

Porto Alegre, January 16, 2008.

**ANNOUNCEMENT LETTER – GENERAL MEETING OF  
ELETROBRAS’ DEBENTURE HOLDERS  
– ART. 71 OF THE INCORPORATIONS LAW**

- **Subject:** General Meeting of Eletrobrás’ Debenture Holders - Centrais Elétricas Brasileiras S/A - article 71 of Law no. 6.404/76 (Incorporations' Law).
- **Date:** March 07, 2008
- **1st Call:** 2:00 p.m.
- **2nd Call:** 2h30 p.m.
- **Place:** FIRJAN, Auditório Cinelândia, located at Avenida Graça Aranha no. 1, Centro, Rio de Janeiro/RJ [State of Rio de Janeiro].

Gentlemen:

**I – OUR PURPOSE:**

In the capacity of direct holder of debentures, in addition to being the legal representative of about a hundred other holders of Eletrobrás’ debentures, we hereby salute you and, at the same time, inform that the companies described under item I below were notified by official notary procedure (with “*erga-omnes*” effectiveness), regarding the corporate and accounting facts reported in full tenor in this same announcement letter. Therefore, the present instrument has the purpose of calling you to participate of the General Meeting of Debenture Holders, which will be conducted on the date, place and time mentioned in the preamble, and to let you know about some factual and legal aspects involving management and market actions related to the party which is, at the same time, controller of Eletrobrás and of other large private national companies, in addition to concentrating the power to appoint and dismiss Directors of the Main Social Security Funds [Pension Funds] which invest daily billions of US Dollars in the Brazilian securities market, whilst also holding the power to appoint the Directors of CVM - Comissão de Valores Mobiliários [Brazilian SEC], which should be the official entity with a theoretical “independent” position of, among other, inspecting the acts of the party which appoints the very directors of the auditing office. In such sense we thus report these facts and call you to attend the referred general meeting, since both the audits, the General Attorney Office and BOVESPA [São Paulo Stock Exchange] have not informed the market what I will report below.

I must also clarify that, in addition to the present notice, a bid announcement will be published as provided by the Incorporations’ Law.

The subjects to be resolved during the General Meetings will be, among other, those listed below in the Draft Announcement which will be timely published.

## II. ON THE SYNTHESIS OF THE DRAFT CALL ANNOUNCEMENT OF THE GENERAL MEETING OF DEBENTURE HOLDERS OF ELETROBRÁS

*"1 – Appointment of member of the Statutory Audit Committee; 2- Notify the Board of Trade and CVM regarding the nullity of the statutory changes which prejudiced debenture holders which credits were not fully or partially satisfied, accrued by monetary correction, loss appropriation rates in the currency convertibility, inflationary purges decided as illegal by the STJ [Superior Court of Justice], compensatory interests at 0,5% per month and 1% per month and which securities reverted on behalf of the controlling partner of Eletrobrás S.A., as shown in the records and minutes of general shareholders' meetings of years 1969 and 1975; 3 – Notify the Federal General Attorney Office and the Federal Office against monetary crimes of the County of Rio de Janeiro; 4 – Represent against the Independent Auditors before CVM on the charge of civil liability in dealing with its activities; 5 – Notify the controlling party to render accounts of the capital contributions, convertibility into shares of its private assets, use of controlled company to redeem personal loans, use of other companies controlled by or affiliated thereto, in performing interlocking directorates (monopoly capital) – concentration of managerial and financial power regarding the control over several commercial companies and pension funds on behalf of the unreal quotation of the securities; 6 – Notify CVM to inform in which other companies, at the moment and during the last 20 years, the Eletrobrás S.A. controlling partner has qualified or qualifies as controlling partner; 7 – Notify CVM and Eletrobrás S.A. to identify in which pension funds the Eletrobrás S.A. controlling partner, directly or indirectly, appoints and dismisses Directors, as well as which are the amounts have been allocated by each such pension funds in reciprocal investments in companies controlled thereby during the last 20 years; 8 – Notify Bovespa [Board of Trade of the State of São Paulo] to suspend the negotiation of the papers of Eletrobrás S.A. until such time when it satisfies the credits of the holders of each outstanding debenture; 9 – Notify the New York Stock Exchange (NYSE) to suspend the negotiation of papers of Eletrobrás S.A. (ADR's) and of companies controlled by the same controlling partner of Eletrobrás S.A. until such time when the credits of the holders of each bearer debenture are satisfied; 10- Notify Bovespa, CVM and SEC – Securities and Exchange Commission (EUA), to make public the exact and updated amount of all legal enforcements and legal collection suits filed by debenture holders and minority shareholders against Eletrobrás S.A., as well as make public the exact number of bearer debentures and their updated amount, which have not yet been redeemed, irrespectively of their due date; 11 - Notify Bank of América and JP Morgan to proceed to provide the same information to their corresponding shareholders, since they are trustees and guarantors if Eletrobrás S.A.; 12- Notify the pension funds participating of the Brazilian market regarding the contents of the General Meeting of Debenture Holders of Eletrobrás S.A.; 13 – Determine the official notice, by the presidency of the General Meeting works, to all judges which are judging suits against Eletrobrás S.A., to proceed to the service of process to CVM (art. 31, Law 6.385/76) to provide clarification as determined by the special legislation, staying each suit in diligence until there is a return of information by CVM; finally, 14 – Resolve on the Expert Inspection to be held at Eletrobrás S.A.; 15 – Notify CVM and BOVESPA to prohibit reciprocal investment transactions by the pension funds of open capital companies controlled by the Eletrobrás S.A. controllers, until such time when the practice of interlocking directorates (monopoly capital) is clarified."*

Without departing from the context of the referred announcement, in order to better clarify the purposes of the General Meeting, we list below, one by one, the companies and offices which notice, full or partial, has already been done by the debenture holders represented by ÉDISON FREITAS DE SIQUEIRA ADVOGADOS ASSOCIADOS. The reason for this description is to allow all debenture holders, and not only those represented by ÉDISON FREITAS DE SIQUEIRA ADVOGADOS ASSOCIADOS, to resolve on the adoption of the same measures, now in a collective and contextualized manner, with *"erga omnes"* effectiveness, exactly because it will be done as provided and required by article 71 of the Incorporation's Law. This time, we list the companies and entities which shall mandatorily be called to provide clarification to the "Debenture' Holders of Eletrobrás".

## III – ON THE COMPANIES WHICH, WHETHER BY FORCE OF LAW OR TITLE DUTY AND OBJECT SHALL PROVIDE CLARIFICATION TO THE DEBENTURE HOLDERS OF ELETROBRÁS AND TO THE WHOLE SECURITIES MARKET, DUE TO ACTION OR OMISSION:

A) *Eletrobrás – Centrais Elétricas Brasileiras S/A, in the person of its President and Directors, in the capacity of issuer of thousands of debentures convertible into preferred shares of the series "A" and "B", as well as in the capacity of Open Capital Incorporation of the type Combined Economy Incorporation with securities negotiated in the floor and over the counter market, both local and international, ruled by Laws nos. 6.404/76, 6.385/76, 6.227/40, 6.616/78, 8.021/90, 8639/93,*

• Salvador | BA | BR Ed. Salvador Trade Center - Av. Tancredo Neves, 1632

Salas 307/308 - Torre Sul - Caminho das Árvores - Fone 71 3271.3929

• Curitiba | PR | BR PABX 51 3358.0500

• Porto Alegre | RS | BR Ed. Cónsul Édison Freitas de Siqueira

Rua Dom Pedro II, 1411 - Higienópolis - Fone 51 3358.0500

• São Paulo | SP | BR Av. Paulista, 2001 - Cj. 318 - Fone 11 3251.1354

• Rio de Janeiro | RJ | BR Praça Floriano, 55 - Salas 304/305 - Fone 21 2262.6463

• Brasília | DF | BR Sal/Sul - Quadra 03 - Lote 3/2 Bloco C - Sala 1004 - Fone 61 3323.8253

• Belo Horizonte | MG | BR Rua Alvarenga Peixoto, 683 - 9º Andar - Fone 31 3291.6720

• Lisboa | Portugal Av. da Liberdade, 204 - 3º Esq. 1250/147

• New York | NY | USA 675, Third Avenue - 10017-5704

• Westlake Village | CL | USA 5707, Corsa Ave. - 2nd Floor

• Miami | FL | USA 25 West Flagler Street - Suite 800

8.934/94, 9.447/97, 9.457/97, 10.198/01, 10.194/01, 10.303/01, Interamerican Convention of Montevideo of 1979, SEC regulation (Securities and Exchange Commission) and of the requirements of the Sarbanes-Oxley Law (USA), among other;

**B) CVM – Comissão de Valores Mobiliários**, in the person of its President, being responsible for the accounting inspection, management and audit of all open capital companies negotiating in the Brazilian securities market, as well as in the capacity of auditor of the issue, circulation, registration, redemption of securities negotiated at Bovespa, regarding the companies issuing Debentures/Obligations, ADR's, beneficiaries, letters of exchange, shares, etc.

