

POLO PRECATÓRIO FEDERAL FIDC-NP

Investor presentation

January 2007



A Passion to Perform.

Deutsche Bank



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Disclaimer

Section 1



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Introduction

Section 2














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Transaction parties

Participants	Name	Description of role
	Sociedade Exportadora e Importadora Citoma Ltda.	Originator
	Polo Precatório Federal FIDC-NP	Issuer
	Deutsche Bank Securities Inc.	Joint Bookrunner & Lead Manager
	B.B. Banco de Investimento S.A.	Joint Bookrunner & Lead Manager
	Polo Capital Gestão de Fundos Ltda.	Asset Manager & Structuring Agent
	Banco Santander Brasil S.A.	Servicer and Collection Agent
	Oliveira Trust DTVM S.A.	Trustee
	PricewaterhouseCoopers Auditores Independentes	External Auditor
	Motta, Fernandes Rocha Advogados	Legal Counsel (Issuer)
	Souza, Cescon Avedissian, Barriou e Flesch Advogados	Legal Counsel (Lead Manager)
	Standard & Poor's	Rating Agency

Overview

- Deutsche Bank Securities Inc. (“DBSI”) has been mandated to lead manage the issuance of Polo Precatório Federal FIDC (“Polo FIDC”), a Brazilian trust that securitizes “precatórios”, which are court-mandated tax settlements (“Tax Settlements”) owed by the Brazilian Federal Government (“Federal Government”, rated BB+/BB/Ba2 on the global scale, and brAA+ by S&P on the national scale), to the benefit of Sociedade Exportadora e Importadora Citoma Ltda. (“Citoma”), a coffee trading company, and its attorneys (“Attorneys”, together with Citoma, “Originators”)
- The Tax Settlements are a result of export taxes initially assessed by the Federal Government and paid by Citoma. Citoma subsequently challenged the legal framework of these taxes, and was granted by a federal court the rights to receive full restitution in a final court decision dated June 2004. Pursuant to arrangements between Citoma and its attorneys, the attorneys are entitled to about 16% of such amounts
- According to the terms of the Tax Settlements, the Federal Government is mandated to make all payments due in 10 annual installments, with an interest rate of 6% per annum (except for the first year), plus the inflation in the period (measured in IPCA-E)

Overview (continued)

- As per the ratings assigned by S&P to the senior shares (BB+ on the global scale, and brAA+f on the national scale), the Tax Settlements issued by the Federal Government are deemed to have the same credit quality as that of the government's bonds
- Under the terms of the sale agreement, the Originators will sell their rights to receive payments under the Tax Settlements from the Federal Government to the Issuer – the current face value is R\$94,097,571. Two classes of shares will be issued – senior shares equal to 95% of the present value of the collateral (spread to be determined via a bookbuilding process), and subordinated shares for 5% of the present value of the collateral (to be invested by the asset manager). The senior shares will be placed by the lead managers on a best-efforts basis with investors in the Brazilian and offshore markets. The following table summarizes the issuance details:

"Precatórios" Overview (Assets)		"Securities Overview (Liabilities)		
	Amount		Amount	% Securities
Face Value of Payment Obligations	R\$ 94,097,571	Senior shares	R\$ 68,132,030	95.0%
Minus: Over-collateralization	<u>R\$ (23,150,270)</u>	Subordinated shares	R\$ 3,585,896	5.0%
PV of Payment Obligations	R\$ 70,947,301			
Plus: Funding of Fee & Expense Reserve Account	R\$ 770,625			
Total	R\$ 71,717,926	Total	R\$ 71,717,926	100%

