



market
ARBITRATION panel

REGULATION



BOVESPA
Brazil's Stock Exchange





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MARKET ARBITRATION PANEL

INTRODUCTION

BOVESPA has created a Market Arbitration Panel based on the framework provided by Law 9307/96.

Initially, the Market Arbitration Panel will settle disputes arising in specific BOVESPA listing segments earmarked for trading of shares issued by companies that have voluntarily undertaken to abide by specific practices of corporate governance and transparency. BOVESPA plans to extend the Market Arbitration Panel services to all its segments at a later stage.

Within this context, the Market Arbitration Panel seeks to provide a proper forum for discussion of matters relating to the Corporation Law and companies' bylaws, in addition to regulations issued by the National Monetary Council (Conselho Monetário Nacional – CMN), the Central Bank of Brazil, the Brazilian Securities Commission (Comissão de Valores Mobiliários - CVM), and BOVESPA, as well as other rules applicable to capital markets in general. Issues dealt with in the Novo Mercado Listing Rules, Differentiated Corporate Governance Practice Rules and their corresponding agreements may also be brought before the Market Arbitration Panel.

Having its own specific rules will enable the Market Arbitration Panel to provide all players in the above-mentioned segments (BOVESPA, publicly-held companies, their controlling shareholders, senior managers, fiscal council members and their shareholders) with a more expeditious, affordable and informal alternative for resolving disputes, with the added advantage of counting on arbitrators specializing in the matters brought up for discussion.

Below are the institutional rules and procedures applicable to the matters that fall within the scope of the Market Arbitration Panel.



DEFINITIONS

The expressions with capitalized initials listed below, in singular or plural form, will have the meanings ascribed to them as follows:

Abuse of Legal Process: use of procedural acts for the achievement of goals unrelated to arbitration proceedings. Abuse of legal process is usually marked by the misuse of arbitration proceedings with a view to attaining unlawful objectives, or attempts at using procedural mechanisms to protract a decision from the judge or arbitrator, or else to change the truth of facts;

Senior Manager(s): a Company's senior management, comprising the Board of Directors and Executive Office members;

Final Arguments: the last opportunity given to the parties for a statement in arbitration proceedings. The final arguments are usually prepared with a view to calling the arbitrator's attention to the major arguments of fact and of right raised during the arbitration proceedings. The final arguments are made shortly after the evidentiary phase, and precede a final decision to be taken by the arbitrators;

Arbitration: a private mechanism for resolution of disputes. Arbitration is based on the manifestation of intent expressed by the parties interested in resolving a certain controversy or dispute between them. In Brazil, arbitration is governed by Law No. 9307 of September 23, 1996;

Arbitrator(s): the person(s) chosen by the parties to resolve, in a definitive manner, any dispute existing between them;

Conciliation and Judgment Hearing: hearing presided over by the arbitrator and attended by the parties, their legal counsel (if any), and witnesses in summary proceedings. The conciliation and judgment hearing encompasses several acts, including personal deposition of the parties and witnesses. If the arbitrator believes that the facts related to the matter at issue have been reasonably evidenced and that no further clarification is required about any issues of law, his decision may be handed down at the conciliation and judgment hearing;

BOVESPA: the São Paulo Stock Exchange (Bolsa de Valores de São Paulo);

Arbitration Panel: the arbitration Panel referred to in these Rules as the "Market Arbitration Panel" (Câmara de Arbitragem do Mercado);

Arbitration Clause: the clause by which the Participants agree to refer the disputes dealt with in section 5.1 of these Rules to arbitration;

Company: the publicly-held companies listed on Novo Mercado (new market) or under Nível 2 (level 2) of BOVESPA's Differentiated Corporate Governance Practice Rules;

Arbitration Commitment: the arrangement by which the Participants undertake to refer a certain dispute to the Arbitration Panel;

Board or Board of Directors: the Board of Directors of BOVESPA;

Fiscal Council: a Company's fiscal council (conselho fiscal);

Controlling Person(s): the shareholders that severally or jointly hold a direct or indirect controlling interest in a Company;

Investor(s): any individual, legal entity or investment pool that holds bonds or securities of a Company;

Participant(s): the following participants in the special listing segments of BOVESPA: (i) BOVESPA; (ii) the companies; (iii) the Controlling Persons; (iv) the Senior Managers; (v) the Fiscal Council members; and (vi) the Investors;

Revenue: the income that will maintain the Arbitration Panel;

Rules: these rules of the Market Arbitration Panel;

Internal Rules: the Arbitration Panel internal rules devised to clarify and regulate any arbitration-related issues, as well as the method of procedure and activities inherent to the Arbitration Panel;

Special Listing Segments of BOVESPA: the listing segments operated by BOVESPA for the trading in securities issued by companies that voluntarily undertake to comply with differentiated corporate governance practices, pursuant to the Novo Mercado Listing Rules and the Differentiated Corporate Governance Practice Rules, both issued by BOVESPA;

Superintendent: the general superintendent of BOVESPA;

Schedule of Costs and Fees: the schedule of costs and fees charged by the Arbitration Panel as per Chapter 14 hereof;

Statement of Consent: the instrument containing the Arbitration Commitment, by which the Participants consent to these Rules;

Terms of Reference: the instrument entered into between the parties and the Arbitrators to lay down the rules on specific arbitration proceedings, and which is comparable to the Arbitration Commitment;

Statement of Independent Status: the instrument entered into by the arbitrators, confirming their appointment for a specific arbitration proceeding; and

Arbitration Tribunal: the tribunal composed of the arbitrators appointed for a certain dispute.



PART I – SCOPE

1.1 These Rules lay down the arbitration principles and standards to be adopted in the resolution of any disputes that might occur in the Special Listing Segments of the São Paulo Stock Exchange (Bolsa de Valores de São Paulo – BOVESPA).

1.2 These Rules provide the Participants in the BOVESPA Special Listing Segments (cf. section 2.1 below) with the institutional and procedural rules necessary to reach a solution for any and all disputes between such Participants out of the application of the provisions set forth in the Corporation Law; in the Bylaws of the respective companies; in the rules issued by the National Monetary Council, the Central Bank of Brazil, and the Brazilian Securities Commission; as well as in all further rules governing the capital markets in general, in addition to the directives spelled out in the Novo Mercado Listing Rules, in the Differentiated Corporate Governance Practice Rules, and in the Agreements entered into by the companies listed in the BOVESPA Special Listing Segments, all of which in strict compliance with prevailing laws.

1.3 Besides the Participants, any other persons may look to these Rules for the resolution of actual or potential disputes, provided that they have adhered hereto, and that the participation thereof is approved by the chairman of the Arbitration Panel.

PART II – BINDING NATURE

2.1 These Rules are equally binding on the following participants in the BOVESPA Special Listing Segments:

- (i) BOVESPA;
- (ii) the companies;
- (iii) the Controlling Shareholders;
- (iv) the Senior Managers;
- (v) the Fiscal Council members; and
- (vi) the Investors, provided that they have voluntarily consented to these Rules by signing a Statement of Consent, as per section 5.2.2 of these Rules.

PART III – STRUCTURE OF THE ARBITRATION PANEL

3.1 Main Office. The Arbitration Panel shall have its main office on the BOVESPA premises, situated at Rua XV de Novembro, 275, CEP 01013-001, in the City of São Paulo, State of São Paulo.

3.2 Composition. The Arbitration Panel shall be composed of at least thirty (30) arbitrators and a secretary general.

3.2.1 The Arbitrators shall elect one (1) chairman and two (2) vice-chairmen from among their peers.

3.2.2 The secretary general shall be chosen by the BOVESPA Board of Directors.

3.3 Representation. The Arbitration Panel shall be represented by its chairman and, in the absence or impairment thereof, by the vice-chairman appointed by the chairman, and in the absence or impairment thereof, by the other vice-chairman. If all of these members are impaired or absent, the last one of them who finds himself in any of such situations may grant representation powers to any Arbitrator.

3.4 Term of Office. The Arbitrators, including the chairman and the vice-chairmen, and the secretary general shall serve for a period of two (2) years, one or more reelections being permissible.