**C) Bovespa**, in the capacity of company holding authorization to manage, among other, the over the counter and floor markets of securities of national and foreign companies, including the derivative market and futures markets, etc., observing the provisions of Laws 6.404/76, 6.385/76, 6.227/40, 6.616/78, 8.021/90, 8639/93, 8.934/94, 9.447/97, 9.457/97, 10.198/01, 10.194/01, 10.303/01, Interamerican Convention of Montevideo of 1979, and adherence to the SEC regulations (Securities and Exchange Commission) and requirements of the Sarbanes-Oxley Law, among other;

**D) Bovespa**, in the person of its President, in the capacity of company member of the Brazilian Securities Market, having open capital and, especially, due to having issued shares which initial transaction, at the end of year 2007, implied in the collection of almost one billion US Dollars before local and foreign investors. Everybody wants to be shareholder of Bovespa!

We must clarify that the reason for the double service to Bovespa is due to the fact that it participates of the market with two purposes:- first, as market agent, exercising the State concession; and second, as company participating of the very market that it organizes. It is the statutory object of Bovespa and its main source of income, the intermediation and registration (licit) of counter transactions and Stock Exchange floor, in relation to local and foreign companies with open capital and negotiates their papers in Brazil. Thus, Bovespa must, in addition to being liable to service of process due to its regulatory activity, respond it in the capacity of open capital company, which income and profit source is directly connected to the added value of the shares negotiated in its floors. Its profits are higher when the volume of business increases under its management and registration, having thus the ex officio duty, as a consequence of a public order rule, of caring for the market's behavior and for the ample disclosure of the equity position and results of the companies operating therein, not being allowed to obtain gains with companies omitting accounting and equity information of interest of the other clients of Bovespa itself.

**E) Auditoria independente Boucinhas&Campos**, in the persons of its Directors, in the capacity of independent auditors which should be protecting the full disclosure, by means of balance sheets, of the accounting and equity reality of the company Eletrobrás – Centrais Elétricas Brasileiras S/A . A Company which has its securities negotiated in the floor and over the counter markets, dedicated to open capital companies, ruled by laws no. 6.404/76, 6.385/76, 6.227/40, 6.616/78, 8.021/90, 8639/93, 8.934/94, 9.447/97, 9.457/97, 10.198/01, 10.194/01, 10.303/01, Interamerican Convention of Montevideo of 1979, plus the adherence to SEC regulations (Securities and Exchange Commission) and to the requirements of the Sarbanes-Oxley Law, among other.

**F) Auditoria independente Pricewaterhouse Coopers**, in the persons of its Directors, in the capacity of independent auditors which should be protecting the full disclosure, by means of balance sheets, of the accounting and equity reality of the company Eletrobrás – Centrais Elétricas Brasileiras S/A, having securities negotiated in the floor and over the counter markets, dedicated to open capital companies, ruled by laws nos. 6.404/76, 6.385/76, 6.227/40, 6.616/78, 8.021/90, 8639/93, 8.934/94, 9.447/97, 9.457/97, 10.198/01, 10.194/01, 10.303/01, Interamerican Convention of Montevideo of 1979, plus the adherence to SEC regulations (Securities and Exchange Commission) and to the requirements of the Sarbanes-Oxley Law, among other.

**G) Bank of América and JP Morgan**, in the persons of their representatives, in their capacity of trustees of Eletrobrás in the capital market transactions, both local and international, especially the ADRs, negotiated in the New York Stock Exchange.

**H) New York Stock Exchange (NYSE)**, in the persons of its representatives, in the capacity of Company holding the authorization to manage, among other, the negotiation of the Eletrobrás ADRs in the North American market.

**I) SEC (Securities and Exchange Commission – USA)**, in the persons of its representatives, due to having been informed of the Eletrobrás condition on September 20, 2005, by means of written Claim, delivered on hand to Mr. Mark Schonfeld, in New York, failing to inform the foreign investors, thus infringing its legal duty of inspector and regulator of the stock market in the United States of America, breaching express order of Section 303 - Sarbanes-Oxley Act 2002.

**J) Federal Attorney General Office**, regarding the possibility of incurrence by the Eletrobrás S.A. directors, of the practice, in thesis, of the crimes listed under the following regulations:

- Article 74 of Law 4.728/65 (place in the market warrants of fake securities values);
- Article 6 of Law 7.492/86 (induce or maintain in error an investor or partner);
- Article 7 of Law 7.492/86 (issue and negotiate securities not supported by guarantees);
- Article 10 of Law 7.492/86 (omit element required by the legislation in accounting statement of company negotiating with securities);
- Article 11 of Law 7.492/86 (maintain or handle resources in parallel to the accounting);

- Article 17 of Law 7.492/86 (take or receive loan to the controlling partner by the controlled company);
- Article 1 of Law 7.913/89 (fake transaction, non equitable practice or manipulation of prices, including artificial conditions - watered stock – overvalued property – interlocking directorates);
- Article 1 of Law 9.613/98 (hide amounts originated from crime);
- Article 12 of Law 9.613/98 (improbis administrator);
- Article 171 of the Criminal Code (obtain illicit advantages for itself or for other);
- Article 177 of the Criminal Code (hide fact related to the Incorporation about shares, quotations, securities or economic conditions);
- Section 303, Sarbanes-Oxley Act 2002 (USA) (Corporate Responsibility – improbis administrator).

#### IV – ON WHY EACH OF THE COMPANIES AND OFFICES LISTED ABOVE MUST PROVIDE CLARIFICATIONS AND BE SUBJECT TO SERVICE OF PROCESS AND LEGAL AND ADMINISTRATIVE PENALTIES:

The referred judicial notices, imposed against the persons and legal entities characterized above are justified by the intent of causing the ceasing of practice contrary to the interests of the securities market as a whole, the maintenance of the national legal security, especially regarding the interests of the minority shareholders, holders of Eletrobrás' debentures and of other companies and Pension Funds subject to the management of one same controlling partner. The intention finds support in the "Public Order" interest, which highest value lies in protecting the Brazilian, American securities markets and their investors, due to the occurrence "in thesis" of several corporate, financial and tax crimes.

The necessity of clarification and persuasive investigation are justified by the uncontroverted fact that the accounting records of the transactions related to the issue of debentures on behalf of the Eletrobrás controlling partners, does not correspond to the record of liabilities, and even less justifies the capital contributions made by the same controlling partners, which share interest grew in common shares, exactly due to the incorporation of reserves destined to meet liabilities omitted in the accounting.

The fact that the Eletrobrás controlling partner has obtained personal loan in face of taxpayers subject thereto does not authorize the amounts due thereby to be paid with cash resources of the controlled company, through authorization of direct offsetting of electric power bills, which payment, on behalf of the controlled company, should have entered its cash & banks account, in local currency.

The controlling partner of open capital company of private nature used the controlled company to pay its own debts, which fact is prohibited by the law.

On the other hand, the fact that the controlling partner has made capital contributions in cash, only authorized, in a second hypothesis, the issue of bearer debentures, convertible into preferred shares class "a" and "b", due in 20 years, counted as of its issue. Such debentures were deposited with Eletrobrás itself, which, later, as shown in the Minute of the Shareholders' Meeting, by order of the controlling partner, were transferred to third parties to pay personal debt of the very controlling partner.

At each transaction of this type, one should account the write-off of the capital contribution made by the controlling partner, or yet, considering the capital entrance as loan of the controlling partner to the controlled company, liquidate part of such loan, which title was transferred to third parties, by force

of the delivery of the bearer securities and then, record the reserves destined to pay such liabilities, now on hand of third parties, different from the controlling partner.

It so happens that such records were not done so, and the liabilities were hidden, fact which is aggravated during the last few years, when one finds out that there exist over three thousand legal suits, some already paid by means of settlement or through the final recognition of the debit, which are not even shown in the balance sheets or in notes of the auditors, even though such liabilities refer to amounts exceeding three (3) billion US Dollars of "short term liabilities", related to demands which, in many cases, impose pledge to equity and bank accounts of the Company, as a consequence of legal demands which risk of success against Eletrobrás is classified "*as probable*".

This is a true accounting scandal which, among other, may be hiding the increase and/or artificial maintenance of Eletrobrás papers and those of other companies and Pension Funds controlled, directly or indirectly, by the Eletrobrás controlling partner, which is common to all.

Considering the personal and private interest of the subscribers of this announcement letter, in addition to its *mínus publico* imposed by the Federal Constitution and the transindividualization of the rights mentioned herein, added to the possible hiding of "a bubble" in the Brazilian capital market, this General Meeting became necessary.

## V. ENRON CASE, ARTHUR ANDERSEN & WORLDCOM – THE MODEL REPEATS ITSELF.

The interest of the holders of Eletrobrás' debentures, of the Federal General Attorney Office, of SEC – USA, of the American *Government Attorney*, of CVM and of BOVESPA becomes effective when we see how much, in a verisimilar manner, the "*modus agendi*" of the controller of Eletrobrás and of the other companies and Pension Funds controlled thereby is very similar to the "ENRON CASE/Arthur Andersen e Worldcom", occurring in the United States of America between years 1996 and 2001.