Structural Mechanics

Section 3



Structural Mechanics

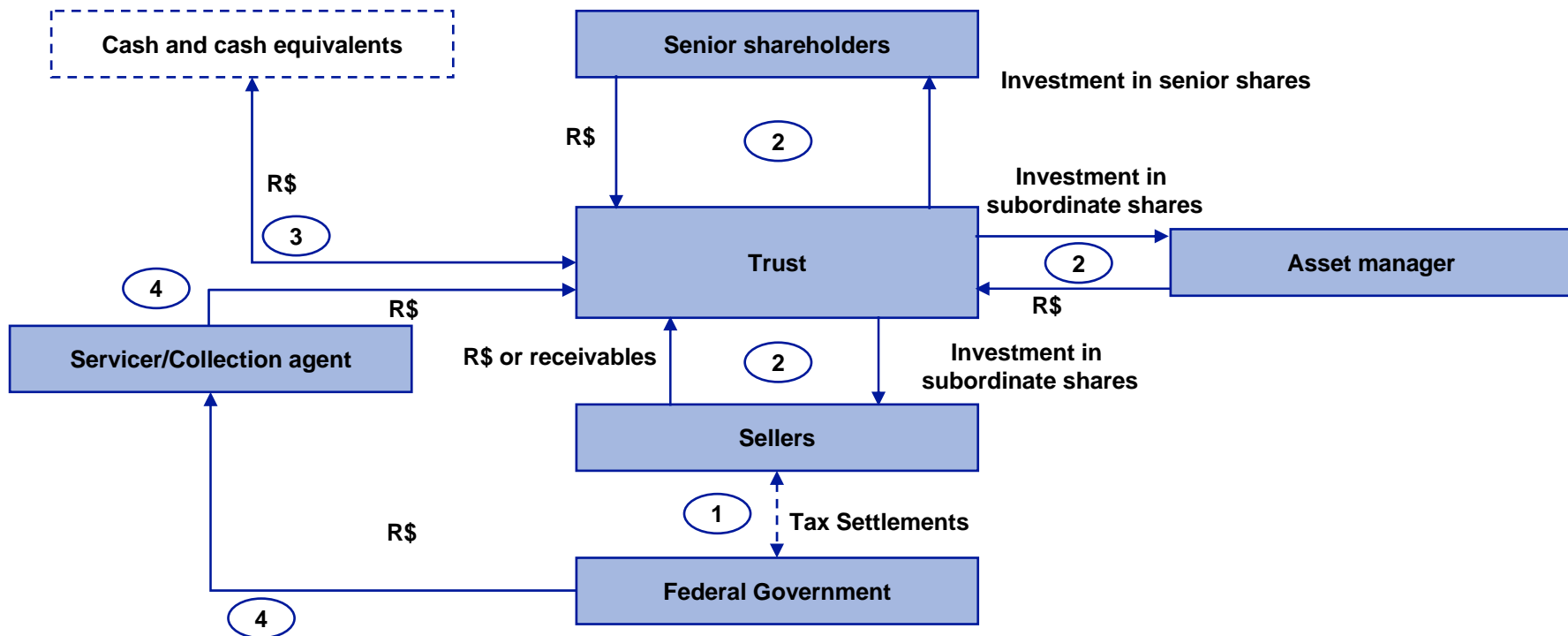
- **Tenor:** The senior shares will reflect the tenor of the Tax Settlements issued by the Federal Government, which has a expected final of 10 years, with an weighted average life of approximately 5 years
- **Payment date and promise on senior shares:** The promise in the senior shares is to make interest and principal payments, in a pro rata form, of any cash collected within the year, with no certain date (although the government is mandated to make such payments until the last business day of the calendar year – December 30th). Historically, since 2000 the government has paid the Tax Settlements during the months of March and April of each year. In an early amortization event, the payment schedule will be modified from pro rata to sequential
- **Credit support:** The issuer's senior shares are rated BB+ (global) and brAA+f (national) by S&P. Subordinated shares are not rated. Senior shares are enhanced by (i) subordinated shares (to be invested by the asset manager); and (ii) residual piece resulting from discount the collateral through a purchase price.
- **Interest rate/Basis risk:** The assets and the senior shares are linked to the same index (the IPCA-E), therefore mitigating interest rate mismatch. Similar to trade receivables transactions, the Tax Settlements are going to the purchased using a discount rate, which is expected to be sufficient to pay the interest rate on the senior shares and any fees/expenses in the trust

Structural Mechanics (continued)

