

Question Number	Item of Invitation to Bid	Clarification Under Request	Answers
1	<p>Attachment 9.1 – Table V 20. Evidence of the Bidder net equity value for at least R\$ 90,000,000.00 (ninety million reais), according to the Brazilian accounting principles.</p>	<p>Among the economic and financial qualification documents required by the Invitation to Bid, Bidders shall submit evidence of a net equity value of at least R\$ 90,000,000.00 (ninety million reais), according to item 20 Table V of Attachment 9.1. Considering that the Agreement says nothing about this issue, we understand that such evidence regards only the Bidders and the Bidding. It is not required that the special purpose vehicle keeps this net equity value during the concession tenure. Therefore, during the period the Agreement is in effect, instead of having a net equity value of R\$ 90,000,000.00 (ninety million reais), the Concessionaire shall have a subscribed and paid-in capital stock of at least R\$ 30,000,000.00 (which may be decreased under the terms laid out in item 18.3.1 of the Invitation to Bid). Is our understanding correct? (<i>sic</i>)</p>	<p>Item 18.3 of the Invitation to Bid determines that on the date the Sponsored Concession Agreement – SCA is executed the Concessionaire’s (special purpose vehicle) subscribed and paid-in capital stock shall be of at least R\$ 30,000,000.00 (thirty million reais), which may be decreased during the Agreement’s effective term, according to Subitem 18.3.1 of the Invitation to Bid.</p> <p>On the other hand, the Concessionaire’s net equity value, as established in Item 18.7 of the Invitation to Bid, shall not be decreased to less than a third of the subscribed and paid-in stock value.</p> <p>These requirements shall not be confused with Bidders’ economic and financial qualification, which is assessed during the Bidding. As laid out in Item 20 of Table V of Attachment 9.1, in order to evince its economic and financial qualification Bidders must submit evidence of a net equity value of at least R\$ 90,000,000.00 (ninety million reais), according to the Brazilian accounting principles.</p>
2	<p>2. Attachment 4.2.2 – Property Use Right Concession Agreement and Other Covenants. 1.1.1, (xxi) Integration: means the set of long-term agreements to be entered into by the Agricultural Companies and the Agriculturists or Small Companies, to establish an agricultural production partnership promoted and implemented by the Concessionaire according to the Occupancy Plan Guidelines and Reference Term. 5.1.4. The occupancy of the Irrigable Areas shall be through the execution of (i) a Property Use Right Subconcession Agreement between the Concessionaire and the Agricultural Companies selected to explore the respective agricultural lots, and (ii) Subconcession Agreements of property use right between the Agricultural</p>	<p>From the provisions written out in the draft Property Use Right Concession Agreement, it is possible to say that “occupation” takes place only with the execution between the Concessionaire and Agricultural Companies of the Subconcession Agreements of Property Use Right.</p> <p>However, in order to characterize “integration” it is also necessary that a Subconcession Agreement of Property Use Right be executed between the Agricultural Companies and farmers (Cooperatives or Agriculturists)</p> <p>Thus, it is possible to have occupied areas in the Pontal Waterfront Perimeter, but which are not integrated. This would happen in the event of an Agricultural Company directly exploiting an agricultural module, without having signed a Subconcession Agreement with farmers (Cooperatives or Agriculturists). Is our contention correct?</p>	<p>It is possible to have areas in the Pontal Waterfront Perimeter occupied by means of direct exploitation by Agricultural Companies, i.e., not integrated, as set forth in Item 7.1.3 of the Occupancy Plan Guidelines and Reference Term (Attachment 9.1.1(a) of the SCA). However, the integration ratio, which applies to the technical proposal presented in the Bid, shall be respected during all the Sponsored Concession tenure (Item 7.1.5 of Attachment 9.1.1(a) of the SCA).</p>

