

Registered Capital

Amounts invested in our shares by a Non-Resident Holder who qualifies under Resolution No. 4,373 and obtains registration with the CVM, or by the depository representing an ADS holder, are eligible for registration with the Central Bank, also known as registered capital. Registration allows the remittance of foreign currency outside Brazil, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized through dispositions of our shares. The registered capital per share purchased in the form of an ADS, or purchased in Brazil and deposited with the depository in exchange for an ADS, will be equal to its purchase price (stated in U.S. dollars). The registered capital per share withdrawn upon cancellation of an ADS will be the U.S. dollar equivalent of (i) the average price of a share on the Brazilian stock exchange on which the most shares were traded on the day of withdrawal, or (ii) if no shares were traded on that day, the average price on the Brazilian stock exchange on which the most shares were traded in the fifteen trading sessions immediately preceding such withdrawal. The U.S. dollar equivalent will be determined on the basis of the average commercial market rates quoted by the Central Bank on these dates.

A Non-Resident Holder of shares may experience delays in Central Bank registration, which may delay remittances abroad. This delay may adversely affect the amount in U.S. dollars, received by the Non-Resident Holder.

A certificate of registration has been issued in the name of the depository with respect to the ADS and is maintained by the custodian on behalf of the depository. Pursuant to the certificate, the custodian and the depository may convert dividends and other distributions with respect to the shares represented by our ADS into foreign currency and remit the proceeds outside Brazil. In the event that a holder of ADS exchanges such ADS for shares, such holder will be entitled to continue to rely on the certificate of registration for five business days after such exchange, following which such holder must seek to obtain its own certificate of registration with the Central Bank. Thereafter, any holder of shares may not convert into foreign currency and remit the proceeds from the disposition of, or distributions with respect to, such shares, outside Brazil, unless the holder is a duly qualified investor under Resolution No. 4,373 or obtains its own certificate of registration. A holder that obtains a certificate of registration or does not qualify under Resolution No. 4,373 by registering with the CVM and the Central Bank and appointing a representative in Brazil, will be subject to less favorable Brazilian tax treatment than a holder of ADS. See “—Taxation—Material Brazilian Tax Considerations.”

ITEM 10E. Taxation

The following discussion, subject to the limitations set forth below, describes material Brazilian, United States and European Union tax considerations relating to your ownership and disposition of the ADS. This discussion does not purport to be a complete analysis of all tax considerations in Brazil, the United States or the European Union and does not address tax treatment of holders of the ADS under the laws of other countries or taxing jurisdictions. All investors are urged to consult with their own tax advisors as to which countries’ tax laws could be relevant to them.

Material Brazilian Tax Considerations

The following discussion is a summary of the material Brazilian tax considerations regarding the acquisition, ownership and disposition of our shares or ADS by a holder that is not domiciled in Brazil for purposes of Brazilian taxation and which has registered its investment in such securities with the Central Bank (in each case, a “Non-Resident Holder”). The tax consequences described below do not take into account the effects of any tax treaties or reciprocity of tax treatment entered into by Brazil and other countries. The discussion also does not address any tax consequences under the tax laws of any state or municipality of Brazil.

Regarding the tax laws and regulations of Brazil and the United States in effect on the date hereof, although there is currently no income tax treaty between Brazil and the United States, their respective tax authorities are party to a Tax Information Exchange Agreement and have had discussions as to a potential treaty. No assurance can be given, however, as to whether or when a treaty will enter into force or of how it will affect holders of our common shares or ADS. This summary is also based on representations of the depository and on the assumption that each obligation in the Deposit Agreement and related documents relating to our ADS will be observed.

Introduction

Pursuant to Brazilian law, foreign investors may invest in Brazilian financial and capital markets, including shares, under Resolution No. 4,373 ("4,373 Holder"), provided that certain requirements therein are fulfilled. The definition of foreign investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered abroad. For more details about the requirements to be met in order to qualify as foreign investor under Resolution No. 4,373, see "Item 9.C. Markets–Investment in our Preferred Shares by Non-Residents of Brazil."