- **Origination:** The Tax Settlements were originated by Citoma, a coffee export company. Citoma is currently managed by its shareholders, is no longer operational, has no employees, and its main asset are the Tax Settlements issued by the Federal Government (please refer to Section 4 for an overview of Citoma)
- **Servicing:** The Federal Government makes all payments on the Tax Settlements to a general account held at Banco do Brasil (rated A3 by Moody's on the global scale). Once the payments are made, a notification is made by a government official to the beneficiary of the Tax Settlements, to inform that the funds may be released, provided that the beneficiary has no debts with the Federal Government. Upon receiving the notification, the servicer (Banco Santander, rated A3 by Moody's on the global scale) and the trustee (Oliveira Trust), will follow the procedures mandated by the sale agreement, and will request the government official to release and transfer the funds to an account held at the servicer in the name of the Issuer. The Issuer will then make interest and principal payments to the senior shareholders, on a pro rata form (92.5% of distributions)
- **True sale and perfection of security interest:** The legal framework that governs the true sale and assignment rights of the Tax Settlements to the trust is similar to that of other assets and receivables in Brazil. Through a sale agreement, sellers acknowledge the sale of the Tax Settlements and their attachments to the trust, establishing the true sale mechanism to the transaction. The true sale is perfected by having the trustee issuing a notice of the sale agreement to the appropriate Federal Circuit Court, which approves the payment of the Tax Settlements issued by the Federal Government. The first priority of the trust is further perfected by the legal nature of the trust (an FIDC), which are bankruptcy-remote entities

Transaction flows and associated entities

- The following chart depicts the transaction flows and associated entities:





Transaction flows and associated entities (continued)

The transaction flow and entities chart:

- Tax Settlements were issued to the sellers in a court decision dated June 2004
- Pursuant to a sale agreement, the seller will assign, on a true sale basis, the rights to receive payments from the Federal Government to the Issuer
- The Issuer issues shares to senior and subordinate shareholders, proceeds of which are used to pay the purchase price of the assignment of the Tax Settlements and to fund the reserve account
- On the regular course of business, the Federal Government makes annual payments stipulated on the Tax Settlements, which are identified and then transferred to an account on behalf of the Issuer. The Issuer then makes P+I payments on the shares on a pro rata form