	<p>Companies and the Cooperatives and/or Agriculturists selected to explore the respective agricultural lots. (i) The Concessionaire shall not occupy and cultivate any of the agricultural lots of the area under concession of the Waterfront Perimeter. (ii) Controlling companies and affiliates of the Concessionaire are free to occupy and cultivate the agricultural lots of the area under concession of the Waterfront Perimeter.</p>		
<p>3.</p>	<p>Attachment 4.2.2 Property Use Right Concession Agreement and Other Covenants</p> <p>5.1.4</p> <p>The occupancy of the Irrigable Areas shall be through the execution of (i) a Property Use Right Subconcession Agreement between the Concessionaire and the Agricultural Companies selected to explore the respective agricultural lots, and (ii) Subconcession Agreements of property use right between the Agricultural Companies and the Cooperatives and/or Agriculturists selected to explore the respective agricultural lots.</p> <p>Attachment 9.1.1 (a) – Occupancy Plan Guidelines and Terms of Reference</p> <p>The occupancy of the Irrigable Areas of the Waterfront Perimeter is characterized upon the Granting of the Real Usage Right and the occupancy of the respective agricultural modules in the Waterfront Perimeter by the Agricultural Companies, Agriculturists and/or Cooperatives.</p>	<p>According to Subclause 5.1.4 of Attachment 4.2.2, item 7.3.2 of Attachment 9.1.1 (a) and Section VII of Attachment 17.2 the concept of “occupation” assumes that: (i) Property Use Right Concession Agreements has been executed; (ii) a report has been turned in as evidence that the equipment is installed; (iii) there is evidence of water consumption; and (iv) the water tariff has been invoiced.</p> <p>On the other hand, the concept of “availability”, according to item 1.1.1 (xxiv) of the Concession Agreement, assumes that water is available in the agricultural modules and that the irrigable areas are occupied. A first reading of the above-mentioned clauses may lead Bidders to confuse the concepts, since the concept of “availability” encompasses the actual availability of water in the agricultural modules as well as its occupation. The concept of “occupation” would also encompass water consumption (according to items (ii) and (iii) of Section VII of Attachment 17.2). Thus, considering that such definitions are paramount for compensation payment and for starting water tariff billing, we understand that the mentioned clauses should be interpreted as follows: the concept of “occupation” encompasses only the execution between the Concessionaire and the Agricultural Company of a Property Use Right Subconcession Agreement, whereas the concept of “availability” assumes that water is actually available in the agricultural modules. Therefore, occupation is not a prerequisite for water availability in the modules. In other words, it is possible to have water available without having occupation taken place. All it takes is to have concluded the mandatory works. By the same token, it is possible to occupy only by means of conceding the property use right and beginning land preparation, without having</p>	<p>Concepts</p> <p>“Water availability”, “occupation” and “service availability”, although related, are distinct concepts.</p> <p>The concept of <i>water</i> availability assumes that water is actually available in the agricultural modules, as a result of the conclusion of “mandatory works”. Therefore, it is possible to have water available without having occupation taken place. All it takes is the conclusion of the “mandatory works”. It should be noted, however, that simply concluding the mandatory works does not imply that water was made available. The Concessionaire should above all comply with the Minimum Technical Guidelines as set forth in Attachment 9.1.1 (b) (see item 17.3 of the invitation to Bid and Clauses 9.1.2 and 9.1.3 of the SCA).</p> <p><i>Occupation</i>, on the other hand, as laid out in item 7.3.2 (i) of Attachment 9.1.1 (a), takes place upon submitting to ANA a copy of the declaration of the on-farm irrigation equipment supplier, signed by an accountable technician, stating that the equipment is installed, tested and approved, making the agricultural module suited for agricultural production, according to the specifications set for that module.</p> <p>Therefore, it is not possible to characterize occupation before water availability, given that the module shall be apt for agricultural production, which only happens if water supply has been beforehand and effectively made available.</p> <p>Hence, based on those concepts, it is apparent that service availability requires “delivery of water in the agricultural lots, in the terms and conditions set forth in the Minimum Technical Guidelines, as well as the occupancy of the Irrigable Areas, in accordance with the terms and conditions of the Proposal, and pursuant to the Occupancy Plan Guidelines and Reference Term”</p>

<p>(i) The initial occupancy of each agricultural module of the Irrigable Areas in the Waterfront Perimeter shall be characterized when the Agricultural Company, Farmer and/ or Small Company provides ANA with a copy of the declaration of the on-farm irrigation equipment supplier, signed by an accountable technician, stating that the equipment is installed, tested and approved, making the agricultural module able for the agricultural production, according to the specifications set for that module.</p> <p>Attachment 17.2 - Performance Evaluation System</p> <p>The evidence of occupancy of the modules in the Waterfront Perimeter shall be provided according to the following requirements:</p> <p>(i) Information provided by the Concessionaire in a standardized report;</p> <p>(ii) Water consumption evidenced by the monitoring of the volume captured by the agricultural module; and</p> <p>(iii) Tariff billing evidenced by a specific accounting demonstration by the Concessionaire.</p> <p>PPP Agreement</p> <p>(xxiv)</p> <p>Service Delivery: means the delivery of water in the agricultural lots, in the terms and conditions set forth in the Minimum Technical Guidelines, as well as the occupancy of the Irrigable Areas, in accordance with the terms and conditions of the Proposal, and pursuant to the Occupancy Plan Guidelines and Reference Term.</p>	<p>water made available.</p> <p>Is our understanding correct? If not, what is the difference between the concept of "occupation" and of "availability"? Under which circumstance it will be possible to actually begin the water tariff billing? When will the compensation installment relating to availability and to occupation be paid? Which one will take place first?</p>	<p>(clause 1.1.1 (xxiv)), i.e., service availability means the dual occurrence of water availability and occupation.</p> <p>Compensation payment</p> <p>Water availability entitles the Concessionaire to request up to 10% of compensation payment, in a single installment proportional to the area in which water was made available, as set forth in clause 17 of the SCA. However, it does not give the Concessionaire the right to ask for water tariff billing, as the agricultural lot may not be occupied.</p> <p>The characterization of the beginning of occupation allows the Concessionaire to request 40% of the compensation payment, proportional to the occupied area, which will be distributed in monthly installments, equal and successive, as set forth in clause 17 of the SCA.</p> <p>After verifying that the whole irrigable area has been occupied, the Concessionaire will be entitled to the remaining 50% of the compensation payment, according to the conditions and norms established in clause 17 of the SCA.</p> <p>Hence, availability payments shall precede occupation payments, or at best, depending on the Concessionaire's efficiency and managerial ability, they may overlap, but it is not possible to have occupation payments prior to availability payments.</p> <p>For a brief description of the compensation payment mechanism provided in the SCA we advise you to consult Clarification #6 available at the International Bidding #1/2009 website: http://ppp-projetopontal.codevasf.gov.br/licitacoes/ppp-projetopontal.</p> <p>Tariff</p> <p>SCA's Clause 16.1.1 establishes that the Concessionaire may request ANA to authorize the commencement of water tariff collection following the irrigation service availability. As said before, service availability is linked to a combination of water availability and agricultural lot occupation.</p> <p>Thus, water tariff collection does not precede compensation payment in regard to a set of agricultural modules.</p>
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