3.5 Appointment of the Arbitration Panel Members. The Arbitrators shall be chosen by the BOVESPA Board of Directors, with due regard for the following procedures:

- (i) the appointment shall occur every two (2) years, at the second ordinary meeting of the Board to be held after the beginning of the BOVESPA fiscal year;
- (ii) the BOVESPA general superintendent shall receive nominations for Arbitration Panel positions;
- (iii) only the nominees approved by majority vote of the Board members present at the meeting shall be appointed as Arbitrators; and
- (iv) without prejudice to the provisions of item (iii) above, the Board members shall make certain that as many nominees as necessary are appointed to ensure the availability of at least thirty (30) Arbitrators at any time.

3.5.1 Whenever there are any vacancies in the Arbitration Panel, or at the Board's discretion, vacant positions may be filled for a period not exceeding the term of office of the remaining Arbitrators, with due regard for the procedures set out in section 3.6.

3.6 Requirements for Appointment. Candidates for Arbitrator positions shall cumulatively meet the following requirements:

- (i) he/she shall have unblemished reputation and renowned expertise in the capital markets; and
- (ii) he/she shall be a capable person aged thirty (30) or older.

3.7 Scope of Authority of the Arbitrators. In addition to the other duties set forth elsewhere in these Rules, the Arbitrators shall have the following powers and authority (depending on their positions in the Arbitration Panel):

- (i) chairman: (a) to represent the Arbitration Panel before the other BOVESPA bodies and third parties; (b) to call and preside over the Arbitration Panel meetings; (c) to comply and cause compliance with the rules prescribed herein; (d) to issue supplementary rules on administrative and procedural issues, with a view to clarifying any doubts and providing guidelines for proper application hereof; (e) to appoint arbitrators for ad hoc arbitration proceedings, at the request of interested parties; (f) to set the Schedule of Costs and Fees (cf. Chapter 14 below), upon prior approval of the Board of Directors; (g) to determine how the Arbitration Panel maintenance fees will be allocated, within the limits established in the rules set out in Chapter 4 below; and (h) to set up and coordinate task forces to devise recommendations to the Board of Directors towards improvement of these Rules; and
- (ii) vice-chairmen: (a) to stand in for the chairman in his/her absences; (b) to stand in for the chairman whenever he/she is prevented from discharging any of his/her duties; (c) to assist the chairman in the discharge of his/her duties; and (d) to discharge the duties entrusted thereto by the chairman.



3.8 Compensation of Arbitrators. The fees paid for each arbitration shall constitute the sole compensation of Arbitrators, with due regard for the rules spelled out in Chapter 14 below.

3.8.1 Unless otherwise determined by the Board, the Arbitrators shall not be entitled to fixed periodic compensation.

3.9 Authority of the Secretary General. Without prejudice to the other duties provided for elsewhere in these Rules, it shall be incumbent on the secretary general: (a) to supervise the routine administrative procedures of the Arbitration Panel; (b) to provide the BOVESPA staff with the necessary training for discharge of secretarial and other duties in any and all arbitration proceedings; (c) to issue and receive documents, notices and communications inherent to the Arbitration Panel's activities; (d) to assist the chairman in the preparation of the Schedule of Costs and Fees (cf. Chapter 14 below); and (e) to perform the duties entrusted thereto by the chairman.

PART IV – MAINTENANCE OF THE ARBITRATION PANEL

4.1 Origin of Funds. The Arbitration Panel shall be sponsored with the following funds:

- (i) an initial contribution from BOVESPA for the setup of the Arbitration Panel;
- (ii) any pecuniary sanctions imposed on the Participants pursuant to Chapter 13 below;
- (iii) the payment of arbitration costs and Arbitrators' fees; and
- (iv) any funds that BOVESPA intends to contribute towards maintenance of the Arbitration Panel.

4.2 Purpose. The Funds shall be earmarked for maintenance of the Arbitration Panel's activities, with due regard for the rules prescribed by the chairman of the Arbitration Panel with the assistance of the secretary general, taking the following priorities into consideration:

- (i) payment of the wages of employees assigned to the routine administrative activities of the Arbitration Panel;
- (ii) payment of the fees owed to Arbitrators at every arbitration; and
- (iii) supply of the facilities required for the development of the Arbitration Panel's works, as well as the provision of every administrative support necessary for smooth performance of the activities and duties inherent to the Arbitration Panel.

PART V – ADHERENCE OF PARTICIPANTS TO THESE RULES

5.1 Compulsory Adherence to these Rules. Upon adherence to these Rules, the Participant undertakes to:

- (i) refer to the Arbitration Panel any and all disputes arising between the Participants out of application or enforcement of the provisions contained in the Corporation Law or in the Bylaws of the corresponding companies; of the rules issued by the National Monetary Council, the Central Bank of Brazil, and the Brazilian Securities Commission; of all further rules and regulations applying to the capital markets in general; and of all provisions contained in the Novo Mercado

Listing Rules, in the Differentiated Corporate Governance Practice Rules, and in the Agreements entered into by the companies listed in the BOVESPA special listing segments, all of which in strict compliance with prevailing laws; and

- (ii) refrain from looking to the Judiciary Branch for the resolution of any and all disputes between the Participants arising out of the matters dealt with in section 5.1(i) above, unless otherwise expressly provided for in these Rules.

5.1.1 The commitment dealt with in section 5.1 above implies:

- (i) the compulsory abidance by an Arbitration Clause; and
- (ii) the compulsory signing of an Arbitration Commitment.

5.2 Statement of Consent. Adherence to these Rules shall be substantiated by signing of the Statement of Consent.

5.2.1 The validity of a Company's Statement of Consent shall be conditioned to concurrent signing of a separate Statement of Consent by each of its Senior Managers, Fiscal Council members and Controlling Shareholders.

5.2.2 An Investor may adhere to these Rules, at any time, through a Statement of Consent to be entered into with the Secretary's Office of the Arbitration Panel or a BOVESPA member brokerage firm.

5.2.3 Each of the Participants shall receive a copy of these Rules upon adherence, against submission of a statement of full acceptance thereof.

5.2.4 The Participants shall have a maximum period of five (5) business days to answer any written request made by the secretary general with a view to checking full compliance with the provisions hereof.

5.3 Specific Duties of the Company. Upon signing of the Statement of Consent, the Company undertakes to observe the following rules:

- (i) the Company shall condition the investiture of any elected Senior Managers or Fiscal Council members to signing of their respective Statements of Consent; and
- (ii) the Company shall not formalize any share transfers entailing a disposal of the Company's control until the new Controlling Shareholder signs the respective Statement of Consent.

5.4 Investors' Adherence. The consent of Investors to these Rules shall vary, depending on the type of trades in the Company's bonds and securities.

5.4.1 If the Company's bonds and securities are traded at BOVESPA, the Investor may sign the respective "Statement of Consent" at the Secretary's Office of the Arbitration Panel or at the brokerage firm intermediating the deal.

5.4.2 If the Company's bonds and securities are traded by means of a private transaction, the Company shall exert its best efforts to have the new investor sign the Statement of Consent before actual transfer of title to these bonds and securities.



5.4.3 The following rules shall likewise apply in respect of the Investor's consent to these Rules:

- (i) the Investor need not consent to these Rules more than once, even if such Investor acquires bonds and securities from more than one Company;
- (ii) upon signing of the Statement of Consent, the Investor undertakes to resort to arbitration for the resolution of any disputes between such Investor and any companies of the BOVESPA special listing segments, their Senior Managers and controlling shareholders; and
- (iii) the Statement of Consent is binding on the Investor, as well as on the respective heirs and/or successors thereof.

5.5 Duties of the Secretary General. The secretary general shall cause the provisions of this Chapter to be fully and strictly complied with. For such purpose, the secretary general shall have the requisite powers to:

- (i) issue regulatory standards and organize the services to be performed by the Arbitration Panel with a view to compliance with these Rules to the best extent possible;
- (ii) call for disclosure of information and submission of documents as regards any Participant; and
- (iii) take any and all actions required for full discharge of the duties prescribed herein.

PART VI – ARBITRATION

6.1 Methods of Arbitration. The Arbitration Panel shall have at least two (2) standing methods of arbitration, namely:

- (i) ordinary arbitration proceedings, as per the provisions of Chapter 7 below; and
- (ii) summary arbitration proceedings, as per the provisions of Chapter 8 below.