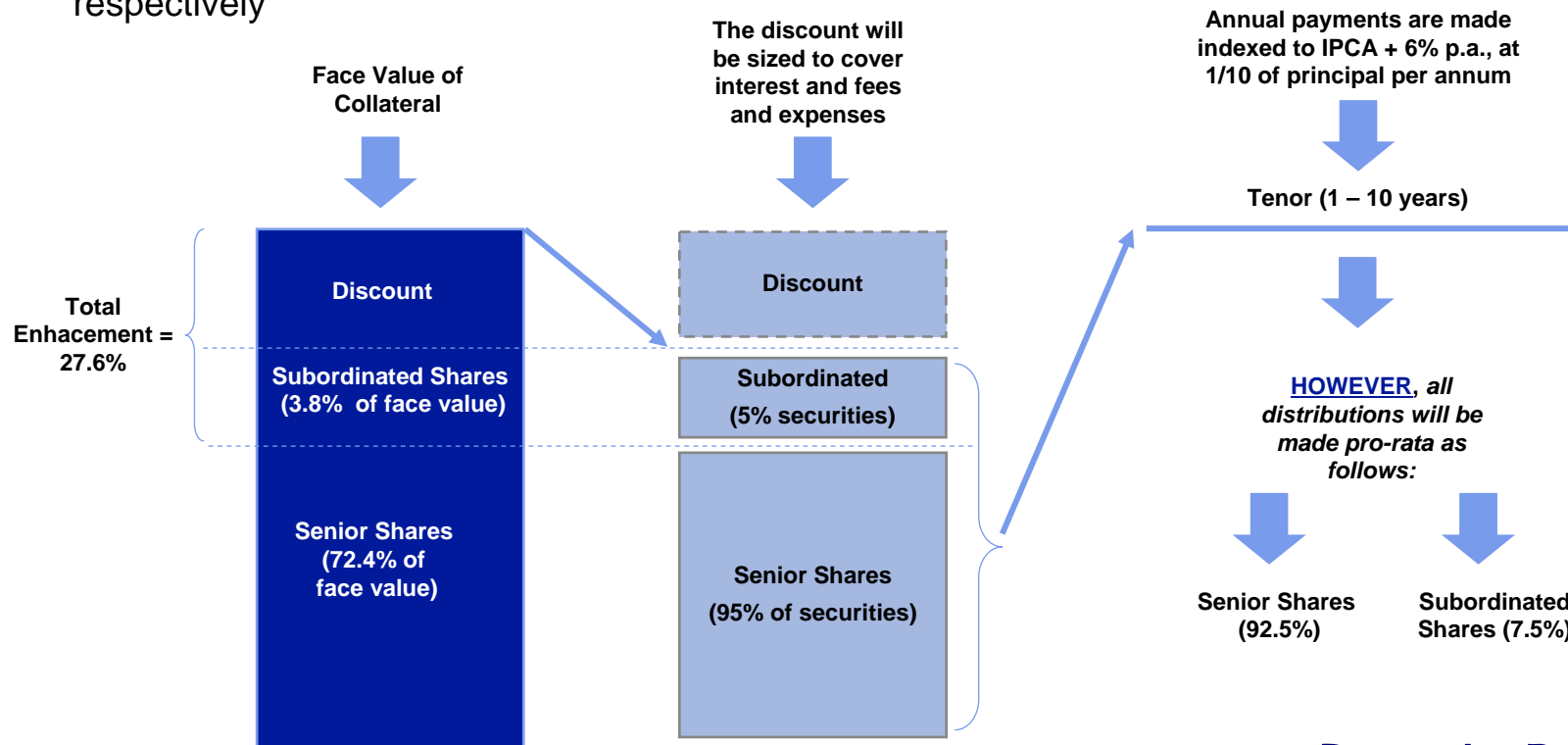
Credit enhancement summary

- Polo FIDC’s senior shares are 27.6% enhanced by:
 - Subordinated shares, which will be invested by the asset manager (3.8% of face value), and
 - Residual piece provided by discounting the face value of the collateral (24.6%)

Initial Credit Enhancement				
	Amount	%	% Enhancement	% Securities (w/o Residual)
Senior shares	R\$ 68,132,030	72.4%	27.6%	95.0%
Subordinated shares	R\$ 3,585,896	3.8%		5.0%
Over-collateralization	R\$ 23,150,270	24.6%		
Minus: Fee & Expense Reserve	R\$ (770,625)	-0.8%		
Total	R\$ 94,097,571	100.0%		100.0%

Purchase price and share amortization mechanism

- The Tax Settlements will be purchased using a discount rate (for example, 12% per annum), that is expected to be sufficient to make interest payments on the senior shares, in addition to fees and expenses associated with the transaction, as depicted in the following chart.
- In order for the duration of the senior shares to result in approximately 4.6 years, all collections will be distributed in a pro-rata share, at a ratio of 92.5% & 7.5%, for senior and subordinated shareholders respectively



Cash flow schedule

- The following illustrates the cash flow schedule for Polo FIDC, reflecting the government’s obligation to make 10 annual equal payments on the Tax Settlements, plus accrued interest. Senior shareholders will receive 92.5% of such cash flows, while subordinated shareholders will receive 7.5% of cash flows. In an early amortization event, the payment schedule will be modified from pro rata to sequential
- The Tax Settlements are indexed to the IPCA-E, plus interest of 6% p.a., except for the first year

Year	Target Amortizations
2007	[R\$9,409,757], plus accrued interest
2008	[R\$9,409,757], plus accrued interest
2009	[R\$9,409,757], plus accrued interest
2010	[R\$9,409,757], plus accrued interest
2011	[R\$9,409,757], plus accrued interest
2012	[R\$9,409,757], plus accrued interest
2013	[R\$9,409,757], plus accrued interest
2014	[R\$9,409,757], plus accrued interest
2015	[R\$9,409,757], plus accrued interest
2016	[R\$9,409,757], plus accrued interest

Summary of term and conditions

The following table depicts a summary of terms and conditions for Polo FIDC:

Senior shares	R\$ 68,132,030
Senior shares as percentage of securities	5.0%
Subordinated shares	R\$ 3,585,896
Subordinated shares as percentage of securities	5.0%
Public issuance	Brazilian domestic public issuance
Rating (S&P – Global local currency rating)	BB+
Rating (S&P – National scale rating)	brAA+f
Fee and expense reserve account	Sufficient to make at least one year of fees and expenses in the deal, plus R\$100,000
Tenor and expected final	120 months
P+I amortization schedule	Pro rata (92.5%) of any cash collected within the year will be passed to investors, with no certain date, but it has to be by year-end
Fixed/Floating rate	Fixed
Interest rate basis: IPCA-E, plus a spread to be determined in the bookbuilding, plus the following referencing index (<i>The Reference Index</i>):	$(\text{Rate of NTN-B 05/15/2011} - ((\text{Rate of NTN-B 05/15/2011} - \text{Rate of NTN-B 05/15/2015}) * (\text{tenor of the senior shares} - \text{tenor of the NTN-B 05/15/2011})) / (\text{tenor of the NTN-B 05/15/2015} - \text{tenor of the NTN-B 05/15/2011}))$
Accrual basis	Monthly
Weighted average life on the senior shares	Approximately five years (assumes annual payments in April – actual average life will depend on the timing of receipt of payments on the promissory notes)
Expected final payment date (Series)	December 2017
Legal final maturity (Master Program)	December 2018
Listing and settlement	Cetip

Summary of term and conditions

The following is an example for the expected interest rate basis, assuming current conditions:

All-in interest rate basis = (A + B + C)	13.43%
(A) IPCA-E (2007 projection)	4.00%
(B) Spread	1.50%
(C) Reference Index = $(D - ((D - E) * (F - H) / (G - H)))$	7.93%

<i>Where:</i>	
(D) Rate of NTN-B 05/15/2011	7.99%
(E) Rate of NTN-B 05/15/2015	7.85%
(F) Tenor of the senior shares, in days	1,358.00
(G) Tenor of the NTN-B 05/15/2011, in days	977.00
(H) Tenor of the NTN-B 05/15/2015, in days	1,660.00