The difference is that, in the Brazilian case, the numbers may cause the multiplication of the effects of the capital contributions of the controller, with consequences on the quotation of several shares and ADRs of Companies controlled by the same controller of Eletrobrás, in face of the probable increase or maintenance of prices, strong in operations and reciprocate investments.

Not less important and revealing a practice totally rejected by the national law, is the use, by the controller partner of open capital company, of cash resources of the controlled company, to pay personal transactions of the very controlling partner. This fact is repeated many times and is, also, - albeit it must sound incredible – recorded in Minutes of General Meetings. Several times, has the controlling partner ordered the controlled company to use the receivables of electric power bills to pay to the very customers of Eletrobrás, a debt of the controlling partner, by means of offsetting.

Thus, the legal relations now notified repeat the "ENRON CASE" model, however in larger proportions, since we are talking about Eletrobrás, a private company which controlling partner also appoints the Directors of the CVM, which is the Public Entity in charge of auditing the licit or illicit practices in the management of open capital companies<sup>1</sup> Only Eletrobrás holds almost 100% of the electric power production and distribution market in Brazil, which is, we must say, a continental size country.

<sup>1</sup> Important that Enron acquired from the Eletrobrás System the company Eletropaulo (in 1998), using AES and LIGHT to perfect the deal. Additionally, Enron also kept interest in CEG/CEGRio, Brazil/Bolivia Gas duct, Cuiabá Thermal Power Point, Eletrobolt, Gaspart and Elektro – Empresa Paulista de Energia Elétrica.

Refer that in the detailed exam of all General Ordinary and Extraordinary Meetings of Eletrobrás' Shareholders, its balance sheets and opinions of the independent auditors, it is easily proven that information were omitted from the market – mainly hiding of liabilities. All such minutes of general meeting are recorded with the Real Estate Notary, with CVM and with Bovespa, and it cannot be justified that such offices – none of them – have, according to the law, made public such issue, at least to SEC – USA and before the whole American investment market.

The abundant documentary evidence of the irregularity and disproportion of the capital contributions made by the controlling partner of Eletrobrás should be added, in relation to the actual conversion of the amounts into shares, using credits on hand of investors holding debentures, which causation credit title – the prior convertibility into preferred shares on their behalf and not the convertibility into common shares on behalf of the controlling partner, which thus achieved undue enrichment at the costs of the debenture holders and minority shareholders.

## VI. ELETROBRÁS AND CVM – VOLUNTARY OMISSION REGARDING THE APPLICABILITY OF ARTICLE 31 OF LAW No. 6.385/76;

- WHEREAS the facts listed above happen repeatedly since 1965 and continue to the current days;
- WHEREAS Eletrobrás S.A. is suffering pledge in thousands of legal suits which point out to liabilities over 3 billion US Dollars;
- WHEREAS Eletrobrás has already made settlements and payments in several of such legal suits; considering that Eletrobrás is object of several suits at CVM, where the allegations hereunder are expressed and that this is already notorious between shareholders and debenture holders of Eletrobrás itself;
- WHEREAS the CVM Directors are also fully aware of all what is reported herein, whether because they are responsible for the processing of the several Claims in Course within its institution and within *SEC – Securities and Exchange Commission* – of the USA, or due to having been notified, personally and judicially by several debenture holders....

**...This evidences, both by Eletrobrás and CVM (in the person of its Directors, auditors and legal counsels), voluntary and purpose non compliance of article 31 of law No. 6.385/76<sup>2</sup>;**

The referred rule has instituted CVM and has also standardized Public Order rules, the contents of which has imposed procedures and penalties which shall be mandatorily observed and applied (*cogent and unavailably*).

It is not relevant if there is an otherwise settlement. The inspector, the audit, the general attorney office, the Judicial Power and especially, the Directors of Open Capital incorporation and CVM

<sup>2</sup> **Law no. 6.385/76, article 31.** “*in the legal suits having by object issue included under the competence of Comissão de Valores Mobiliários, it will always be summoned to, if it so desires, offer opinion or provide clarifications within 15 days counted as of the service of process. Paragraph 1 – The service of process will be done straight after the challenge, by mandamus or by letter with notice of receipt. “ our enhancement exactly to show that the service of process is a requirement for the procedural validity, and not availability of the court, the parties or of the General Attorney Office.*”

are obliged to observe the law, under the penalty of incurring crimes against the security and financial market, maladministration, or, more simply, caused procedural nullities which concept scope will give cause to evident intention of leading the courts and the general attorney office to errors, characterizing, among other, Bad Faith Litigation.

The fact becomes extremely aggravated when we note that avoiding the mandatory application of **article 31 of Law 6.385/76 is to confirm the intention of omitting liabilities and extremely suspicious transactions by the Eletrobrás controlling partner, as controlling partner of other very important open capital companies, and holder of the power to appoint, directly or indirectly, the Directors of CVM itself and of the billionaire Pension Funds which invest in the Brazilian security market, including in transactions with reciprocate effects (*Interlocking Directorate<sup>3</sup> and Watered Stock<sup>4</sup>*), the consequences of which is to allow a legal unsafety feeling justifying the supervaluation of the assets.**

Such investigations point out, in thesis, to the possibility of use of tricks such as *watered stock* due to *overvalued property and interlocking directorates (monopoly capital)* (control of financial and administrative power), considering that the Eletrobrás controlling partner is who appoints the Directors of the main incorporations and pension funds acting in the Brazilian security market, with management addressed to the practice of reciprocate investments which artificially set up the quotation of securities.

## VII. THE REGISTRATION'S SCHEDULE OF ISSUE OF DEBENTURES/OBLIGATIONS<sup>5</sup> BY ELETROBRÁS.

Before we list the registration schedule of all Debentures/Obligations<sup>6</sup> issued by Eletrobrás, which due date, resolved in several general shareholders' meetings, one for each corresponding issue, series to series, is shown as 20 years counted as of the issue of each bearer warrant. Each issue of the referred Credit Securities was, as required by the Incorporations' Law, duly filed with the Real Estate Notary, with the CVM and with the Board of Trade.

Each Warrant, issued to the bearer and thus observing the requirements of independency, issue of Warrant, abstraction, formalism and independence, mentioned that the consequence of the due date was, and is, the commitment expressed in the Security itself. As of the due date, the warrant stated the redemption should be done in cash (updated and accrued by compensatory interest and monetary correction) or the warrant should be converted into shares.

<sup>3</sup> “Centralization of the decision power and financial power, to a restricted group of people manipulating the market on behalf of their companies” . This practice caused the great fall of the American market on year 1935.

<sup>4</sup> “capital which slides and spreads in a liquid form, like water”

<sup>5</sup> Historically, the synonymy of both names is justified by the origin of the word and even by their legal nature. As a credit security representing a loan agreement taken by one Company, in fact, the “*debentures (from Latin debo, debui, debitum, meaning to owe, obligation) are credit securities issued by the incorporations as a consequence of loans obtained thereby before the public, a formulation of the English Law*”(6). The expression “debenture” is therefore used in Brazil due to the influence of the English Law, berth of the Industrial Revolution.

<sup>6</sup> Decree no. 177-A dated September 15, 1893- Rules the Issue of Loan in Bearer Obligations (Debentures) of the Companies or Incorporations “Article 1 – The companies or incorporations **may issue loans in bearer obligations (debentures)** according to the provisions of this law.

The “Eletrobrás” Debentures, we must emphasize, through several and alternative times, were either called Debentures or “Bearer Obligations”. In spite of the pun, we must clarify, from the legal and hermeneutic point of view, that the words “debentures” & “obligations” name, legally and historically, the same thing. Let us see the technical justification:

Decree 177-A, dated September 15, 1893, was the regulation which initially provided on the possibility of issue, by the open capital companies, of the so called “Bearer Obligations”, also called “Debentures”, using both expressions side by side, to name and concept the referred warrants, as being the same thing; that is, credit securities representing a fraction of a loan agreement so as to capitalize the company with money of people who believe in its success”.

This was the wording of article 1 of the referred Decree:

*Decree no. 177-A, dated September 15, 1893*

*Rules the Issue of Loan in **Bearer Obligations (Debentures)** of the Companies or Incorporations.*

*Article 1 – The Companies or Incorporations may issue loans in bearer obligations (debentures), according to the provisions of the present law*

– **Note. The enhancement are ours, exactly to call your attention for the use of both terms, side by side and even in brackets, - expressing the desire of the legislator to make it clear and one (debentures) is equal to the other (obligations).**

**From the Rules enhanced, one can see that the name “Bearer Obligations” is a synonym of the name “Debentures”, exhausting the hermeneutic-semantic process at this point. Both things are only one.**

Later, the same discipline was followed by Decree-Law no. 9.783/46, which provided in its article 1:

*DECREE-LAW No. 9.783, DATED SEPTEMBER 6, 1946*

*Provides (provided) on the admission, for the purposes of Stock Exchange quotation, of shares or bearer obligations. [the enhancement between brackets is ours]*

*The President of the Republic, using the powers granted him by article 180 of the Constitution,*

**HEREBY DECREES:**

*Article 1 The incorporations with headquarters in Brazil are obliged, before starting operations, to request to the Stock Exchange located closer to its headquarters, to quote its shares and **bearer obligations (debentures)**.*

*Sole Paragraph – The incorporations already constituted have ninety (90) days counted as of the publication of the present Decree-law to meet the provisions of this article.*

As can be seen from one and other rule, that is, both from Decree 177-A/1893 and from Decree-Law 9.783/46, the names “Bearer Obligations” and “Debentures” are used as synonyms, not justifying any differentiation as a consequence of the alternate use of the name.