6.1.1 In choosing a method of arbitration, the following provisions shall apply:

- (i) the party wishing to have recourse to arbitration shall choose the arbitration method to be adopted; and
- (ii) the respondent cannot raise objections to the method of arbitration chosen by the claimant; however, the respondent may apply for transformation of the arbitration method pursuant to sections 8.5 et seq.

6.2 Assurances. In resolving any disputes by arbitration, the Arbitration Panel shall ensure that, irrespective of the method to be adopted therefor:

- (i) the principles of adversary proceedings, equal rights of the litigants, neutrality of the arbitrator and his free judgment will be respected; and
- (ii) the secrecy, celerity, economy of resources, expertise of arbitrators, and abidance by the rule of evidence shall be adopted as a general rule.

PART VII – ORDINARY ARBITRATION PROCEEDINGS

7.1 Initial Procedural Phase. The party that wishes to refer any dispute to ordinary arbitration proceedings shall forward the respective request to the Arbitration Panel, containing:

- (i) name and particulars of the parties that will take part in the arbitration;
- (ii) an express statement that ordinary proceedings have been chosen for arbitration purposes;
- (iii) an account of the facts that gave rise to the dispute;
- (iv) a statement of claim;
- (v) an estimation for the amounts in dispute;
- (vi) all further elements that the claimant may deem relevant for arbitration purposes; and
- (vii) a copy of the voucher attesting to payment of the initial filing fees, as per the Schedule of Costs and Fees then in effect (cf. Chapter 14 below).

7.1.1 The request shall be substantiated by a copy of all agreements and documents that will be relevant for dispute resolution, especially the agreement containing an arbitration clause.

7.1.2 The request shall be submitted in as many copies as provided for in section 15.1 below.

7.1.3 Upon receipt of the request, the secretary general shall verify whether the requirements spelled out in sections 7.1, 7.1.1 and 7.1.2 above have been met.

7.1.4 If any of the requirements referred to above is missing, the secretary general shall order the claimant to remedy such nonconformity within three (3) business days, renewable for a like period. If the irregularity is not cured within such period, the secretary general shall order that the respective request be shelved, without prejudice to resubmission thereof.

7.1.5 If and when a request is in order, the secretary general shall have the respective summons served on the respondent, duly accompanied by one (1) copy of the corresponding request for arbitration.

7.1.6 Summons shall be served either personally or by letter against receipt, with due regard for the provisions of sections 15.2 through 15.4 below in relation to the validity of such act as well as to the countdown for respondent's answer.

7.2 Answer. The respondent shall have five (5) business days to put forward to the Arbitration Panel an answer for the claimant's statement of claims, containing:

- (i) name and full particulars of the respondent;
- (ii) an accurate answer to the facts narrated by the claimant, whether refuting or supplementing them (as the case may be), to the extent deemed necessary by the respondent;
- (iii) submission of any preliminary arguments, as per section 7.3 below;
- (iv) the respondent's statement of claims about the gist of the dispute; and
- (v) an account of all further elements that the respondent may deem relevant for arbitration purposes.



7.2.1 The respondent shall attach a copy of all agreements and other documents that he may deem relevant for resolution of the dispute, other than those already brought forth by the claimant.

7.2.2 The answer shall be submitted in as many counterparts as necessary to meet the provisions of section 15.1 below.

7.2.3 Upon delivery of the respondent's answer to the Arbitration Panel, the secretary general may, at his own discretion:

- (i) provide the claimant with access to the respondent's answer for a reply within five (5) days; and/or
- (ii) order that the parties take such additional actions as the secretary general may deem advisable.

7.3 Preliminary Issues. At the first hearing, the interested party may raise any of the following preliminary issues:

- (i) absence or nullity of the summons;
- (ii) defective pleading for opening of arbitration proceedings;
- (iii) replay of arbitration proceedings under way or consolidation of claims;
- (iv) res judicata;
- (v) the party's incapacitation or defective representation in the proceedings;
- (vi) lack of cause of action; and
- (vii) failure to post bond or to comply with any other preliminary action, however necessary.

7.4 No-answer. If the respondent is silent on the claimant's pleadings, the following shall apply:

- (i) the interested party may ask the competent bodies of the Judiciary Branch to summon the respondent to appear in court for signing of an Arbitration Commitment, at a special hearing to be scheduled by the judge for such specific purpose; and
- (ii) the judge shall sit in judgment based on the procedures set forth in these Rules and in keeping with the precepts of Law No. 9307 of September 23, 1996.

7.4.1 In the case of no-answer, the chairman of the Arbitration Panel shall resolve on the punishment to be meted out on the respondent, with due regard for the provisions of Chapter 13 below.

7.5 Counterclaim. The respondent may file a counterclaim against the claimant, whenever such counterclaim is related to the gist of the claimant's pleadings or to the fundamentals of the respondent's defense.

7.5.1 The respondent's counterclaim may be made in a separate petition to be filed concurrently with its answer to the request for arbitration.

7.5.2 Upon filing of a counterclaim, the counter-respondent shall be summoned to express itself within five (5) days.

7.6 Conciliation. Upon completion of the proceedings set out above, the secretary general shall summon the parties to appear, within five (5) business days, at a first hearing session to be presided over by the chairman of the Arbitration Panel, the initial scope of which shall be an attempt to conciliate the parties.

7.6.1 If the conciliation attempts are successful, the chairman of the Arbitration Panel shall reduce them in writing, and the respective instrument shall have the following provisions (among others):

- (i) a report containing the names of the parties and a summary description of the dispute;
- (ii) the settlement agreement, describing in minute details the object of the settlement reached between the parties and the method adopted for dispute resolution, also defining the manner and the timeframe for compliance with any obligations assumed by either party;
- (iii) a decision on the payment of the Arbitration Panel's costs as well as of the Arbitrators' fees, if any; and
- (iv) the date and place where the conciliation was formalized.

7.6.2 The settlement agreement reached by conciliation shall be enforceable as an arbitration award (cf. Chapter 9 below).

7.6.3 Conciliation may be reached between the parties at any time during arbitration, provided that the provisions set out in section 7.5.1 above are followed by whoever is presiding over the arbitration proceedings at the time of conciliation.

7.7 Decision on Preliminary Issues. If the attempt to conciliation fails, the chairman of the Arbitration Panel shall resolve on the preliminary issues.

7.7.1 The preliminary issues shall be resolved on the basis of the elements made available to that end, as set forth in the Code of Civil Procedure. Whenever the chairman of the Arbitration Panel is in need of additional elements to make a learned decision, he shall determine that the relevant party produce such elements, and shall hand down a decision on the matter as soon as possible.

7.8 Selection of Arbitrators. After resolution of all preliminary issues, each party shall promptly appoint one Arbitrator and his deputy, both of whom shall be preferably members of the Arbitration Panel, to make up the corresponding Arbitration Tribunal that will hear the dispute, subject to the rules prescribed in section 7.8.2 below.

7.8.1 Notwithstanding the provisions of section 7.8, the arbitration proceeding may be conducted with the participation of one or more Arbitrators who are not members of the Arbitration Panel as chosen by the party or parties, whose names shall be preliminarily submitted for review of the chairman and the two vice-chairmen, with due regard for the provisions of sections 7.8.7, 7.12.1 and 7.12.2.

7.8.2 The formation of an Arbitration Tribunal shall follow the rules below:

- (i) if both parties appoint the same Arbitrators, the claimant's appointment will prevail, and the respondent shall appoint new Arbitrators within five (5) business days, no extension being permitted;
- (ii) if any of the parties fails to appoint its own Arbitrators, the chairman of the Arbitration Panel shall



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- take this duty upon himself in lieu of such party;
 - (iii) finally, the parties shall mutually agree on a third Arbitrator and respective deputy from among the other Arbitrators who are members of the Arbitration Panel;
 - (iv) if the parties do not reach an agreement in this respect, the chairman of the Arbitration Panel shall choose the third Arbitrator and his respective deputy in lieu of the parties, to be selected from among the Arbitration Panel members within five (5) business days, no extension being permitted; and
 - (v) the third Arbitrator shall preside over the Arbitration Tribunal.