Data as of January 2nd, 2007

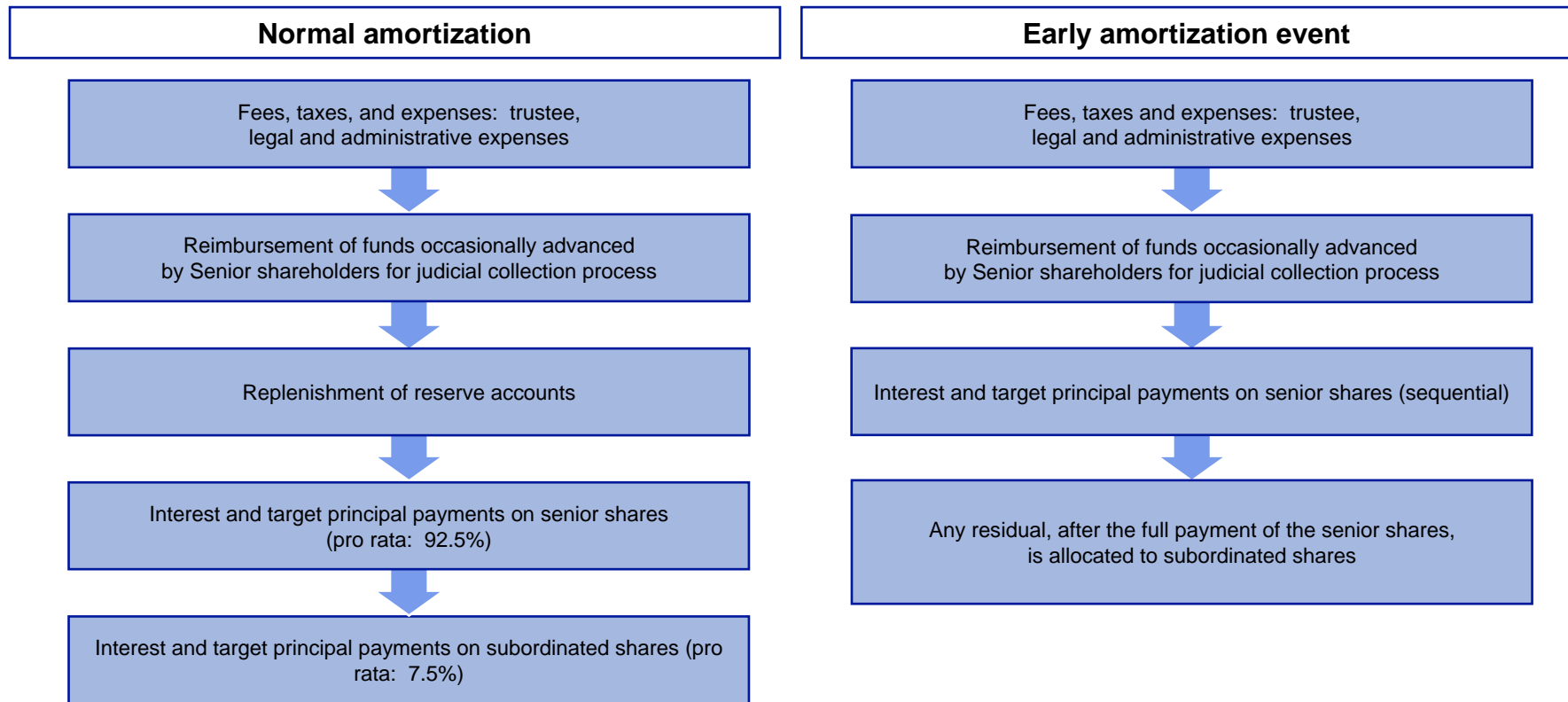
Data as of November 29, 2006

Transaction triggers

- The following are some of the non-automatic early amortization triggers in the transaction:
 - the servicer decides to resign
 - the trustee decides to resign
 - abandonment of or the legal impediment to utilize the IPCA-E in valuing shares
 - In the case senior shares are downgraded to a level below brA-f on the national scale; and
 - any share amortization made not in accordance to the master indenture
- In the case the Federal Government fails to make payments on the Tax Settlements in the calendar year that they were supposed to be made, the trustee will call an investor meeting to decide whether the early amortize the transaction
- In the case the investors decide to early amortize the transaction, senior shareholders may have two options:
 - Receive payments in a sequential fashion instead of pro rata, until the assets of the Issuer are fully liquidated; or
 - Immediately liquidate the Issuer and replace it by a “condomínio civil”, a form of mutual fund with low expenses, where any collections from the Tax Settlements will flow sequentially to senior shares, and then to subordinated shares

Transaction waterfall

- The following illustrates the transaction waterfall for Polo FIDC, for both regular amortizations, and in an early amortization event:



The Originator and seller overview

Section 4



Originator and sellers' overview

- Founded in 1956 as a coffee trading company and headquartered in Rio de Janeiro, Citoma became one of the 10 largest export and trading companies in Brazil, with subsidiaries in London, New York, and Switzerland. In 1996, the shareholders of Citoma decided to terminate the export trading business, but decided to continue to use Citoma exclusively for the purposes of holding the Tax Settlements, and to collect them in the future. Currently, Citoma's main asset is the Tax Settlements issued by the Federal Government
- In the period of 1987 to 1990, Citoma paid export taxes associated with their trading operations. Citoma subsequently challenged the legal framework of these taxes. The Citoma shareholders agreed to pay the Attorneys approximately 16% of any amounts recovered from the Federal Government
- In June of 2004, Citoma was granted by a federal court the rights to receive restitution by the Federal Government of amounts through the issuance of the Tax Settlements. Simultaneously, Citoma assigned part of the Tax Settlements to the Attorneys as payment-in-kind for their legal fees – the Attorneys will become sellers in the transaction and will also assign their share of Tax Settlements to the Issuer. The table below depicts the value of the Tax Settlements and their associated beneficiaries, which will be the sellers in the transaction:

Beneficiary & Seller	Lawsuit 98.00064311-1 (June/2004)	%
Citoma	R\$ 79,041,960	84%
Bergi Law Firm	R\$ 8,581,698	9%
Guido Cortes (Lawyer)	R\$ 6,473,913	7%
Bruno Barata (Lawyer)		
Total	R\$ 94,097,571	100%

The Obligor

Section 5



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The Obligor: Brazilian Federal Government