Historically, the synonym quality of both names is justified by the origin of the work and its legal nature. As a credit security representing a loan agreement taken by one Company, in fact, the “debentures (from Latin *debo, debui, debitum, meaning to owe, obligation*) are credit securities issued by the incorporations as a consequence of loans obtained thereby before the public, a formulation of the

*English Law*<sup>7</sup>. The expression “debenture” is therefore used in Brazil due to the influence of the English Law, berth of the Industrial Revolution.

In spite the importance of the Anglo-saxonic Scholars, also the French Law had strong influence over the Brazilian Law, especially the Commercial Law. In France, the work corresponding to “debentures” is **obligation**, which is also adopted in the Brazilian legislation (**as Obligations**), especially before the enactment of Law 6.404/76.

For this reason, **RUBENS REQUIÃO**<sup>8</sup> treated the issues explaining them in academic form: **“THE DEBENTURES, ALSO CALLED BEARER OBLIGATIONS, are cause credit securities, which represent fractions of the amount of a loan agreement, with general privilege over the corporate assets or material guarantee over certain assets, obtained by the incorporations in the capital markets”**.

Law 6.404 dated 12.15.1976, which provides on the share companies, also ruled the issue related to this credit security, under articles 52 to 74, **adopting also indistinctively, the two “synonyms”** (obligations and debentures). In fact, we read in articles 52 and 54 of Law 6.404/76, as follows:

*Article 52. The Company may issue **debentures** which will grant their holders a credit right against it, under the conditions shown in the issue deed and of the certificate.*

*(...)note. Our: note the expression “**obligation**”*

*Article 54 – The debenture will have its par value expressed in local currency, except in the cases of **obligation** which, under the terms of the current legislation, may have the payment defined in foreign currency. & Article amended by [Law no. 10.303/01](#)*

Due to all such rules, one can see that there is no way of recognizing “*Bearer Obligations*” distinctively from “*Debentures*”, being such name only placed in the first securities issued on account of the assignment in payment of the compulsory loan instituted by the Federal Government to capitalize it, **as a consequence of having been so expressed in article 9 of Law 3.890-A dated April 25, 1961**, which authorized its creation. The referred Law, on its side, states the strict use of the Incorporations Law regarding the Company, of the application of the CLT [Consolidation of the Labor Laws] to its employees and of the differentiation between the issue of “*Bearer Obligations*” which the company is authorized to do, and the capital originated from the Federal Government and/or even foreign or internal loans (BID [IDB], BNDES, etc).

In this sense, it is interesting to transcribe some of the Clauses of the Eletrobrás Bylaws:  
item:

**Chapter II  
ON THE ELETROBRÁS CAPITAL**

*Article 6 ELETROBRÁS will have initially the capital of three billion cruzeiros (Cr\$ 3.000.000.000,00), divided into three million (3.000.000) common nominative shares with par value of one thousand cruzeiros (Cr\$ 1.000,00) each.*

*§ 1 Up to year 1965, the Company’s capital will be increased to at least fifteen billion cruzeiros (Cr\$ 15.000.000.000,00), as provided by the Law.*

*§ 2 To increase the capital, there may be issued common and preferred shares, nominative or issue to the bearer, with no consideration of the restriction of the [sole paragraph of article 9 of Decree-law no. 2.627, dated September 26, 1940](#).*

<sup>7</sup> ALMEIDA, Amador Paes de, Commercial Companies Manual, p. 221.

<sup>8</sup> Commercial Law Course [*Curso de Direito Comercial*] 2<sup>nd</sup>. Volume, Saraiva, 19<sup>th</sup> Edition 1993, page 85.

<sup>9</sup> RUBENS REQUIÃO, Commercial Law Course [*Curso de Direito Comercial*] 2<sup>nd</sup>. Volume, Saraiva, 25<sup>th</sup> Edition 2007, page 111.

§ 3º The preferred shares will bear priority in the disbursement of the capital and distribution of dividends at six percent (6%) per year and will not be entitled to vote, except in the cases of [articles 81, sole paragraph, and 106 of Decree-law no. 2.627, dated September 26, 1940. \(Wording given by Decree-Law no. 644, of 1969\)](#)

Art. 7 The Federal Government will subscribe the totality of the initial capital of the Company, and, in the subsequent issues of common shares, the sufficient to assure the minimum of fifty-one percent of the voting capital.

§ 1 To pay-in the initial capital subscribed by the Federal Government, the Executive Power is hereby authorized to contribute to the Company the assets, premises and rights of the Federal Government in relation to the production, transmission and distribution of electric power, including shares, obligations or credits resulting from the production, transmission and distribution of electric power, including shares, obligations or credits resulting from the investments in the Federal Electrification Fund, under the terms of [article 7 of Law no. 2.944, dated November 8, 1956.](#)

§ 2 Should the value of such assets not be enough for the payment of the initial capital, the Federal Government will complete it with cash.

Article 8 The payments to the account of the Federal Electrification Fund and the payments of part of the initial capital of the Company, which may exceed the amount of the assets mentioned in the previous article, and of the capital subscribed by the Federal Government to meet the provisions of article 6, § 1, of this Law.

Sole Paragraph. The National Treasury is authorized, if the resources of the Fund are not sufficient to pay the initial capital, to make advances or credit transactions to advance such resources, up to the amount of one billion, five hundred million cruzeiros (Cr\$ 1.500.000.000,00).

Article 9 The Company may issue, up to the limit of double of its initial paid-in capital, bearer obligations, with or without the guarantee of the National Treasury.

Article 10. In the capital increases, preference will be assured to the public law legal entities, to acquire the company's shares, observing the provisions of article 7, **in fine**, and the same rule will be adopted in the launch of obligations.

Article 11. All resources of the Federal Electrification Fund will be deposited with the National Bank of Economic Development, to the credit of a special account which can only be handled by ELETROBRÁS observing the applications or liens under the terms of [article 7, of Law no. 2.944, dated November 8, 1956.](#) The ELETROBRÁS drafts on account of the Fund will be deemed payment of its capital subscribed by the Federal Government, or advance on account of the capital to be subscribed by the Federal Government, according to article 6, § 1, of this Law.

Thus, we see that part of the compulsory loan instituted by the Federal Government – that portion in which the taxpayer did not go for the corresponding Debentures, either because he did not wish to do so or because he lost the electric power bill (Eletrobrás S.A. did not deliver the debentures with the submission of the **second copy**) -, was incorporated to the Federal Electrification Fund which, launched to the BNDES, was used as the payment amount by the Federal Government.

Such amounts, the sole which could be “confused” with “public money” at no time confuse with the money directly invested in Eletrobrás S.A., and drafted thereby as Debentures representing such loan.

As a counterpart to the money brought into Eletrobrás S.A. as a consequence of the compulsory loan, Debentures were issued (Bearer Securities) on behalf of the Federal Government. Having such securities on hand, the Federal Government **gave them as payment (return) of the personal loan taken before those which are exclusively its taxpayers.**

The money brought to Eletrobrás S.A. and not identified, whether because it was never claimed by the former taxpayer, whether because it was paid by the Electric Power Concessionaires, was accounted as capital contribution by the Federal Government, not being identified/mixed with the money lent - and which return was demanded and accepted by giving in payment the private securities of the created company.

The consequence thereof is that, at no time, it is possible to confuse “*Bearer obligations of Eletrobrás S.A.*” with “*Obligation of the National Treasury*”, under the penalty of infringing the current legislation, the rules and principles of the Country’s Laws.