7.8.3 At the parties' request, the chairman of the Arbitration Panel and the vice-chairmen may act as Arbitrators in the Arbitration Tribunal, in which event their duties as Arbitrators shall not be added to those prescribed in these Rules.

7.8.4 Without prejudice to the provisions of sections 7.8 et seq., the parties may unanimously choose all Arbitrators who will make up the Arbitration Tribunal, ranging from one (1) to five (5) members, always in odd numbers and upon the appointment of one of them to preside over the Arbitration Tribunal.

7.8.5 In multiparty arbitration proceedings, i.e. whenever there are multiple claimants or respondents involved, the following provisions shall apply with respect to the appointment of Arbitrators:

- (i) the claimants shall choose their Arbitrators in a concerted manner, pursuant to sections 7.8 and 7.8.1 above;
- (ii) the respondents shall choose their Arbitrators in a concerted manner, pursuant to sections 7.8 and 7.8.1 above; and
- (iii) if the parties do not reach a consensus on the appointment of the Arbitrators, the chairman shall take this duty upon himself in lieu of the parties.

7.8.6 Under no circumstances may the appointment of deputies be dispensed with.

7.8.7 The parties shall not appoint Arbitrators:

- (i) who have acted as controlling person, senior manager, fiscal council member, auditor, employee or agent over the last three (3) years, for a company that has legal or economic interests in the dispute;
- (ii) who are providing or have provided services to any of the parties over the last three (3) years, except for the issuance of opinions on subjects unrelated to the dispute; or
- (iii) who have any legal or economic interests in the dispute.

7.9 Minutes of the Hearing. The secretary general shall draw up the minutes of the first hearing, which shall be signed by the chairman of the Arbitration Panel, by the secretary general himself and by the parties. It shall be incumbent on the secretary general, within three (3) business days from the date such hearing is held, to:

- (i) provide a copy of the minutes of the hearing to the parties; and
- (ii) inform the Arbitrators chosen at the first hearing of the decisions made during such hearing, giving them a copy of the minutes and granting them full access to the records.

7.10 Confirmation of the Arbitrators. The Arbitrators and respective deputies shall sign a Statement of Independent Status on the date set by the secretary general.

7.10.1 In the Statement of Independent Status, the Arbitrator shall represent that:

- (i) he undertakes to exercise his duties with the utmost degree of impartiality, independence, competence, diligence and judgment;
- (ii) he undertakes to ensure that any arbitration in which he participates will be conducted in strict confidentiality, taking all actions necessary to that end, unless such confidentiality commitment must be lifted by operation of law;
- (iii) over the last three (3) years, he has not acted as controlling person, senior manager, fiscal council member, contractor, employee or agent for any company that has legal or economic interests in the dispute;
- (iv) over the last three (3) years, he has not provided services to any of the companies involved in the dispute, or if he gave any opinion, that the subject thereof was unrelated to the dispute; and
- (v) he has no legal or economic interests in the dispute.

7.10.2 The Arbitrators then chosen shall accept their appointment and sign the respective Statement of Independent Status, unless they have relevant reasons for not doing so, as duly reported in writing to the chairman of the Arbitration Panel, within five (5) business days after being summoned to express themselves in this regard, or immediately after becoming aware of any fact that disqualifies him to exercise his duties, on pain of being excluded from the body of Arbitrators of the Arbitration Panel and no longer be allowed to act as an Arbitrator in future arbitration proceedings, even if invited by the parties.

7.10.3 Upon receipt of an Arbitrator's reasons for not signing a Statement of Independent Status, the chairman of the Arbitration Panel shall have such Arbitrator replaced by his deputy, and the party that appointed him shall nominate another Arbitrator in writing within five (5) days, subject to the provisions of sections 7.8 and 7.8.1. This procedure shall be repeated as many times as necessary.

7.10.4 A Statement of Independent Status, after duly signed, shall have the following effects:

- (i) the Arbitrator shall be equated with civil servants, for the purposes of criminal law;
- (ii) the Arbitrator shall become a judge as of fact and as of right, and his award shall not be subject to appeal or recognition by the Judiciary Branch; and
- (iii) the arbitration proceedings shall be deemed duly instated.

7.11 Preliminary Arguments Relating to the Arbitrators. The party intending to raise issues relating to the authority, qualification or impediment of any Arbitrators shall do so within three (3) business days after signing of the Statement of Independent Status, putting forth its reasons and pertinent evidence in a petition addressed to the chairman of the Arbitration Panel.

7.11.1 An Arbitrator shall be refused and disqualified for the discharge of his duties in arbitration proceedings:

- (i) to which he is a party;
- (ii) in which he has acted as agent for either party; officiated as expert; acted as representative of the Public Attorney's Office; or rendered deposition as witness;
- (iii) in which he is acting as legal counsel for either party or any spouse or relative thereof, whether by consanguinity or affinity as a direct ascendant or descendant, or as a next-of-kin up to the second degree;



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- (iv) whenever he is a spouse or relative by consanguinity or affinity of either party, as a direct ascendant or descendant, or next-of-kin up to the third degree;
 - (v) if he has acted as controlling person, senior manager, fiscal council member, auditor, contractor, employee or agent, over the last three (3) years, for any of the parties that have legal or economic interests in the dispute;
 - (vi) if he has provided services to any of the companies involved in the dispute, over the last three (3) years, except for the issuance of any opinion unrelated to the subject matter of the dispute; or
 - (vii) whenever he has legal or economic interests in the dispute.

7.11.2 Refusal of an Arbitrator shall be justifiable whenever:

- (i) he has close ties with or is a bitter enemy towards either party;
- (ii) either party is a creditor or debtor to the Arbitrator, his spouse or relatives as a direct ascendant or descendant, or as a next-of-kin up to the third degree;
- (iii) he is a presumptive heir, donee or employer of either party;
- (iv) he has received any gifts before or after commencement of proceedings; he has provided either party with counseling on the subject matter of the dispute; or he has cashed out funds to meet litigation expenses; or
- (v) he has legal or economic interests in the rendering of a decision favorably to either party.

7.11.3 The events for refusal or impairment shall be heard by the chairman of the Arbitration Panel (and, at his sole discretion, jointly with the two vice-chairmen) within five (5) business days as from the date on which the petition dealt with in section 7.11 above is filed, or within five (5) business days after he takes cognizance of any fact supervening the Statement of Independent Status.

7.11.4 If the preliminary arguments for refusal or disqualification of any Arbitrator(s), or any of the events listed in sections 7.11.1 and 7.11.2 above occurs at any time during arbitration:

- (i) the Arbitrator shall be promptly replaced, with due regard for the procedures set out in sections 7.8 et seq.; and
- (ii) the acts performed until then shall be repeated, except for those that may be maintained, at the parties' consent and with the agreement of the chairman of the Arbitration Panel.

7.12 Terms of Reference. Upon signing of the Statement of Independent Status, the Arbitrators shall be afforded access to the case records for the drafting of the Terms of Reference, addressing the following issues:

- (i) full identification of the parties (for an individual, such identification shall comprise his name, profession, marital status, nationality and domicile);
- (ii) name, profession and domicile of the Arbitrators who make up the Arbitration Tribunal;
- (iii) a description of the facts;
- (iv) a summary statement of the claims made by the claimant, and of the answer given by the respondent;
- (v) an account of the major events during the case development;
- (vi) definition of the issues in dispute;
- (vii) an estimate for the value in dispute;
- (viii) an estimated deadline for submission of the arbitration award;

- (ix) place of issuance of the arbitration award;
- (x) an estimate of the fees payable to the Arbitration Tribunal in accordance with the provisions of Chapter 14 below;
- (xi) the measures to be taken by the Arbitration Tribunal to ensure that a confidential treatment will be accorded to confidential and classified information, such as corporate strategy plans and industrial property rights, among others; and
- (xii) such other issues as the Arbitrators may deem relevant.

7.12.1 No later than fifteen (15) business days running from the date on which the Statement of Independent Status is signed, the following events shall have occurred:

- (i) the Arbitration Tribunal shall have drafted the Terms of Reference;
- (ii) the parties shall have been summoned to jointly appear at the Arbitration Panel for the purpose of signing the Terms of Reference; and
- (iii) the Terms of Reference shall have been signed by the parties and by the Arbitration Tribunal, with due regard for the procedure set forth in section 7.12.6 below.

