Brazil by Arnold & Porter, New York, New York, United States counsel to Brazil, and by Dr. Almir Martins Bastos, *Procurador-Geral da Fazenda Nacional* (Attorney General of the National Treasury) or another duly authorized attorney of the Office of the Attorney General of the National Treasury, and for the joint dealer managers by Sullivan & Cromwell, New York, New York, United States counsel to the joint dealer managers, and by Pinheiro Neto-Advogados, São Paulo, SP, Brazilian counsel to the joint dealer managers.

As to all matters of Brazilian law, Arnold & Porter may rely on the opinion of the Attorney General of the National Treasury (or such other attorney of the Office of the Attorney General of the National Treasury) and Sullivan & Cromwell 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 Office of the Attorney General of the National Treasury) may rely on the opinion of Arnold & Porter and Pinheiro Neto-Advogados may rely on the opinion of Sullivan & Cromwell.

Since certain opinions referred to in this section with respect to Global Bonds to be issued pursuant to the Invitation will be rendered on the Announcement Date rather than the Settlement Date, they will assume, among other things, that the Global Bonds will be issued on the Settlement Date in accordance with the terms of the Invitation and the fiscal agency agreement.

GENERAL INFORMATION

Due Authorization

Brazil is authorized to enter into exchange offer transactions pursuant to Senate Resolution No. 69 of the Federal Senate of Brazil dated September 12, 1996 and Senate Resolution No. 57 of the Federal Senate of Brazil dated November 10, 1995, as amended by Senate Resolution No. 51 of the Federal Senate of Brazil dated June 10, 1997, Senate Resolution No. 23 of the Federal Senate of Brazil dated June 29, 1999 and Senate Resolution No. 74 of the Federal Senate of Brazil dated December 19, 2000, each enacted pursuant to Article 52 of the Constitution of the Federative Republic of Brazil.

Listing and Listing Agent; Luxembourg Exchange Agent

Application has been made to list the Global Bonds on the Luxembourg Stock Exchange. The Luxembourg listing agent is Banque Internationale à Luxembourg S.A., 69, route d'Esch, L-2953 Luxembourg.

Brazil has appointed a Luxembourg exchange agent in connection with the Invitation. The Luxembourg exchange agent, from whom copies of the Invitation materials and Brazil's Annual Report for 1999 on Form 18-K may be obtained in Luxembourg, is Chase Manhattan Bank Luxembourg S.A., 5 Rue Plaetis, L-2338 Luxembourg (telephone: (352) 46-26-85236).

Litigation

Neither Brazil nor any governmental agency of Brazil is involved in any litigation or arbitration or administrative proceedings relating to claims or amounts that are material in the context of the Invitation or issuance of the Global Bonds and that 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 proceedings are 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 day, except Saturdays, Sundays and public holidays, at the specified offices of the fiscal agent and paying agents.

Where You Can Find More Information

Brazil has filed its annual report for 1999 on Form 18-K (except for certain exhibits) with the SEC. You may request copies of this annual report, including its various exhibits, by contacting the Brazilian Embassy, 3006 Massachusetts Avenue, N.W., Washington, D.C. 20008, Attn: Finance Section (telephone: (202) 238-2745). The annual report is also available on the Brazilian Embassy's website at http://www.brasilemb.org/economy/form_18kBC.PDF. This website and any information on it (other than information specifically incorporated by reference herein) is not part of this prospectus supplement. All references in this prospectus supplement to this website are inactive textual references to this URL, or "uniform resource locator", and are for your information only.

Each additional amendment to Form 18-K or 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 is considered part of and incorporated by reference in this prospectus supplement. You can request copies of these documents and the Invitation (prospectus supplement dated March 7, 2001), upon payment of a duplicating fee, by writing to the SEC. You may also read and copy these documents at the SEC's public reference room in Washington, D.C.:

Office of Public Reference
450 Fifth Street, N.W.
Room 1300

Washington, D.C. 20549

You may call the SEC at 1-800-SEC-0330 or the SEC's Office of Public Reference at (202) 942-8090 for further information. You may obtain a copy of all such documents, free of charge, at the office of the Luxembourg listing agent.

You may inspect copies of the fiscal agency agreement and the form of the Global Bonds during normal business hours on any weekday (except public holidays) at the offices of the fiscal agent and the paying agents.

Information on Brazil

Brazil confirms that the Invitation materials do not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading. Brazil accepts responsibility accordingly. The Invitation materials are being furnished solely for use by investors in connection with their consideration of their participation in the Invitation.

If any Global Bonds are listed on the Luxembourg Stock Exchange, copies of the most recent *Boletim do Banco Central do Brasil* (the Bulletin of the Central Bank of Brazil), and (as or when available) each monthly publication thereof, or if the Bulletin of the Central Bank of Brazil ceases to be published, comparable economic information of *Banco Central do Brasil*, and any document incorporated by reference herein may be obtained at the office of the Luxembourg 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 Euroclear, Clearstream, Luxembourg and DTC (Common Code No. 012631375, ISIN No. US 105756AR10 and CUSIP No. 105756AR1)