Regarding the transactions quoted above, we estimated the minimum size of the schedule debentures/obligations issued by Eletrobrás, which were used in the transaction:

Credit Security	Series	Coupon	Issued	Minutes
Debentures/Obligations	A	10	1965	5 <sup>TH</sup> EGM
Debentures/Obligations	B	10	1965	5 <sup>TH</sup> EGM
Debentures/Obligations	C	10	1965	5 <sup>TH</sup> EGM
Debentures/Obligations	D	10	1966	7 <sup>TH</sup> EGM
Debentures/Obligations	E	10	1966	7 <sup>TH</sup> EGM
Debentures/Obligations	F	10	1966	7 <sup>TH</sup> EGM
Debentures/Obligations	G	10	1966	7 <sup>TH</sup> EGM
Debentures/Obligations	H	10	1967	10 <sup>TH</sup> EGM
Debentures/Obligations	I	10	1967	10 <sup>TH</sup> EGM
Debentures/Obligations	J	10	1967	10 <sup>TH</sup> EGM
Debentures/Obligations	L	10	1967	10 <sup>TH</sup> EGM
Debentures/Obligations	M	20	1968	14 <sup>TH</sup> EGM
Debentures/Obligations	N	20	1968	14 <sup>TH</sup> EGM
Debentures/Obligations	O	20	1968	14 <sup>TH</sup> EGM
Debentures/Obligations	P	20	1969	15 <sup>TH</sup> EGM
Debentures/Obligations	Q	20	1969	15 <sup>TH</sup> EGM
Debentures/Obligations	R	20	1969	15 <sup>TH</sup> EGM

Credit Security	Series	Coupon	Issued	Minutes
Debentures/Obligations	T	20	1970	18 <sup>TH</sup> EGM
Debentures/Obligations	U	20	1970	18 <sup>TH</sup> EGM
Debentures/Obligations	V	20	1971	21 <sup>ST</sup> EGM
Debentures/Obligations	X	20	1971	21 <sup>ST</sup> EGM
Debentures/Obligations	Z	20	1971	21 <sup>ST</sup> EGM
Debentures/Obligations	AA	20	1972	26 <sup>TH</sup> EGM
Debentures/Obligations	BB	20	1972	26 <sup>TH</sup> EGM
Debentures/Obligations	CC	20	1972	26 <sup>TH</sup> EGM
Debentures/Obligations	DD	20	1973	30 <sup>TH</sup> EGM
Debentures/Obligations	EE	20	1973	30 <sup>TH</sup> EGM
Debentures/Obligations	FF	20	1973	30 <sup>TH</sup> EGM
Debentures/Obligations	GG	20	1973	30 <sup>TH</sup> EGM
Debentures/Obligations	HH	20	1974	35 <sup>TH</sup> EGM
Debentures/Obligations	II	20	1974	35 <sup>TH</sup> EGM
Debentures/Obligations	JJ	20	1974	35 <sup>TH</sup> EGM
Debentures/Obligations	LL	20	1974	35 <sup>TH</sup> EGM

In parallel to the transaction with the debentures/obligations, which occurred between years 1964 and 1979, there were also thousands of direct drafts by the controlling shareholder against the cash of the controlled company, using the amount paid in the electric power bills, which drafts were formerly addressed to the liquidation of the personal obligations of the controlling shareholder, without charging the capital against itself.

#### VIII. ON THE QUESTIONS TO BE ANSWERED BY CVM, FEDERAL GENERAL ATTORNEY OFFICE, BOVESPA AND ELETROBRÁS

We must hereby inform you that part of the agenda of the General Meeting of Debenture Holders to which you are being called has already been object of civil, criminal and corporate procedures forwarded on behalf of several debenture holders represented by the Édison Freitas de Siqueira Law Office before offices of the Brazilian and American Justice offices, more precisely, against CVM, ELETROBRÁS, BOVESPA, BANK OF AMÉRICA J. P. MORGAN and INDEPENDENT AUDITORS. Among the offices called to provide jurisdiction and promote the due investigations there are the SEC-SECURITIES AND EXCHANGE COMMISSION, THE NEW YORK STOCK EXCHANGE, THE BRAZILIAN FEDERAL GENERAL ATTORNEY OFFICE AND THE AMERICAN GOVERNMENT ATTORNEY – FEDERAL GENERAL ATTORNEY OFFICE OF THE UNITED STATES OF AMERICA (IN RELATION TO THE TWO FORMER OFFICES, UNDER THE CONDITION “*AMICUS CURIAE*”, AND IN THE CONDITION OF VICTIM OF SEVERAL FINANCIAL CRIMES).

ALL PROCEDURES LISTED NECESSARILY LEAD, BY FORCE OF THE ABOVE MENTIONED LAWS, TO THE CLARIFICATION OF THE ISSUES LISTED IN THE QUESTIONS LISTED BELOW WHICH, ON BEHALF OF THE INTERESTS OF 100% OF THE DEBENTURE

HOLDERS, SHALL BE OFFICIALLY RESOLVED, WITHIN THE CRITERIA DEFINED BY ARTICLE 71 OF THE INCORPORATION'S LAW. LET US SEE THE ISSUES WHICH SHALL AND ARE BEING INVESTIGATED:

- 1) *What is the number of debentures convertible into preferred shares, series A and B, or into common shares, with or without voting rights;*
- 2) *What was the reason for the issue and the quantity of coupons of each series?*
- 3) *Which was the date of each issue?*
- 4) *What was the number of the Shareholders' Meeting session approving each issue?*
- 5) *Which are the regular interests foreseen by each issue?*
- 6) *Considering that the value of each debenture, as per the discussion listed below, has determined the updating of the Debentures with compensatory interests at 16% and 6% per year up to December, 2002, interest on arrears at 1% per month as of January 2003, plus purges and conversions, in addition to legal interests, case by case, debenture by debenture, where such information of accounting liability is recorded;*
- 7) *What is the amount of interest on arrears foreseen by the Brazilian legislation for the incidence after the due date of each debenture/obligation? What is the form of monetary correction applied to the provisioning of such liabilities and what is the counterpart of the capital contribution made by the controlling partner to the Federal Government, controlling partner of Eletrobrás, whether such contributions have been or not made with the resources obtained by loans which the Federal Government has taken before the BID and/or through compulsory loan taken from the electric power customers, especially before the direct and indirect clients of the controlled company;*
- 8) *How were the corporate capital contributions made by the controlling partner accounted? When answering this question, point out the form of discount of the capital contributions, upon the corresponding issue of debentures/obligations delivered to third parties in the redemption of personal debts of the controlling shareholder, especially to liquidate the compulsory loan;*
- 9) *How were the liability records accounted in relation to the Debentures and withdrawals against the Eletrobrás cash, used to pay the debt of personal loans (compulsory loans) made by the controlling partner as of 1966 to 2007, considering transaction per transaction, transferred from year to year from the accounting liabilities to the corresponding realizations, covering payment of the warrant interests, interests on arrears, monetary correction and reducing the redemptions, conversions and cancellations on behalf of third parties or of the controlling partner;*
- 10) *How were the reversions of the capital contributions accounted by the controlling shareholder, when the controlled company under its orders redeemed, in cash, debentures (and their corresponding coupons), one by one, from third parties to which the controlling shareholder determined their transfer (debentures/obligations) to pay personal debts (loans), including compulsory loan or regarding the loan made by the Federal Government with BID. Has the contribution been written-off? When did this happen? If no reversion was recorded, has a loan been registered on behalf or against the controlling shareholder? Have interest payments been accounted on behalf of the Company's capital or of the Controlling Shareholder? Were there made reserves on behalf of the increase of the corporate capital, by means of the issue or conversion of shares on behalf of the controlling shareholder? And under what title? We transcribe below an illicit example of shareholders resolution:*

*"Taking into consideration the experience acquired, that all issues always have a balance of Obligations not delivered, originated by bills which are not submitted for exchange, it is the opinion of the Executive Board that the 1970 issue shall have a limit of Two hundred and sixty million cruzeiros novos (NCr\$ 260.000.000,00)"*

*"1. The legislation related to the Compulsory Loan destined to ELETROBRÁS assigns the penalty of fine to the concessionaires in charge of its collection, in case of delay to pay the amounts related to such contribution. 2. Such fine corresponds to one hundred percent (100%) of the amount payable, which, no doubt, consists in a heavy burden imposed to the faulty debtor. 3. It so happens that hundreds of Municipalities which are also concessionaires of the electric power distribution, and, therefore, participate of the Compulsory Loan collection task, have been refusing to make the payment of the referred penalty, under the allegation of its non applicability to the municipalities, as a consequence of the immunity in which they are vested as public law legal entities. 4. On the other hand, the assessment of the referred penalty over the debts of the Municipalities, doubling the value, has been, in many cases, the impediment cause of its liquidation, as a consequence of the reduced payment capacity of a great portion of the Municipalities. 5. For such reasons, there are at ELETROBRÁS numerous suits without solution related to*

the determination of debt, application of file and collection of Compulsory Loan, involving Municipalities. 6. In order to allow the solution of pendencies and facilitate the liquidation of the debts of the Municipalities, the Executive Board decided to submit to the analysis of the General Meeting the present proposal of authorization so that ELETROBRÁS may, through its Board, waive, in certain cases, the amount of fines due by the Municipalities in relation to the Compulsory Loan (...)

It can be seen that the amount unduly collected as compulsory loan, there was considered the capital contribution by the controlling partner, the Federal Government, in prejudice of the debenture holders which were contributing for the leverage of the company, and all other shareholders at the time. It is so that, at least, the amount against which no debentures were issued – on the rough allegation that the holders of the rights did not come for them, let us say – should have been used as capital increase, with redistribution of the corresponding share, or simple increase of the share value.

On the other hand, from the same Minutes we can see that Eletrobrás S.A. unduly and arbitrarily, “waived amounts related to compulsory loans”, when, deciding on the fines owed it by the Municipalities - due to delay in the transfer of amounts related to the very compulsory loan -, it “decided to voluntarily and arbitrarily release the Municipalities from the amounts due at such title”.