7.12.2 If preliminary arguments are put forward with regard to the Arbitrators (cf. sections 7.11 et seq.), the time frame set forth in section 7.12.1 shall be on hold until these preliminary issues are settled.

7.12.3 The Arbitrators cannot miss the deadline set forth in section 7.11.1 above, unless they have relevant reasons therefor, as duly justified in writing to the parties.

7.12.4 If the Arbitrators feel that some material elements are still missing for the drafting of the Terms of Reference, they may ask the parties or any other rightful party to submit them, setting a period for compliance with this request.

7.12.5 If the event set out in section 7.12.4 occurs, the countdown provided for in section 7.12.1 shall be on hold until the Arbitrators receive the elements missing for proper drafting of the Terms of Reference.

7.12.6 At the agreed date and time, the Arbitrators shall provide the parties with the Terms of Reference to be signed by them, with due regard for the following procedures:

- (i) the Arbitrators, the secretary general and the parties shall sign an instrument by which they undertake to keep the arbitration in strict confidentiality;
- (ii) the parties shall be allowed the time necessary for their reading (separately, if necessary) of the proposed Terms of Reference;
- (iii) thereafter, the parties shall raise any oral objections to the Terms of Reference, which will be judged on by the Arbitrators in light of the arguments then expounded in this respect; and
- (iv) the Arbitrators will finalize the Terms of Reference by incorporating such changes as may be deemed necessary, and such Terms of Reference shall then be submitted to the parties for signature in the presence of two (2) witnesses, who will also sign them.

7.12.7 The parties may resolve to include in the Terms of Reference, by mutual agreement:

- (i) an authorization for the Arbitration Tribunal to hear the dispute in equity;
- (ii) the definition of a place other than the Arbitration Panel's headquarters for all arbitration



developments after signing of the Terms of Reference, provided that the Arbitrators also agree on this determination.

7.12.8 If any party refuses to sign the Terms of Reference, the following shall apply:

- (i) the interested party may ask the Judiciary authorities to summon the reluctant party to appear in court for signing of the Terms of Reference; the judge shall schedule a special hearing session to that end; and
- (ii) the judge shall hand down a decision based on the provisions of these Rules and pursuant to Law No. 9307 of September 23, 1996.

7.12.9 The Terms of Reference shall be kept on file at the Arbitration Panel, under the responsibility of the secretary general.

7.13 Evidentiary Phase. Upon signing of the Terms of Reference in the manner provided for in these Rules, the evidentiary phase shall begin, unless:

- (i) the parties dispense with the production of materials into evidence, moving for prompt issuance of an Arbitration Award; or
- (ii) the merits of the case solely rely on matters as of right, or, if *de facto* and *de jure* reasons are involved, sufficient documentary evidence has already been put forward.

7.13.1 The parties shall have five (5) days as from signing of the Terms of Reference to move to the Arbitration Tribunal for the respective submission of materials into evidence, in a substantiated manner.

7.13.2 The Arbitrators may, *ex officio* or at the parties' request, ask the Brazilian Securities Commission to issue opinions or statements with a view to assisting in the technical issues involved in the dispute.

7.13.3 If any party deems it necessary to take oral depositions into evidence, it shall attach a list of witnesses to its petition (cf. section 7.13.1), duly accompanied by the address and other data required for contacting each of these witnesses.

7.13.4 The Arbitration Tribunal shall review the pieces of evidence that the parties intend to produce and, within five (5) business days as from expiration of the timeframe set out in section 7.13.1, shall:

- (i) grant or reject the parties' petitions for admissibility of materials into evidence, always based on justified grounds;
- (ii) determine *ex officio* the production of such other pieces of evidence as it may deem necessary for dispute resolution purposes;
- (iii) determine who will bring forward each piece of evidence, and who will bear the resulting costs, which will generally be shouldered by the respective petitioner;
- (iv) determine the procedures and the order in which each of such pieces of evidence will be brought forward;
- (v) set a deadline for submission of each piece of evidence, if possible; and
- (vi) schedule a date and time for the taking of oral evidence, if any.

7.13.5 If expert evidence is to be brought forward, then the oral evidence shall be taken within five (5) to ten (10) business days as from delivery of the expert opinion.

7.13.6 At the hearing scheduled for the taking of oral evidence, the parties and their respective assistants shall be entitled to express themselves on the expert opinion, and the expert shall render the clarifications requested by the parties or by the Arbitration Tribunal.

7.13.7 At the hearing scheduled for the taking of oral evidence, the Arbitration Tribunal shall:

- (i) take the measures necessary to ensure that the arbitration will proceed in strict confidentiality; and
- (ii) take the necessary deposition of the parties, witnesses and other persons to be heard at the hearing session, all of whom shall sign the corresponding affidavit.

7.13.8 Until the evidentiary phase draws to a close, the parties may put forward any additional piece of evidence or make any other pronouncement that they may deem suitable for dispute resolution purposes.

7.13.9 Arbitration shall proceed by default as regards the party that fails to meet any order given by the Arbitration Tribunal, although duly summoned to do so.

7.13.10 If any person refuses to bring forward any material duly admitted into evidence by the Arbitration Tribunal, the last-named shall look to the Judiciary Branch for the production of such piece of evidence by all legal means available, unless the parties agree with such refusal or such evidence is substitutable.

7.13.11 Upon completion of the evidentiary phase, the Arbitration Tribunal shall allow the parties to submit their final arguments within five (5) business days thereafter.

7.13.12 Upon expiration of the period for final arguments, the case records shall be sent over to the Arbitration Tribunal for an arbitration award to be issued no later than twenty (20) days thereafter.

7.13.13 If these Rules are silent over any evidentiary phase issue, the provisions of Law 9307/96 and the Code of Civil Procedure shall apply.

7.14 Instatement of the Arbitration Tribunal. The presence of all Arbitrators of the Arbitration Tribunal shall be required for instatement of the internal and hearing sessions thereof.

7.14.1 The deputy Arbitrator may attend the internal and hearing sessions of the Arbitration Tribunal, together with the Sitting Arbitrator, but will neither resolve on any issues nor vote.

7.14.2 In the event of death, absence or impairment of any Arbitrator, for any reason whatsoever, he may be replaced with his deputy.

7.14.3 The replacement dealt with in the preceding section shall be temporary or definitive, as the case may be; the chairman of the Arbitration Tribunal shall clear up any doubts in this regard.

7.14.4 The Arbitrators shall be assisted by the secretary general in all internal or hearing sessions, unless the chairman of the Arbitration Tribunal resolves that the presence of the secretary general is unnecessary.

7.14.5 The secretary general shall organize all of the Arbitration Tribunal services so that they run smoothly.



7.14.6 Only the parties, their lawyers and the secretary general shall have access to the internal and hearing sessions of the Arbitration Tribunal.

7.15 Arbitration Tribunal Decisions. The Arbitration Tribunal decisions shall be taken by an absolute majority of votes, subject to the provisions of section 10.2, and its chairman shall have the casting vote.

PART VIII – SUMMARY ARBITRATION PROCEEDINGS

8.1 Applicable Rules. Except for the special rules provided for in this Chapter, summary arbitration proceedings shall follow the same rules governing ordinary arbitration proceedings.

8.1.1 All further provisions contained in these Rules shall be valid for summary arbitration proceedings, to the extent applicable.

8.2 Initial Procedural Phase. The party that wishes to refer any dispute to summary arbitration proceedings shall forward the respective request to the Arbitration Panel. Such request shall meet the requirements spelled out in section 7.1 above.

8.2.1 In this request, the party shall also:

- (i) make an express statement that the summary proceedings have been chosen for arbitration purposes; and
- (ii) list the pieces of evidence that it intends to bring forward at the conciliation and judgment hearing.

8.3 Selection of Arbitrator. Upon receipt of a request by an Arbitration Panel's official, the chairman thereof shall have no more than five (5) days to draw by lot one (1) sole Arbitrator to hear the dispute, unless the parties appoint, by mutual consent and at their sole discretion, one (1) Arbitrator for such purpose, preferably from among the members of the Arbitration Panel.