- The Federal Government is rated BB+/BB/Ba2 on the global scale, and brAA+ by S&P on the national scale
- The government's BB+/BB/Ba2 ratings have been recently upgraded by both S&P and Moody's, given its increased ability to manage adverse economic conditions, including the presence of a diversified export structure in the country, which should allow Brazil to better weather dips in commodity prices, or a deceleration in world economic growth
- The rating agencies also note the significant reduction in the country's external vulnerabilities, as demonstrated by the nominal reduction in external debt, and the sustained improvement in the country's external debt ratios
- Brazil's limited financing needs in the coming years have also contributed to minimize the potential adverse impact arising from any adverse international financial conditions
- According to the International Monetary Fund and the World Bank, Brazil has the ninth largest GDP in the world, and the largest GDP in Latin America

Collateral overview

Section 6



Overview

- The Tax Settlements issued by the Federal Government are deemed to have the same credit quality as that of the government's bonds, which are rated BB+/BB/Ba2 on the global scale, and brAA+ by S&P on the national scale
- All Tax Settlements are paid in 10 annual installments, accruing interest. The Federal Government has to make payments due in the Tax Settlements until the last business day of the calendar year, but historically the government has made the annual payments during the month of March and April (it has never prepaid any tax settlement)
- Since 2000, when the current legal framework for the “precatórios” was established, the Federal Government has never defaulted or delayed on its payments under the tax settlement note agreements

Legal framework

- The legal framework for the issuance of Tax Settlements by government entities in Brazil was established by Emenda Constitucional 30/2000, by the article 100 of the Brazilian Constitution, and by article 730 of the Civil Code, which mandates that any claims against the Federal Government to be made by the issuance of Tax Settlements, and to be paid in up to 10 equal annual installments, plus interest and inflation adjustment
- The Tax Settlements issued up to July 1st of the calendar year must be paid up until December 31st of the following year, while those issued between July 1st and December 31st, to be paid no later than December 31st of the second subsequent calendar year
- The legal framework also establishes the annual public budgets needs to be 100% funded for the payment of the Tax Settlements, the same procedure as that of any federal debt obligation
- The budgeting process further enhances the understanding that the Tax Settlements rank pari passu with other debt issued by the Federal Government
- In the case of default by the Federal Government, Tax Settlements can be used to offset any tax liabilities that the holder of the tax settlement may have (an option that holders of federal debt do not have)

Tax Settlements – Volumes

- The following chart depicts a comparison of the estimated volume of court-mandated Tax Settlements outstanding, by the Federal Government, compared with the total federal government debt outstanding, since 2004. The payments represent 100% of the total amounts due on the respective year by the Federal Government. As of August 2006, that ratio was only 0.33%, indicating that the Tax Settlements have a very low “burden” in the Federal Government’s total volume of debt obligations

R\$m	2004	2005	YTD 08/2006
Tax settlements paid	R\$384.9	R\$489.7	R\$600.7
Estimated tax settlements outstanding	R\$3,271.3	R\$4,162.7	R\$5,105.6
General government direct debt outstanding	R\$1,332,965.5	R\$1,450,812.6	R\$1,534,377.9
% Tax settlement / Government debt	0.25%	0.29%	0.33%
% Tax settlement /Nominal GDP	0.20%	0.21%	0.27%

Source: Federal Government, Moody's

Section 7

Risk factors



Risk factors

Prior to investing in the senior shares, prospective investors should carefully consider the risk factors of the transaction, which are set forth in the Portuguese Prospectus of the transaction. The following is a non-exhaustive list of the risk factors associated with the transaction:

- **Credit risks:** The value of the senior shares is depended on the timely payment on the Tax Settlements, which in turn are a direct result of the overall credit quality of the Federal Government. The sale agreement made between the seller and the Issuer is made without recourse to the sellers. The Federal Government may alter, at any time, the form of payment of the Tax Settlements, negatively affecting the value of the senior shares
- **Legal risks:** New procedures may modify the current form of payments on the Tax Settlements. For example, the CNI (the Brazilian industry federation) has recently entered in a petition against the Federal Government to modify the current method of payments on the Tax Settlements, from 10 annual payments, to one single payment. There is a proposal for amendment (“PEC”) of the Emenda Constitucional 30, entered in March 2006, where the current method of payment on the Tax Settlements could be substantially modified
- **Transfer risks:** The Federal Government makes all payments on the Tax Settlements to a general account held at banco do Brasil (rated A3 by Moody’s on the global scale). Once the payments are made, a notification is made by a government official to the beneficiary of the Tax Settlements, to inform that the funds may be released, provided that the beneficiary has no debts with the Federal Government. Upon receiving the notification, the servicer (Banco Santander, rated A3 by Moody’s on the global scale) and the trustee (Oliveira Trust), will follow the procedures mandated by the sale agreement, and will request the government official to release and transfer the funds to an account held at the servicer in the name of the Issuer. There is a risk that the government official may not agree to follow the true sale procedures mandated by the sale agreement, and refuse to make the transfer payment to the Issuer.
- **Market and liquidity risks:** The shares are extremely illiquid, as (i) the Issuer is structured as a closed-ended investment fund, and (ii) the inexistence of market makers for senior shares, and (iii) the inexistence of an organized secondary market for the shares
- **Mark-to-market risks:** Although the book value of the Tax Settlements will be their original purchase value, which will be adjusted according to the delinquency provision requirements as stipulated by the “COSIF” rules, there is not a specific marked-to market procedures for adjusting the market value of the Tax Settlements in a stress scenario