- 11) How were the conversion of Eletrobrás Debentures conversions issued as a counterpart on behalf of the controlling shareholder, accounted, regarding the capital contribution made with resources originated from loan taken before the BID (for instance Minutes of Meeting no. nº18 and Minutes of Meeting no. 21), and compulsory loan taken from electric power customers ? How were such conversions made on behalf of third parties, when the controlling shareholder determined the delivery of securities deposited by the Company to liquidate personal loans of the controlling shareholder itself on behalf of third parties, foreign to the Company.
- 12) There was a reversion of records on behalf and against the controlling partner, when it used resources and capital of the Company to liquidate personal debts;
- 13) Were there made reservations regarding the debentures not redeemed and not converted? If so, on behalf of whom?
- 14) Were there launched contingencies for monetary correction, contractual interests shown in the coupons, accrued by interest in arrears as of the due date of the redemption or conversion? If positive, debenture by debenture, inform on behalf of which accounting account, shareholder, shareholding position or title of account it happened.
- 15) How were there accounted, in full, the redemptions and payments of the coupons, the conversions into shares, the total amount and the quantity of the debentures/obligations not redeemed or converted, considering the exact relationship (100%) between the total capital payment made by the controlling shareholder and the corresponding issue of debentures bound thereto and the total amounts redeemed, as well as the total debentures paid. Which were converted into shares? On behalf of whom and in what type of share, and what amount was recorded from year to year in the liability account, observing compensatory interest of 12% per year and, thereafter of 6% per year, with monetary correction, according to the rates defined in the decision of Resp n.º 443.435-SC (IPC with monetary correction calculated with the percentages of the inflationary purges occurring upon the implementation of the Governmental Plans "Verão" (January/89 - 42,72% - and February/89 - 10,14%), "Collor I" (March/90 - 84,32% -, April/90 - 44,80% -, June/90 - 9,55% - and July/90 - 12,92%) and "Collor II" (13,69% - January/91 - and 13,90% - March/,91) and, yet, interest on arrears at 6% per year up to January 2003 and 12% per year as of the enactment of the New Civil Code, in January 2003; all cumulatively;
- 16) How have there been recorded and accounted each of the judicial enforcements and ordinary collection suits related to the debentures of the above schedule, indicating in detail, debenture by debenture, coupon by coupon, series to series, the amount of the updated liability with interest at 12% per year and then at 6% per year, plus monetary correction according to the rates defined in the decision of Resp n.º 443.435-SC (IPC with monetary correction calculated with the percentages of the inflationary purges occurring upon the implementation of the Governmental Plans "Verão" (January/89 - 42,72% - and February/89 - 10,14%), "Collor" (March/90 - 84,32% -, April/90 - 44,80% -, June/90 - 9,55% - and July/90 - 12,92%) and "Collor II" (13,69% - January/91- and 13,90% - March/,91) and yet, interest on arrears at 6% per year up to January 2003 and 12% per year as of the enactment of the New Civil Code, on January 2003, indicating the following minimum data: 1) Court, 2) process no., 3) County, 4) value of each judicial suit, updated to December 2007.
- 17) Thus, in which balance sheets were such information contained ? Was there communication to the independent auditors, trust agents, CVM, Bovespa, SEC, Bank of America, JP Morgan and all shareholders? If yes, how was this done?

- 18) *Were there judicial settlements to pay debenture holders which demanded, administratively or judicially through enforcement suits, ordinary collection suits or caution injunction of any type, collecting some debentures. How were they accounted for ? What is the value of each settlement ? Were there specified justification criteria for each settlement case, which were the updating criteria and which were, case by case, the parties favored by each of the settlements, pointing out which were the directors and legal counsels authorizing such transactions;*
- 19) *How were there accounted the capital contributions made by the controlling shareholder through loans taken before BID (Minutes no. 18 and Minutes no. 21) and loans taken by the controlling shareholder before the electric power customers, which correspond to the order of the controlling partners of using cash resources or debentures to pay personal loans of the controlling shareholder in relation to third parties which are not shareholders. Such transactions, if done, were accounted and disclosed so as not to allow advantages to the controlling shareholder in prejudice of the other shareholders and/or debenture holders? CVM, the trust agents and the Stock Exchanges must be aware of the managerial acts performed by the controlling shareholder, which pays personal debts using cash resources of the controlled company, originated from receivables of the company due to the direct consumption of electric power by the customer. Should such record exist, was there indicated, case by case, how such transactions were recorded with Bovespa and CVM, and how the reversion was done, since there was a draft to the controlled companies' cash position by the controlling partner. Did CVM notify SEC ?*
- 20) *How did CVM, Eletrobrás, SEC, Bovespa, the independent auditors and trust agents inform the national and international investors of the above mentioned accounting records, indicating the corresponding judicial liabilities, with monetary correction and payment of the assigned interests and interest on arrears, and how was the use of the Incorporation to pay liabilities of the controlling partner in prejudice of all other shareholders and of the market, disclosed?*
- 21) *How did CVM, Eletrobrás, SEC, Bovespa, the independent audits and the trust agents (as of which Bovespa opened its capital and started to sell shares in the local and international markets), disclose to the market the Bovespa gains with the intermediation of transactions with shares, ADRs and Eletrobrás Securities, the value of which is today levered, maybe because there is no support in the accounting records of the transactions between the controlling shareholder and the controlled company, and specially because the passive object of the judicial suits is not public, which have also incurred pledge orders and other types of patrimonial hindrance. Was there any public record or inspection regarding the risk of Bovespa being "privileging" the omission of information which generates gains on its behalf?*
- 22) *Considering all the above questions, we inquire: do the notified companies see similarities between the present case and the "Enron" case? And, thus, inform if such practices do not cause harsh risk to the Brazilian market, especially regarding the international investors which trust the CVM and Bovespa management.*
- 23) *Considering that the practices of the Eletrobrás S.A. controlling partner characterize irregularities against the market, against the minority shareholders and debenture holders, in addition to the information requested above, it is necessary to check what are the other private open capital incorporations which are dealing in the Brazilian and International securities market, one by one, and which are also, directly or indirectly, controlled or were controlled by the same controlling partner of Eletrobrás S.A. now and for the last 20 years – we quote, for instance, Banco do Brasil S.A., Petrobrás S.A. and affiliates, Embratel S.A., Vale do Rio Doce S.A., LIGHT, Itaipu binacional, other affiliates of the Eletrobrás S.A. System., of the Pension Fund of Banco do Brasil and other funds which Directors are appointed by the Shareholders Board, where the Eletrobrás controlling partner exercises equal role, due to the fact that it is responsible for the appointment.*
- 24) *Considering as such, case by case, it is mandatory to identify if such Companies had records of issue of debentures, in which quantity and of what type, in which amounts, with which interest, what is the redemption term, how many were redeemed, how much was fully or partially redeemed in interests and bonus, which are still outstanding, how many enforcements or judicial collection suits exist in relation to such securities, how were the capital contributions of the controlling partner accounted for, especially to pay private debts of the controlling partner;*
- 25) *That we are also informed if there are pension plans of the employees of each such companies, and if the controlling partner of each company has direct or indirect participation in the election of its directors;*
- 26) *If such pension funds invest in shares or debentures of the other companies controlled by the Eletrobrás S.A. controlling partner, one on behalf of the other, creating reciprocate maintenance, increase or reduction of the prices of such shares. Under this item one shall observe that only the Pension Fund of Banco do Brasil holds assets equal or in excess of twelve billion US Dollars (US\$ 12 billion) and that the pension fund of Caixa Econômica Federal holds assets in excess of ten billion US Dollars (US\$ 10 billion). See here the*

answer of the present question in relation to such pension funds and other, or by directors which are directly or indirectly appointed by order of the Eletrobrás controlling partner. That a list of the companies, one by one, in which the Eletrobrás controller also has the position of controlling shareholder, as well as which are the pension funds and the capital amount lost by same, whether directly or indirectly.