Securities and other financial assets held by foreign investors pursuant to Resolution No. 4,373 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM. In addition, securities trading is restricted to transactions carried out in stock exchanges or organized over-the-counter markets licensed by the CVM, except for such other cases as may be set forth in the applicable CVM regulations from time to time.

Brazilian Income Tax

Distribution of Dividends

Dividends paid by a Brazilian corporation to a Non-Resident Holder of common shares are currently not subject to Brazilian Withholding Income Tax ("WHT"), to the extent that such amounts are related to profits generated on or after January 1, 1996. Dividends paid from profits generated before January 1, 1996, may be subject to Brazilian WHT at variable rates, pursuant to the tax legislation applicable to each corresponding year.

Law No. 11,638, dated December 28, 2007, amended the Brazilian Corporate Law in order to align Brazilian GAAP more closely with IFRS Accounting Standards. However, Law No. 11,941, dated May 27, 2009, introduced the transitory tax regime (*regime tributário de transição*) ("RTT") which rendered neutral all tax-related changes effected by Law No. 11,638. Brazilian companies were subject to the accounting rules and criteria that were effective as in force on December 31, 2007, for tax purposes, thereby affecting the determination of profits.

While it was general market practice to distribute exempted dividends with reference to the IFRS profits, Normative Ruling No. 1,397, dated September 16, 2013, established that legal entities should observe the accounting methods and criteria in force on December 31, 2007, or 2007 profits, in order to determine the amount of profit that could be distributed as exempted income to its beneficiaries.

Any profits paid in excess of 2007 profits, or excess dividends, should, in the tax authorities' view, be subject to the following: (1) 15% WHT, in the case of beneficiaries domiciled abroad, but not in Low or Nil Tax Jurisdictions (as defined below), and (2) 25% WHT, in the case of beneficiaries domiciled in Low or Nil Tax Jurisdictions (as defined below).

In order to mitigate potential disputes on the subject, Law No. 12,973, dated May 13, 2014, replaced the RTT and introduced a new mandatory Brazilian tax regime, including new provisions with respect to excess dividends. Under the new regime, dividends calculated based on IFRS Accounting Standards should be considered fully exempt.

There are ongoing discussions in the Brazilian Congress regarding a potential income tax reform (for both corporations and individuals), aimed at revoking the exemption and imposing income taxation on the payment of dividends. It is not possible to predict the timing nor outcome of such discussions and how any reform would be implemented. However, given the fact that the tax reform related to VAT was recently passed by the Brazilian Congress, it is very likely that the discussions regarding income tax reform also evolve in the coming years.

Capital Gains

As a general rule, capital gains realized as a result of a disposition transaction amount to the difference between the amount received on the disposition of the assets and the respective acquisition cost. Under Brazilian law, income tax on such gains can vary depending on the domicile of the Non-Resident Holder, the type of registration of the investment by the Non-Resident Holder with the Central Bank and how the disposition is carried out, as described below.

(a) Sale of ADS

Pursuant to Law No. 10,833, dated December 29, 2003, gains recognized on the disposition of assets located in Brazil by a Non-Resident Holder, whether to other Non-Resident Holders or Brazilian holders, are subject to taxation in Brazil, regardless of where the disposition is conducted. We believe that the ADS are not assets located in Brazil for purposes of Law No. 10,833 as they represent securities issued and renegotiated in an offshore exchange market. However, due to a lack of clarity as to the scope of the provisions and the absence of judicial rulings, we are unable to predict whether the courts of Brazil would agree with our interpretation. However, even if ADS were considered assets located in Brazil, investors that are resident in non-tax haven locations could potentially qualify for an exemption of capital gain tax according to article 81 of Law No. 8,981/1995.