8.3.1 The drawing of lots shall occur in a meeting open to interested parties only.

8.3.2 Upon drawing of an Arbitrator by lot, he shall be summoned to appear at the Arbitration Panel within five (5) days for signing of a Statement of Independent Status.

8.3.3 The Arbitrator cannot refuse to timely sign the Statement of Independent Status after having been summoned therefor, unless:

- (i) there is any reason for his refusal or disqualification pursuant to sections 7.11.1 and 7.11.2 above; or
- (ii) there is any relevant reason for his refusal to act as an Arbitrator.

8.3.4 If an Arbitrator cannot take over such duties, the chairman of the Arbitration Panel shall proceed with another drawing of lots.

8.4 Summons. Service of summons shall be determined by the Arbitrator within five (5) days from signing of the Statement of Independent Status, with due regard for the following requirements:

- (i) the respondent shall receive a copy of the statement of claims and respective supporting documents;
- (ii) the respondent shall be summoned to appear in the conciliation and judgment hearing at the Arbitration Panel, at a date and time to be scheduled by the Arbitrator; and
- (iii) the claimant shall also be summoned to appear at said hearing session.

8.4.1 The conciliation and judgment hearing shall be set by the Arbitrator at the earliest date possible, at his judicious discretion.

8.4.2 If the claimant fails to appear at the hearing, the Arbitrator shall order that the case records be shelved, without prejudice to submission of a new request for arbitration by the interested party.

8.4.3 If the respondent fails to appear at the hearing, the provisions of section 7.3 above shall apply.

8.5 Transformation into Ordinary Arbitration Proceedings. In view of the complex issues underlying any dispute, the Arbitrator may, whether ex officio or at the interested party's request, determine that ordinary arbitration proceedings be adopted in such case (cf. Chapter 7 above), whereupon the parties shall be called upon to sign new Terms of Reference.

8.5.1 The transformation of summary arbitration proceedings into ordinary arbitration proceedings shall observe the following rules:

- (i) the Arbitrator's decision shall be duly substantiated, containing all reasons that led him to make such a decision;
- (ii) the Arbitrator shall determine that the case records be remanded to the chairman of the Arbitration Panel for any measures necessary to proceed with arbitration; and
- (iii) all acts already taken shall be maintained to the extent possible, and the chairman of the Arbitration Panel shall resolve on this issue.

8.6 Conciliation and Judgment Hearing. The conciliation and judgment hearing shall proceed as follows:

- (i) the interested party shall put forward its reasons for refusal or disqualification of the Arbitrator, and the last-named shall make a decision in this respect, after consulting with the chairman of the Arbitration Panel, if he deems necessary;
- (ii) the Arbitrator shall pursue a conciliation between the parties and, if successful, the conciliation terms shall be reduced in writing;
- (iii) if the attempts to conciliate are unsuccessful, the Arbitrator shall provide the parties with the Terms of Reference, in keeping with the requirements spelled out in section 7.12 above;
- (iv) the parties and the Arbitrator shall sign the Terms of Reference in the presence of two (2) witnesses, who shall also sign them;
- (v) upon signing of the Terms of Reference, the respondent shall put forward its defense arguments, in oral or written form;
- (vi) the parties shall submit all pieces of evidence that they may deem necessary for dispute resolution purposes; only the parties shall be allowed to produce materials into evidence;
- (vii) the Arbitrator may order that the hearing be adjourned if his learned decision on the matter is



dependent upon further evidence that cannot be produced at such hearing; and (viii) after submission of all materials admissible into evidence, the Arbitrator shall allow the parties to present their final arguments at a hearing or within the time frame stipulated thereby and, immediately or within forty-eight (48) hours thereafter, shall issue an arbitration award pursuant to the rules set forth in Chapter 9 below.

8.6.1 The provisions of Chapter 14 below shall apply as regards the costs and fees in summary arbitration proceedings.

PART IX – ARBITRATION AWARD

9.1 An arbitration award shall be issued within the period stipulated by the parties in the Terms of Reference, or at a later date as determined by the Arbitration Tribunal.

9.2 The arbitration award shall be taken by a majority vote, and a dissenting Arbitrator may cast his vote separately.

9.2.1 Award Review. Before signing of the arbitration award, the Arbitration Tribunal shall submit a draft thereof to the chairman or one of the vice-chairmen, as determined by the chairman, who may propose changes in the formal aspects of the award and, without interfering with the Arbitration Tribunal's freedom of decision, may also draw attention to such aspects as the merits of the dispute.

9.3 If there is any divergence about non-disposable rights during the arbitration, and if it is found out that the existence of such rights is pivotal to the arbitration decision, the Arbitration Tribunal shall refer the parties to the competent courts, and the arbitration shall be stayed.

9.4 Arbitration proceedings shall be reopened as soon as this prejudicial issue has been settled, and the respective final and conclusive court ruling or entry of judgment has been attached to the arbitration records.

9.5 The arbitration award shall be reduced in writing by the chairman of the Arbitration Tribunal, and shall comprise:

- (i) a report containing the name of the parties and a summary of the dispute;
- (ii) the fundamentals of the decision, focusing on such issues as of fact and as of right, and expressly stating whether the Arbitrators took a decision in equity, if so authorized by the parties (cf. section 7.12.7 above);
- (iii) the provisions on which the Arbitrators have relied to resolve the dispute and determine the manner and periods for enforcement of said decision, as the case may be;
- (iv) a decision on the method of payment and the parties' respective share in the Arbitration Panel's costs and Arbitrators' fees, with due regard for the provisions of Chapter 14 below;
- (v) a decision on the penalties to be meted out for malicious use of legal process;
- (vi) the date and place where the arbitration award was issued.

9.6 The arbitration award shall be signed by all Arbitrators. If any Arbitrator is unable or refuses to sign the arbitration award, the chairman of the Arbitration Tribunal shall state such fact for the records.

9.7 The arbitration ends upon issuance of the arbitration award, and the chairman of the Arbitration Tribunal shall send a copy thereof to the parties, following the rules prescribed in Chapter 15 below.

9.8 Within five (5) days from receipt of a copy of the arbitration award, the interested party may ask the Arbitration Tribunal, upon notice to the other party:

- (i) to correct any material error in the arbitration award; and/or
- (ii) to clarify any obscure, doubtful or contradictory issue in the arbitration award, or else to make a statement about any issue over which the Arbitration Tribunal has been silent.

9.9 The Arbitration Tribunal shall deliberate on this issue within ten (10) days, and – should it be the case – amend the arbitration award accordingly, making such fact known to the parties as prescribed in Chapter 15 below.

9.10 The arbitration award is non-appealable.

9.10.1 The Arbitration Panel's Internal Rules, issued pursuant to sections 16.4 and 16.4.1, may provide for incidental proceedings for harmonization of past rulings.

9.11 The arbitration award is as binding on the parties and their successors as a court ruling; if the arbitration award has condemnatory undertones, it shall be comparable to an executive instrument.

9.12 An arbitration award shall be vacated if:

- (i) the arbitration commitment is null and void;
- (ii) it was issued by a disqualified arbitrator;
- (iii) it has failed to meet the requirements set out in article 26 of Law 9307/96 (report, fundamentals, decision, date and place of issuance);
- (iv) it has ruled on issues beyond the scope of the arbitration agreement;
- (v) it has not ruled on the entire subject matter of the dispute referred to arbitration;
- (vi) it is evidenced that there was malfeasance in office, concussion or passive bribery involved; and
- (vii) there is any breach of such principles as adversary proceedings, equal rights of the parties, and impartiality and freedom of judgment on the part of the Arbitrator.

9.13 From time to time, the Arbitration Panel shall make public the awards rendered by the Arbitration Tribunals, grouped by specific issues, stating the name(s) of the Arbitrator(s) that participated in the arbitration proceedings, but suppressing the names of litigants and any other element that may identify them as well as the names of their respective lawyers, with a view to facilitating any survey carried out by interested parties. These past decisions may serve as a guidepost for future awards, without prejudice to the Arbitrators' independence in any way.