Risk factors (continued)

- Liquidation risk: In the case of an early amortization of the Issuer, shareholders will receive as payment-in-kind the actual Tax Settlements, which in turn do not have an organized secondary market in Brazil
- Prepayment risks: The Federal Government may change the defined payment procedures of the Tax Settlements, including making prepayments on any the amounts due, negatively affecting the investment on the shares. The CNI (the Brazilian industry federation) has entered in a petition against the Federal Government to modify the current method of payments on the Tax Settlements, from 10 annual payments, to one single payment
- External, political, and macroeconomic conditions risks: Those conditions prevalent in Brazil may ultimately affect the payment of the Tax Settlements by the Federal Government, and consequently the value of the shares
- Cash and cash-equivalent investments, which can be up to 50% of the value of the Issuer, are subject to credit, pricing, liquidity, and market risks
- No pre-determined interest rate on the senior shares: The ultimate interest rate to be paid to senior shareholders will depend on the market value of the total assets of the Issuer
- Risk of veto by subordinated shareholders: In the case the trustee calls for an investor meeting, as stipulated in the Prospectus of the Issuer, subordinated shareholders may have the power to veto some decisions made by the majority of the senior shareholders
- Fees and expenses risks: The Issuer may incur in unexpected fees and expenses associated with the transaction that may negatively affect the value of the shares
- Inflation risks: The Tax Settlements and the senior shares are adjusted to the inflation according to the IPCA-E. However, this procedure may be altered at any time, and may negatively affect the value of the shares
- Withholding tax risk: Potential investors domiciled outside of Brazil are subject to a 14.9% withholding tax, payable on any capital gains received from the shares. Additionally, because of the legal nature of FIDCs, the Issuer is currently exempt from paying local taxes and is not subject to any withholding taxes, including a 3% withholding tax, calculated over the income received from Tax Settlements, that is applicable to other non-exempt investors

Section 8

Key investment considerations



Key investment considerations

■ Strong credit profile of the Obligor

- The Brazilian Federal Government is rated BB+/BB/Ba2 on the global scale, and brAA+ by S&P on the national scale

■ Strong credit quality of the senior shares

- As per the ratings assigned by S&P to the senior shares (BB+ on the global scale, and brAA+f on the national scale), the Tax Settlements issued by the Federal Government are deemed to have the same credit quality as that of the government's bonds

■ Well-established legal framework

- The legal framework for the issuance of Tax Settlements by government entities in Brazil was established by Emenda Constitucional 30/2000, by the article 100 of the Brazilian Constitution, and by article 730 of the Civil Code, which mandates that any claims against the Federal Government to be made by the issuance of Tax Settlements, and to be paid in up to 10 equal annual installments, plus interest and inflation adjustment
- The legal framework also establishes the annual public budgets needs to be 100% funded for the payment of the Tax Settlements, the same procedure as that of any federal debt obligation
- The budgeting process further enhances the understanding that the Tax Settlements rank *pari passu* with other debt issued by the Federal Government

■ Offsetting possible in a stress scenario

- In the case of default by the Federal Government, Tax Settlements can be used to offset any tax liabilities that the holder of the tax settlement may have (an option that holders of federal debt do not have)

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Section 8



A Passion to Perform.

Deutsche Bank



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