If our argument is not upheld in court, we note that Brazilian law has conflicting provisions regarding the applicable currency relating to the cost of acquisition when calculating capital gains. It is arguable that capital gains should amount to the positive difference between the cost of acquisition of the shares registered with the Central Bank in foreign currency and the value of disposal of those shares in the same foreign currency. However, the scope of the applicable regulations is unclear and certain assessments have adopted Brazilian currency.

(b) Conversion of Shares into ADS

The deposit of our shares in exchange for ADS may be subject to Brazilian tax on capital gains ranging from 15% to 22.5% depending on the amount of the gain, as follows: (i) 15% for the part of the gain that does not exceed R\$5 million, (ii) 17.5% for the part of the gain that exceeds R\$5 million but does not exceed R\$10 million, (iii) 20% for the part of the gain that exceeds R\$10 million but does not exceed R\$30 million and (iv) 22.5% for the part of the gain that exceeds R\$30 million, or 25% in the case of investors domiciled in a Low or Nil Tax Jurisdiction, as defined below. Although there is no clear regulatory guidance, this taxation arguably does not apply to a Non-Resident Holder that is a 4,373 Holder and is not resident in a Low or Nil Tax Jurisdiction, as defined below.

(c) Conversion of ADS into Shares

Although there is no clear regulatory guidance, the exchange of ADS for shares should not be subject to Brazilian tax, as long as applicable registration regulations are appropriately observed before the Central Bank.

Upon receipt of the underlying shares in exchange for ADS, Non-Resident Holders may also elect to register the U.S. dollar value of such shares with the Central Bank as a foreign portfolio investment under Resolution No. 4,373, which will entitle them to the tax treatment referred below.

Alternatively, the Non-Resident Holder is also entitled to register the U.S. dollar value of such shares with the Central Bank as a foreign direct investment under Law No. 4,131, in which case the respective sale would be subject to the tax treatment applicable to transactions carried out by a Non-Resident Holder who is not a registered holder.

(d) Sale of Common and Preferred Shares in Brazil

Generally, capital gains realized as a result of a transaction carried out on a Brazilian stock exchange are calculated with reference to the positive difference between the amount realized upon sale or exchange of a security and its respective acquisition cost.

There is ambiguity regarding whether foreign or local currency should be applied to determine the capital gain realized by a Non-Resident Holder on a sale or disposition of common shares in Brazil. However, Article 23 of Normative Instruction No. 1,455/14, provides that the capital gains shall be calculated in Brazilian *reais*.

For purposes of Brazilian taxation, the income tax rules on gains related to disposition of common and preferred shares vary depending on the domicile of the Non-Resident Holder, the form by which such Non-Resident Holder has registered its investment before the Central Bank and/or how the disposition is carried out, as described below.

Generally, according to our interpretation of the applicable law, capital gains realized by a Non-Resident Holder on the disposition of common shares sold on a Brazilian stock exchange (which includes a transaction carried out on the organized over-the-counter market) are:

- exempt from income tax when realized by a Non-Resident Holder that (a) is a 4,373 Holder and (b) is not resident or domiciled in a Low or Nil Tax Jurisdiction;
- subject to income tax at a 15% rate in case of gains realized by (1) a Non-Resident Holder that (a) is not a 4,373 Holder and (b) is not resident or domiciled in a Low or Nil Tax Jurisdiction and (2) a Non-Resident Holder that (a) is a 4,373 Holder and (b) is resident or domiciled in a Low or Nil Tax Jurisdiction; or
- subject to income tax at a 25% rate in case of gains realized by a Non-Resident Holder that is not a 4,373 Holder and is resident or domiciled in a Low or Nil Tax Jurisdiction.