PART X – INJUNCTIVE RELIEF

10.1 Full or partial advance of the rights pursued by the interested party may be granted upon commencement of arbitration proceedings, provided that:

- (i) the interested party makes uncontested proof of its assertions, and the Arbitration Tribunal or the sole Arbitrator, as the case may be, must make a learned opinion as regards the verisimilitude of



such assertions; and

- (ii) there are grounded fears of irreparable or hardly recoverable damage; or
- (iii) the respondent has clearly abused its right of defense, or is deliberately protracting the development of the case.

10.2 The granting of injunctive relief shall be conditioned to the unanimous favorable opinion of the Arbitration Tribunal, or to the favorable decision of the sole Arbitrator, as the case may be, in keeping with the following rules:

- (i) the Arbitration Tribunal shall render a clear-cut and accurate account of the reasons for its decision favorably to the granting of injunctive relief;
- (ii) no injunctive relief shall be granted when there is any risk of irreversibility of its effects; and
- (iii) the injunctive relief may be cancelled or changed at any time, based on a substantiated decision taken by majority opinion of the Arbitration Tribunal.

10.3 If an injunctive relief is granted, the respondent shall voluntarily comply with this decision, otherwise the Arbitration Tribunal may impose the sanctions prescribed in Chapter 13 below.

PART XI – INTERVENTION BY THE COURTS

11.1 If coercive or precautionary measures are necessary during ordinary or summary arbitration proceedings, the interested party shall:

- (i) move for the enforcement of such measures by the courts originally competent to hear the case; and
- (ii) provide the secretary general of the Arbitration Panel with a copy of the petition submitted to the courts, within twenty-four (24) hours from filing thereof.

11.2 Unless otherwise determined by court order or in the event set out in section 7.12.4 above, arbitration proceedings shall run smoothly, with no stay in their development.

11.3 Upon definitive court ruling on this issue, the parties shall apply for attachment of the respective ruling to the case records of arbitration proceedings.

PART XII – AD HOC ARBITRATION

12.1 If the parties wish to resolve their dispute by informal arbitration, they may lay down ad hoc procedural rules to that end, provided that:

- (i) they make their intents quite clear through the proper Terms of Reference;
- (ii) they unanimously consent to such new arbitration procedures; and
- (iii) they obtain the approval of the chairman of the Arbitration Panel for such new procedures.

12.2 Provided that the other rules contained in these Rules are maintained, the parties to ad hoc arbitration may:

- (i) dispense with application of the procedures set forth in Chapters 7 and 8 above; and/or
- (ii) choose arbitrators who are not members of the Arbitration Panel.

12.3 The parties may, by mutual consent, select another Arbitration Panel or Center for dispute resolution purposes, without regard to the provisions of section 12.1(iii) and, to this end, they shall deliver to the Arbitration Panel, for its knowledge and files, at least the following information:

- (i) the name and particulars of the parties to the arbitration; and
- (ii) the identity of the Arbitration Panel or Center then selected, stating the reasons underlying such selection.

12.3.1 Upon termination of the arbitration conducted by another Arbitration Panel or Center, any of the parties may, at its sole discretion, provide a copy of the arbitration award for knowledge and files.

PART XIII – SANCTIONS ON BREACH OF THESE RULES

13.1 Scope. The penalties set forth herein shall be imputable on every Participant in the BOVESPA special listing segments that has consented to these Rules, and shall be in addition to those spelled out in the Novo Mercado Listing Rules as well as in the Differentiated Corporate Governance Practice Rules.

13.2 Breach of Procedural Rules. Whenever a Participant fails to meet any of its obligations during the development of arbitration proceedings, the chairman of the Arbitration Panel, or the Arbitration Tribunal (if a Statement of Independent Status has already been signed), shall mete out the following sanctions:

- (i) warning;
- (ii) a fine ranging between one and ten percent of the value ascribed by the parties to the dispute under the Terms of Reference; if no such value has been determined, then the value shall be judiciously determined by the Arbitration Tribunal or by the chairman of the Arbitration Panel (if no Arbitration Tribunal has been instated until then), with due regard for the provisions of section 13.7 below.

13.2.1 From among the obligations referred to in section 13.2 above, the following shall apply, without limitation:

- (i) the duty to answer a request for instatement of an Arbitration Tribunal;
- (ii) the signing of the Terms of Reference;
- (iii) the commitment not to take the matter to courts, unless otherwise expressly provided for in these Rules;
- (iv) compliance with the decision granting injunctive relief; and
- (v) compliance with the arbitration award.



13.3 Abuse of Legal Process and Malicious Use of Arbitration. If a Participant litigates in bad faith or abuses its right to arbitration hereunder, the chairman of the Arbitration Panel, or the Arbitration Tribunal (if a Statement of Independent Status has already been signed), shall impose a fine ranging between one and ten percent of the value ascribed by the parties to the dispute under the Terms of Reference; if no such value has been determined, then it shall be judiciously determined by the Arbitration Tribunal or by the chairman of the Arbitration Panel (if no Arbitration Tribunal has been instated until then), with due regard for the provisions of section 13.7 below.

13.3.1 The following events, without limitation, shall be regarded as abuse of legal process:

- (i) filing a request for arbitration or submitting a defense contrary to what is expressly provided for by law or based on an undisputed fact;
- (ii) changing the truth of facts;
- (iii) raising unjustified obstacles to the case development;
- (iv) acting in a reckless manner in any main or incidental proceedings throughout the case development; and
- (v) causing manifestly groundless incidents.

13.3.2 The following events, without limitation, shall be regarded as a malicious use of one's right to arbitration:

- (i) availing oneself of arbitration, whether directly or through third parties, with a view to obtaining undue advantages from another Participant; and
- (ii) protracting, through arbitration proceedings, the performance of actual obligations before another Participant.

13.4 General Events. Without prejudice to the specific events listed above, any failure to comply with the obligations set forth herein shall be punishable by:

- (i) warning;
- (ii) a fine ranging between one and ten percent of the value ascribed by the parties to the dispute under the Terms of Reference; if no such value has been determined, then it shall be judiciously determined by the Arbitration Tribunal or by the chairman of the Arbitration Panel (if no Arbitration Tribunal has been instated until then), with due regard for the provisions of section 13.7 below.

13.5 Disclosure. If a Participant fails to meet any of its obligations hereunder, the chairman of the Arbitration Panel, or the Arbitration Tribunal (if a Statement of Independent Status has already been signed), may order that notice of this fact be given to the Participants in the BOVESPA special listing segments as well as to the market at large, through the means deemed more effective to that end.

13.5.1 Disclosure to the market may be ordered in addition to the imposition of any other penalty, and the participant held in default on any of its obligations hereunder shall bear all costs incurred with such disclosure.

13.6 Losses and Damages. The sanctions spelled out above shall not release the offender from reparation for losses and damages to any aggrieved party.

13.7 Criteria on Imposition of Sanctions. The sanctions set forth above shall be meted out, and may be aggravated, depending on:

- (i) the seriousness of the offense;
- (ii) the effects ensuing from the offense;
- (iii) the Participant's economic conditions;
- (iv) the economic advantage sought or actually obtained by the Participant;
- (v) the good-faith of the offender; and
- (vi) recidivism.

13.8 Compliance with Sanctions. Sanctions cannot be appealed. The chairman of the Arbitration Panel or the Arbitration Tribunal, as the case may be, shall call for compliance with the sanction upon written notice sent to the Participant for such purpose, with due regard for the rules prescribed in Chapter 15 below.

13.8.1 If a Participant fails to comply with the sanction meted out, the chairman of the Arbitration Panel or the Arbitration Tribunal, as the case may be, shall make such fact known to BOVESPA so that the latter may arrange for proper enforcement thereof by the courts.

13.9 Allocation of Pecuniary Penalties. Pecuniary penalties shall be earmarked for maintenance of the Arbitration Panel as stipulated in section 4.2 above.

PART XIV – ARBITRATION COSTS AND FEES

14.1 Schedule of Costs and Fees. The chairman of the Arbitration Panel, duly assisted by the secretary general, shall determine the Schedule of Arbitration Costs and Fees, with due regard for the following precepts:

- (i) prior approval of the Board shall be required for effectiveness of the Schedule of Costs and Fees;
- (ii) the Schedule of Costs and Fees shall be reviewed every twelve (12) months, or whenever the Board or the chairman of the Arbitration Panel may deem necessary, and shall become effective upon the Board's approval therefor; and
- (iii) the Schedule of Costs and Fees shall specify the costs and fees payable for every type of arbitration proceeding dealt with in these Rules (i.e., ordinary, summary and *ad hoc* arbitration).