- 27) Regarding such pension funds, did they participate of the shareholding control process of companies previously controlled by the Eletrobrás S.A. controller, such as Embratel, Vale do Rio Doce, LIGHT, and other companies where the Eletrobrás S.A. controlling partner was the controlling partner, prior to the transfer of control to other funds or national and international funds;
- 28) That such transactions have or have not determined the uptrend or downtrend of the share amounts of all companies now and previously controlled by the same controlling partner of Eletrobrás S.A. (watered stock – overvalued property);
- 29) Should the behavior of the Eletrobrás S.A. controlling partner, both it itself and in the other cases in which it also is or was the controlling partner of an open company incorporation with shares negotiated at Bovespa and other International Stock Exchanges during the last 20 years and during the current period, may have prejudiced the interests of the minority shareholders, debenture holders and international investors, regarding the building of legal unsafety in the inspection agents and control of the Brazilian securities market and in relation to the open company incorporations with papers negotiated in the Brazilian market;
- 30) Finally, it must be informed if CVM, Bovespa, Auditors, Eletrobrás S.A., and other companies, now and for the last 20 years controlled by the Eletrobrás controlling partner, have never noticed this market control move and practice of interfaced transactions, reciprocate which favor the controlling shareholder, in detriment of national and international investors, minority shareholders and debenture holders;
- 31) Lastly, it should be informed if the liability object of legal collection, or which simply were not redeemed up to the present date, irrespectively of its due date, regarding debenture holders of any kind, had the correction criteria observing the currency convertibility rates, monetary correction, purges, compensatory interest, interests on arrears of 0,5% per month up to December 2002 and at 1% per year as of January 2003, pointing out whether reserves were launched in relation to such liabilities, and if at any time such debenture reserves or liabilities on hand of third parties had their position converted into common or preferred shares, on behalf of the controlling partner and against the debenture holder or minority shareholder.
- 32) Description and similarities between the management means of the controllers of the company ENRON-ARTHUR ANDERSEN-WORLDCOM and other “kidnapping” companies with the management model adopted by the Eletrobrás controller, which, directly or indirectly, controls over one dozen of the largest Brazilian incorporations and also appoints and dismisses the Directors and Managers of the largest Pension Funds of Brazil, which hold over 80 billion US Dollars in reciprocate investments located in the São Paulo and New York Stock Exchanges, among others.
  - As to what is known, the companies used in the ENRON case had and have the technical name “Specific Purpose Enterprise - SPE”. One should not confuse them with Pension Funds controlled by the entity controlling Eletrobrás and so many other multinational companies of high importance for the national economy.
  - The SPEs, in the United States of America, were created by the ENRON controlling shareholder, which omitted the fact from the market, recording them in the name of individuals - directors of the former, thus maintaining all of them subject to the will of one sole management group, being everything directly controlled by ENRON, under the coverage of the Arthur Andersen Audit Company.
  - The transaction was grounded in the economic power originated from the simultaneous control of several companies which invested in reciprocate interests, causing an added value to the quotation of shares and assets and, especially, omitting the record of liabilities.
  - Such transactions are called “Interlocking Directorate” and “Watered Stock” in the American Law.
  - The American Law at the time, end of 2001, even being milder than the present one, justified the imposition of exemplary condemnations of ENRON’s directors and AUDITORS. Some imprisonment penalties exceeded 100 years.
  - If such condemnations were not sufficient, both ENRON, and ARTHUR ANDERSEN & WORLDCOM, were decreed bankrupt, closing international operations which reached Brazilian companies which were previously controlled by the same controlling company of Eletrobrás.

### VIII – ON THE NON CONSIDERATION OF POSSIBLE ‘PRIMA FACE’ STATUTES OF LIMITATION

Even if it is known that the debentures issued by Eletrobrás are fully demandable, it is mandatory to inform the occurrence or non occurrence of a possible statute of limitation shall not be taken into consideration, whether due to the questioning made to the above mentioned offices, or due to the contingency of the liabilities in the accounting statements of the company – act which should have been made thereby and inspected by all other companies referred above. Likewise, article 71 of Law 6.404/76 does not include the debenture for the purpose of calling general meeting to defend the rights represented by the warrant.

### IX – ON THE STATUTES OF LIMITATION – GENERAL ASPECTS REGARDING THE BEARER CREDIT SECURITIES - DEBENTURES/OBLIGATIONS

In order to clarify to each debenture holder about the exercise of its credit rights, we list the schedule and legal provisions which describe exactly the statutes of limitation regarding each debenture:

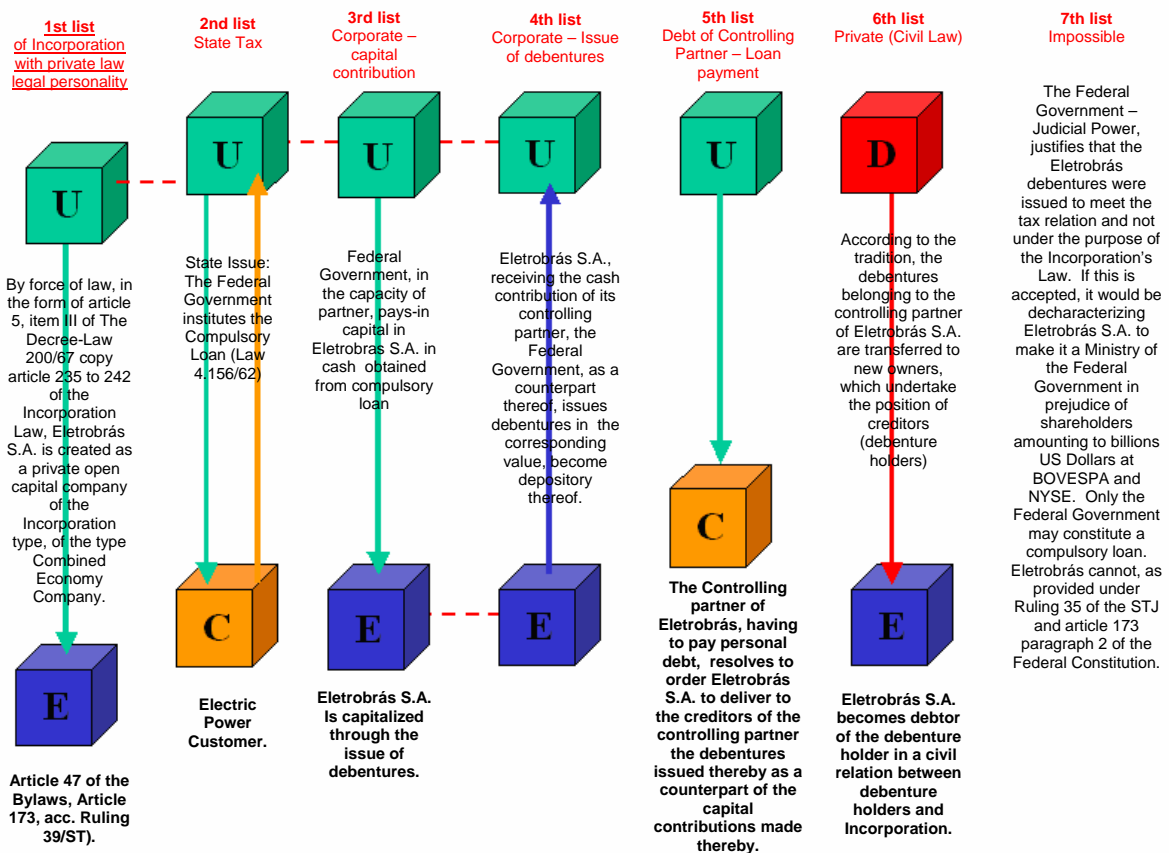
Paper	Series	Coupon	Issue	Issue Act	Due Date	Statutes of Limitation
Obligations	A, B, C	10	1965	5º EGM	1975	1995
Obligations	D, E, F, G	10	1966	7º EGM	1976	1996
Obligations	H, I, J, L	10	1967	10º EGM	1977	1997
Obligations	M, N, O	20	1968	14º EGM	1988	2008
Obligations	P, Q, R	20	1969	15º EGM	1989	2009
Obligations	S, T, U	20	1970	18º EGM	1990	2010
Obligations	V, X, Z	20	1971	21º EGM	1991	2011
Obligations	AA, BB, CC,	20	1972	26º EGM	1992	2012
Obligations	DD, EE, FF, GG	20	1973	30º EGM	1993	2013 Art. 2.028, CC
Obligations	HH, II, JJ, LL	20	1974	35º EGM	1994	2014 Art. 2.028, CC

### X. DESCRIPTION OF THE LEGAL RELATIONS INVOLVING THE CONTROLLING PARTNER OF ELETROBRÁS IN THE ISSUE AND TRANSFER OF DEBENTURES IN ITS OWN BEHALF.

**ISSUES OF PUBLIC ORDER INVOLVING THE ELETROBRÁS MANAGEMENT AND THAT OF OTHER COMPANIES, IN ADDITION TO INVESTMENT FUNDS CONTROLLED BY THE SAME CONTROLLING PARTNER OF ELETROBRÁS – PRACTICE OF INTERLOCKING DIRECTORATE & WATERED STOCK. THERE IS EVIDENT SIMILARITY OF THE FACTS NOW INVESTIGATED WITH THE FACTS CHARACTERIZING THE ENRON-ARTHUR ANDERSEN AND WORLDCOM SCANDALL. THE SIMILARITIES OF THE MODEL PERFORMED IN BRAZIL BY THE ELETROBRÁS CONTROLLING PARTNER, AND CONTROLLING PARTNER OF OTHER VERY IMPORTANT OPEN CAPITAL INCORPORATIONS, IN ADDITION TO BEING THE CONTROLLER OF APPOINTMENT AND DISMISSAL ACTS OF THE DIRECTORS OF THE MAJOR**

**BRAZILIAN PENSION FUNDS (which handle over 80 billion US Dollars), ALSO CONTROLS THE APPOINT OF THE DIRECTORS OF THE COMISSÃO DE VALORES MOBILIÁRIOS – CVM ITSELF, WHICH OFFICE SHOULD AND MUST AUDIT ALL TRANSACTIONS OF SUCH COMPANIES.**

In spite of the local legislation and doctrine which state the demandability of the debentures, we list a schedule explaining the relations involving the issue of the debentures, showing their private nature, and incidence on same and Eletrobrás, of Ruling 39/STJ, for instance:



We emphasize that the mere appointment to guarantee the debt or forwarding of administrative payment procedures or compensation does not suspend the statutes of limitation of the debentures, it being necessary for you to file legal proceedings reaching actual consequence to suspend the statutes of limitation.