RESULTS OF THE INVITATION

	Par Bonds	Discount Bonds	C Bonds	DCBs
Clearing Cash Amount ⁽¹⁾	2.00%	8.25%	9.50%	4.10%
Aggregate original principal amount of each series expected to be acquired	U.S.\$681,882,000	U.S.\$1,159,763,000	U.S.\$212,128,000	U.S.\$47,159,000
Aggregate principal amount of Global Bonds expected to be issued in exchange for Old Bonds of such series ⁽²⁾	U.S.\$681,882,000	U.S.\$1,159,763,000	U.S.\$261,196,000	U.S.\$47,159,000
Rounding Price ⁽³⁾			U.S.\$705	
Aggregate original principal amount of each series of Old Bonds expected not to be exchanged and to remain outstanding	U.S.\$2,251,408,000	U.S.\$2,266,665,000	U.S.\$5,364,889,000	U.S.\$6,328,992,000

- (1) As a percentage of the original principal amount of the applicable series of Old Bonds.
- (2) The Global Bonds are expected to be credited to Euroclear or Clearstream, Luxembourg accounts from which the Old Bonds are authorized to be debited on March 23, 2001.
- (3) Per U.S.\$1,000 principal amount Global Bonds issuable in exchange for C Bonds.

PROSPECTUS

FEDERATIVE REPUBLIC OF BRAZIL

\$10,000,000,000

**Debt Securities
Warrants**

Brazil may offer up to \$10,000,000,000 (or its equivalent in other currencies) aggregate principal amount of its debt securities with or without warrants to purchase 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 September 11, 2000.

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WHERE YOU CAN FIND MORE INFORMATION

Brazil voluntarily files annual reports with the Securities and Exchange Commission (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 rooms in Washington, D.C., New York, New York and Chicago, Illinois. You may also obtain copies of the same documents from the public reference room in Washington by paying a fee. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

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, 1998; and
- ◆ All amendments to Brazil's Annual Report on Form 18-K for the year ended December 31, 1998 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

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.

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 financial terms and other specific terms of a particular series of debt securities will be described in a prospectus supplement relating to such 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;
- ◆ 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; 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.

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 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 and interest on the debt securities will be payable in U.S. dollars at the New York office of the fiscal agent to the registered holders of the debt securities on the related record date; *provided, however*, unless otherwise specified in the prospectus supplement, interest will be paid by check mailed to the registered holders of the debt securities 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;
- ◆ 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.
- ◆ 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.

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:

“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; Acceleration of Maturity

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 for 30 days;

(b) a default which is materially prejudicial to the interests of the holders of the debt 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 provided 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 provided 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.

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.

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 section under the heading “Meetings and Amendments,” “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
- ◆ 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.

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 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. 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 2/3% 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 2/3% 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;
- ◆ 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; or
- ◆ change the obligation of Brazil to pay additional amounts.

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.

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.

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 have been received and are 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 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; or
- ♦ at any time Brazil decides it no longer wishes to have all or part of the debt securities represented by a 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 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.

WARRANTS

Brazil may issue warrants to purchase debt securities, either separately or together with 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 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 procedures you must follow and the conditions you must satisfy to exercise your warrants;
- ◆ the dates on which your right to exercise your warrants begins and expires;
- ◆ whether and under what conditions Brazil may cancel or terminate your warrants;
- ◆ whether and when your warrants and any debt securities issued together with your warrants may be sold or transferred separately;
- ◆ whether the certificates that represent the warrants 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 can be transferred and registered; and

- ◆ any special United States federal income tax considerations applicable to the issuance of your warrants; and
- ◆ any other terms of such warrants.

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 or Brazilian 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 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 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 judgment based upon a foreign arbitral award is subject to the recognition of such judgment by the Federal Supreme Court of Brazil. The Federal Supreme Court will recognize such a judgment if all of the required formalities are observed and the judgment does not contravene Brazilian national

sovereignty, public policy and “good morals”. Under 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 a judgment against the Republic in Brazil is only 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 judgment for inclusion in the budget for payment in a subsequent fiscal year of the Republic.

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 67 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 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; and
- ◆ 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.

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. 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 will be passed upon for Brazil by Dr. Almir Martins Bastos, *Procurador-Geral da Fazenda Nacional* (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, 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 may rely on the opinion of the *Procurador-Geral da Fazenda Nacional* (or such other attorney of the Office of the Attorney General of the National Treasury). As to all matters of United States law, the *Procurador-Geral da Fazenda Nacional* (or such other attorney of the Office of the Attorney General of the National Treasury) may rely on the opinion of Arnold & Porter. Certain statements with respect to matters of Brazilian law in this prospectus have been passed upon by the *Procurador-Geral da Fazenda Nacional*, 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 Pedro Sampaio Malan, Minister of Finance.

AUTHORIZED REPRESENTATIVE

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

Embassy of Brazil
3006 Massachusetts Avenue, N.W.
Washington, D.C. 20008.

THE ISSUER

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

JOINT DEALER MANAGERS

Credit Suisse First Boston Corporation
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Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013
United States

FISCAL AGENT

The Chase Manhattan Bank
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New York, New York 10001
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Luxembourg

EXCHANGE AGENT

Citibank, N.A.
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Attention: Agency and Trust Services
Reference: The Federative Republic of Brazil
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*To the joint dealer managers,
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To Brazil, as to Brazilian law:

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Procurador-Geral da Fazenda Nacional
Esplanada dos Ministérios
Brasília, DF
Brazil

*To the joint dealer managers,
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LISTING AGENT

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Luxembourg

The Federative Republic of Brazil

The exchange agent for the Invitation is:

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5 Carmelite Street
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Telephone: (44207) 508-3867

*The Luxembourg exchange agent
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