14.2 Arbitration Costs. As for arbitration costs, the following provisions shall apply:

- (i) whatever the circumstances involved, costs shall be paid in advance by the party that has submitted a request for arbitration to the Arbitration Panel;
- (ii) expenses with photocopy, certification of copies by the Arbitration Panel, and other outlays deriving from any action taken in the interests of one of the parties shall be borne by the party that has made the corresponding request;
- (iii) if the claimant does not pay the arbitration costs during the development of the respective proceedings, it shall be called upon to do so within five (5) business days. Should it fail to do so, the Arbitration Tribunal may declare the arbitration terminated, without prejudice to later filing thereof; and
- (iv) at the end of the case, the defeated party shall be sentenced to payment of all costs ensuing from arbitration.



14.3 Arbitrators' Fees. As for the fees payable to Arbitrators, distinct rules shall apply depending on the type of proceeding (ordinary, summary and *ad hoc* arbitration) adopted.

14.3.1 The following provisions shall apply to ordinary arbitration proceedings:

- (i) the Arbitration Tribunal's fees shall be broken down into as many installments as the months expected for duration of the arbitration proceedings vis-à-vis the estimation contained in the Terms of Reference;
- (ii) the Arbitration Tribunal's fees shall be paid to the Arbitration Panel, in equal monthly installments;
- (iii) fees will be payable as from the fifth (5th) business day in the month after that in which the Terms of Reference are signed;
- (iv) fees shall be equally allocated among all parties to arbitration proceedings;
- (v) there will be no joint and several liability among the parties for payment of fees;
- (vi) the Arbitrators may determine, at their own discretion, that the parties shall make an advance on arbitration fees in accordance with the Schedule of Costs and Fees; in this case, each of the parties shall pay fifty percent (50%) of the advance payment determined by the Arbitrators; and
- (vii) the advance payment shall be made by the parties within five (5) business days as from notice to this effect.

14.3.2 The following provisions shall apply to summary arbitration proceedings:

- (i) the Arbitrators' fees shall be paid to the Arbitration Panel at the end of arbitration proceedings;
- (ii) only the defeated party shall be liable for payment of Arbitrators' fees;
- (iii) if there is more than one defeated party in summary arbitration proceedings, they shall be held jointly and severally liable for payment of Arbitrators' fees; and
- (iv) in the arbitration award, the Arbitrator shall set a period for payment of fees, not to exceed ten (10) days from the date on which such award was issued.

14.3.3 If summary arbitration proceedings are transformed into ordinary arbitration proceedings, the Arbitrators' fees related to Summary Arbitration Proceedings shall be paid before signing of the new Terms of Reference, and equally apportioned among all parties to the arbitration.

14.3.4 *Ad hoc* arbitration shall be subject to the same provisions as those spelled out in section 14.3.2 for summary arbitration proceedings.

14.4 Fees Payable to Lawyers or Agents. Each of the parties shall bear the fees payable to its respective lawyers and/or agents, if any.

14.4.1 At the end of arbitration proceedings, the defeated party shall not be sentenced to bear the fees payable to a lawyer or agents of the other party.

14.5 Fees Payable to Experts and Assistant Technicians. The party that has asked for expert investigation works shall bear the fees payable to the respective expert, and the Arbitration Tribunal shall set the value and method of payment thereof in a decision to be made known to the parties.

14.5.1 Each of the parties shall bear the fees payable to the assistant technicians appointed thereby, if any.

14.5.2 At the end of arbitration proceedings, the defeated party shall be sentenced to pay expert fees, but not the fees related to the assistant technician retained by the other party.

14.6 Fees Related to Award Review. Fees related to the award review dealt with in section 9.2.1 shall be calculated by the hour, and apportioned equally among all parties to arbitration proceedings.

PART XV – ARBITRATION PROCEDURAL ACTS

15.1 Notice of Acts. Every notice exchanged between the parties, the Arbitration Tribunal and any other parties that take part in the arbitration proceedings shall be made through the Arbitration Panel, with due regard for the following rules:

- (i) the secretary general shall organize the Arbitration Panel's communication services, as well as the receipt of all documents; and
- (ii) any document submitted to the Arbitration Tribunal shall be supplied in as many copies as necessary for each of the parties and the Arbitrators to receive one of them, plus another copy for attachment to the case records.

15.2 Delivery Methods. Notice of all procedural acts shall be made by personal delivery, by registered letter, or by express delivery service (courier).

15.3 Validity of Notices. Notice of all procedural acts set forth in these Rules shall be deemed valid and effective upon submission of the corresponding receipt signed by any person working or residing at the receiving party's address.

15.3.1 Notice of procedural acts may be transmitted by facsimile and/or electronic mail, provided that the parties have expressly consented thereto in the Terms of Reference, thus being regarded as valid and effective, for all due purposes, upon submission of a copy of the corresponding message.

15.4 Timing. The periods set out in these Rules shall run as provided for in the Brazilian Code of Civil Procedure, counted from the date of receipt of the respective notice, excluding the first day and including the last day thereof.

15.4.1 *Business day* means a day on which banking establishments are open for business in the Municipality of São Paulo, State of São Paulo.



PART XVI – MISCELLANEOUS

16.1 Representation of the Parties. The parties may be represented by a duly appointed agent or lawyer.

16.2 Data for Contacts. The parties shall keep the Arbitration Panel always updated as regards the data for contacting the parties themselves, their lawyers and agents; such data shall include full address, telephone and fax numbers, and electronic mail address.

16.3 Amendments to these Rules. Any amendments to these Rules shall be conditioned to the following:

- (i) implementation by BOVESPA of any material amendments to these Rules shall be contingent on:
 - (a) the absence of express opposition by more than one-third (1/3) of the attendees at a Closed Hearing between the companies that had adhered to the Novo Mercado Rules and to Nível 2 Differentiated Corporate Governance Practice Rules, to be held at a date set by the chairman of the Arbitration Panel at least fifteen (15) days in advance of such event; and
 - (b) the consent to such amendment by the BOVESPA Board of Directors;
- (ii) any changes in the rules contained herein, as well as in any rules issued thereafter, shall have no effects whatsoever on arbitration proceedings then in course; and
- (iii) any changes in the rules contained herein, as well as in any rules issued thereafter, shall be published in BOVESPA's Daily Newsletter (Boletim Diário de Informações – BDI) thirty (30) days prior to the effectiveness of any such change.

16.4 Internal Rules. It is incumbent on the Board of Directors to prepare the Internal Rules, which shall clarify and regulate any issues arising from arbitration proceedings, as well as the Arbitration Panel's operation and activities.

16.4.1 The Internal Rules and any amendments thereto shall be approved by favorable vote of an absolute majority of BOVESPA's Board members present at the meeting resolving on this matter.

16.5 Omissions. Any omissions herein shall be resolved on by the chairman of the Arbitration Panel.

16.6 Mixed-capital Company. The Controlling Shareholder of a Mixed-capital Company that resolves to adhere to the Novo Mercado Rules and adopt Nível 2 Differentiated Corporate Governance Practice Rules must comply with the same duties and responsibilities imputed hereunder to the Controlling Shareholder of the Company listed on the Novo Mercado or classified in accordance with Nível 2 Corporate Governance Standards.

16.6.1 Resolutions passed by the Mixed-capital Company's Controlling Shareholder, whether voted on in the general meeting or imposed to this Company's senior management, for the implementation of guidelines for its business pursuant to article 238 of the Corporation Law, shall be construed as the exercise of non-disposable rights and shall not be referred to arbitration hereunder.

16.6.2 Managerial acts or business resolutions of the Controlling Shareholder that may result in disputes between the last-named and the Participants shall be subject to arbitration under section 5.1(i) of these Rules.

16.7 Other Rules. The provisions of Law 9307/96, the Code of Civil Procedure, the Bylaws of BOVESPA, the Novo Mercado Listing Rules, and the Differentiated Corporate Governance Practice Rules shall apply in addition hereto, to the extent necessary or applicable.



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