**XI – ON THE CALL – FINAL SUMMARY:**

**Due to the above mentioned reasons, we are calling you to participate of the General Meeting of Debenture Holders called under the terms of Law 6.404/76 and Eletrobrás S.A. Bylaws, to be held on date, time and place defined in the preamble of this correspondence.**

It is important that you contact us and yet, should you be interested, inform if you have already forwarded the following procedures:

- 2) *CVM Claim against ELETROBRÁS - Centrais Elétricas Brasileiras S.A.*
- 3) *CVM claim against the independent audit companies;*
- 4) *CVM claim against Bovespa;*
- 5) *CVM denunciation for the purpose of preventing the sale of shares until such time when the outstanding debenture credits are satisfied;*
- 6) *Claim before SEC (Securities and Exchange Commission – USA);*
- 7) *Notice against Bank of América;*
- 8) *Notice against JP Morgan;*
- 9) *Judicial/notary notice against CVM, Eletrobrás, Bovespa, independent audit companies, trust agents and SEC (Securities and Exchange Commission), to make public the transactions of issue, redemption, payment of interest and conversions related to all debentures issued by Eletrobrás, as well as make public the information related to the whole judicial liabilities of Eletrobrás, regarding the executive suits in course, guaranteed or not by pledge, regarding the debenture holders, as well as the accounting and provisioning of reserves, updated by the indexes (IPC with monetary correction calculated with the percentages of the inflationary purges found in the implementation of the Governmental Plans “Verão” (January/89 - 42,72% - and February/89 - 10,14%), “Collor I” (March/90 - 84,32% -, April/90 - 44,80% -, June/90 - 9,55% - and July/90 - 12,92%) and “Collor II” (13,69% - January/91- and 13,90% - March/91) in sufficient number to correspond to the existing outstanding liabilities.*
- 10) *Promoted enforcement suit of the debenture/obligation, since only such judicial act interrupts the statutes of limitation.*
- 11) *If the debentures held guarantee any judicial or extrajudicial debt.*

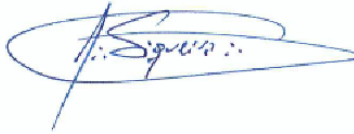
Finally, we would like to invite you to have a personal meeting with Dr. Édison Freitas de Siqueira, attorney of the most debenture holders which may be scheduled through the e-mails: [assessoria@edisonsiqueira.com.br](mailto:assessoria@edisonsiqueira.com.br) and [edisonsiqueira@edisonsiqueira.com.br](mailto:edisonsiqueira@edisonsiqueira.com.br), or through the telephone (51) 3358-0500 – contact with Miss Juliana Assur – or yet by cable addressed to our Headquarters, located at Avenida Dom Pedro, II, nº 1411, Edifício Cônsul Edison Freitas de Siqueira, POA/RS, CEP [Zip Code] 90.550-143

It is important to **keep secrecy** off the full content referred herein, since it involves a subject which, even if it is mandatory to become public – especially to a debenture holder of the company, must be stated in the adequate court, since all information may be unduly used by whoever is not bound to the imposition of **múnus publico** constitutionally imposed on the lawyer, and may expose the whole Brazilian securities market, more precisely Eletrobrás S.A. and other companies subject to the control of the same controlling partner. Even its competitors, in possession of such important information, could hinder eventually existing commercial transactions or to be held in future; or even cause an evasion of national and international investments from the Stock Exchange (the Defendant is an open capital company, with papers negotiated at BOVESPA and NYSE/USA), thus jeopardizing our own rights as debenture holders.

Such information and those to be provided by Eletrobrás S.A., BOVESPA and CVM, thus - regarding the transindividual interest, at the moment, shall only be used to gather all debenture holders, and shall only be disclosed after the conduction of the General Meeting notified to you hereunder.

This being what we have to explain at the time, we place ourselves at your disposal for possible clarifications deemed necessary.

Yours sincerely,



Édison Freitas de Siqueira  
**PRESIDENT of Edison Freitas de Siqueira Advs Associados**

**Letterhead Edison Freitas de Siqueira – Corporate Law**

**MINUTES OF THE SOLE MEETING OF THE DEBENTURE HOLDERS OF ELETROBRÁS REPRESENTED BY PROF. DR. ÉDISON FREITAS DE SIQUEIRA, PRESIDENT OF ÉDISON FREITAS DE SIQUEIRA LAW OFFICE.**

On the seventh day of January, two thousand and eight, at nine a.m., the meeting was started at the “Pontes de Miranda” Auditorium, Building Cônsul Edison Freitas de Siqueira, at Rua Dom Pedro II, 1411, District of Higienópolis, in the City of Porto Alegre/ RS [State of Rio Grande do Sul], 8th floor, with the attendance of the debenture holders of Eletrobrás S.A. duly listed and qualified in the “Attendance Book”, which will be kept by the Edison Freitas de Siqueira Law Office, which have attended in person or through duly qualified attorneys in fact which plain or certified copies of the powers of attorney are attached to the “Attendance Book”, causing their representation herein by the attorney qualified below, which found to have powers to perform any act of civil, administrative, criminal, judicial or extra-judicial nature, observing the purpose of defending the rights contained under the debentures submitted regarding series A, D, E, F, H, I, J, M, N, P, Q, R, S, T, V, X, Z, AA, BB, CC, DD, EE, HH, II. After the introductions recorded the attendances and submitted the powers of attorney and corresponding debentures, attached thereto, evidencing that Prof. Dr. Edison Freitas de Siqueira holds powers from all attendees to this Meeting, listed one by one as listed in the “Attendance Book”, the discussions were opened according to the Agenda of the procedures: 1 – That it was discussed and approved by all attending debenture holders that legal notices will be delivered against CVM, BOVESPA, Auditoria BOUCINHAS & CAMPOS, PRICEWATERHOUSE COOPERS and against ELETROBRÁS S.A. and SEC – Securities Exchange Commission (USA), for them to inform the quantity of debentures existing in the market, so that it becomes known how much is 10% thereof, in order to cause the General Meeting of Debenture Holders as provided under article 71 of Law 6.404/76, or, should they abstain thereof, to have, by pure commitment act, attested that the quantity held by the attendees of this meeting constitutes such legal percentage; 2 – That it was discussed and approved by all debenture holders that claims will be submitted to CVM, ELETROBRÁS S.A., BOVESPA, BOUCINHAS & CAMPOS and PRICEWATERHOUSE COOPERS auditors on the Eletrobrás debentures, to record civilly, administratively and criminally the omission of recording as liability in relation to the debenture holders attending the present Meeting, as well a in relation to all legal enforcements, and collection suits filed against Eletrobrás S.A., of including the outstanding debentures in its accounting; 3 – That it was discussed and approved by all debentures holders that petitions will be filed in all and any suits filed against Eletrobrás – Centrais Elétricas S.A. to request that CVM is ordered to manifest on the debentures

object of each suit determined to exist against Eletrobrás S.A., so as to cause a Public Order incident, in the condition of “amicus curiae” to meet article 31 of Law 6.385/76, public order rule up to now not perceived by the General Attorney Office, which obligation was to require the information from CVM, should Eletrobrás S.A. omitted, as it in fact has, intentionally omitted the mandatory performance of such summons, and in each Petition we will take the opportunity to request in court, after the summons to CVM, that it provides the information which it has the legal obligation of providing and which are listed in the questions also attached to the “Attendance Book”, which were read loud by the President of this Meeting, having been approved by all attending debenture holders. 4 – That it was discussed and approved by all debenture holders that there should be requested that the General Attorney Office be summoned on the omission of accounting liability by Eletrobrás S.A., and regarding the complicity of CVM, Auditors and BOVESPA regarding the content of the facts listed in the approved questions, and for failure to comply with article 31 of Law 6.385/76, exactly to cause the court to incur in error (article 17, CPC), taking the advantage, in each Petition, to request the court, hereby, that CVM answers the questions attached to the “Attendance Book”, which are hereby read upon the delivery, received and submitted to the approval of the debenture holders attending this session, which agreed thereto. The referred petition and the notices and acclamations proposed and decided to undertake, are read and approved by all, causing the enclosure as attachment to the “Attendance Book”. All procedures are and will be performed to cause the performing of the rights of the debenture holders, under the terms of the above mentioned laws, especially Laws 6.404/76 and 6.385/76, as “amicus curiae”, reason why I, Guilherme Velho, Brazilian, married, lawyer, enrolled with OAB/RS [Brazilian Bar Association, RS Section] under number 45.952, secretary of this Meeting prepared the present Minutes which is executed by me, by the person presiding the meeting, Daniel Agostini, Brazilian, single, lawyer, enrolled with OAB/RS under number 62.022, and by the Attorney in fact of the Attendees, Édison Freitas de Siqueira, Brazilian, married, lawyer, enrolled with OAB/RS under number 22.136, all with domicile at Rua Dom Pedro II, 1411, District of Higienópolis, in the City of Porto Alegre/ RS.

Porto Alegre, January 7, 2008.

Signed: [illegible signature]

Daniel Agostini

Signed: [illegible signature]

Guilherme Velho

Signed: [illegible signature]

Édison Freitas de Siqueira

2nd. R.T.D. 10624, Porto Alegre/RS.