Any other gains realized on a sale or disposition of common and preferred shares that is not carried out on a Brazilian stock exchange are:

- subject to income tax at the rate of 15%, when realized by a Non-Resident Holder that (i) is a 4,373 Holder; and (ii) is not resident or domiciled in a Low or Nil Tax Jurisdiction;
- subject to progressive income tax rates ranging from 15% to 22.5% in case of gains realized by a Non-Resident Holder that (i) (a) is not a 4,373 Holder, and (b) is not resident or domiciled in a Low or Nil Tax Jurisdiction; or (i) (a) is a 4,373 Holder and (b) is resident or domiciled in a Low or Nil Tax Jurisdiction; and
- subject to income tax at a 25% rate in case of gains realized by a Non-Resident Holder that is not a 4,373 Holder and is resident or domiciled in a Low or Nil Tax Jurisdiction.

There can be no assurance that the current preferential treatment for 4,373 Holders will continue in the future.

In the cases above, if the gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation of a financial institution, WHT of 0.005% on the positive results exceeding R\$20,000 will apply and can be credited against the eventual income tax due on the capital gain.

In the case of a redemption of securities or a capital reduction by a Brazilian corporation, the positive difference between the amount effectively received by the Non-Resident Holder and the corresponding acquisition cost of the common shares redeemed is treated, as capital gains derived from the sale or exchange of common shares not carried out on a Brazilian stock exchange and is subject to the same tax treatment above described.

Any exercise of preemptive rights relating to the preferred or common shares or ADS will not be subject to Brazilian WHT. Any gain on the sale or assignment of preemptive rights relating to shares by the depositary on behalf of holders of ADS will be subject to Brazilian income taxation according to the same rules applicable to the sale or disposal of shares.

Payments of Interest Attributable to Shareholders' Capital

In accordance with Law No. 9,249, dated December 26, 1995, as amended by Law 14,789/23, Brazilian corporations may make distributions of shareholders' capital to shareholders of interest as an alternative to making dividend distributions and treat those payments as a deductible expense for the purposes of calculating Brazilian corporate income tax and social contribution on net income, as far as certain limits are observed.

Such interest is limited to the daily pro rata variation of the TJLP as determined by the Central Bank from time to time multiplied by the sum of determined Brazilian company's net equity accounts, multiplied by the net equity value of the Brazilian company with certain adjustments. The amount of deduction cannot exceed the greater of:

- 50% of the net profit (after the social contribution on net income and before the provision for corporate income tax, and the amounts attributable to shareholders as interest on net equity) for the period in respect of which the payment is made; or

- 50% of the sum of retained profits and profits reserves as of the date of the beginning of the period in respect of which the payment is made.

Equity variations (accounting registrations) of a legal entity taxpayer that do not represent a real increase in its assets shall not be considered for the purposes of calculating the interest on shareholders' capital basis.

Payments of interest on equity in respect of the preferred or common shares paid to shareholders who are either Brazilian residents or non-residents, including holders of ADS, are subject to Brazilian WHT at the rate of 15%, or 25% in case of shareholders domiciled in a Low or Nil Tax Jurisdiction and will be deductible by us as long as the payment of a distribution of interest is approved by our shareholders.

These distributions may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest on shareholders' capital is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable Brazilian WHT plus the amount of declared dividends, is at least equal to the mandatory dividend.

If we pay interest attributable to shareholders' equity in any year, and the payment is not recorded as part of the mandatory distribution, no additional amounts would be required to be paid by us, with respect to the mandatory dividend amount. The payment of interest on owner capital may be determined by our Board of Directors. We cannot assure you that our Board of Directors will not determine that future distributions of profits may be made by means of interest on shareholder's capital instead of by means of dividends. Payments of interest on shareholder's capital to Non-Resident Holders may be converted into U.S. dollars and remitted outside Brazil, subject to applicable exchange controls, to the extent that the investment is registered with the Central Bank.

Discussion on Tax Haven Jurisdictions and Privileged Tax Regimes

Normative Ruling No. 1,037, dated June 4, 2020, set out (i) the countries and jurisdictions considered as "Low or Nil Taxation Jurisdictions" and (ii) the Privileged Tax Regime (as defined below).

A Low or Nil Taxation Jurisdiction is a country or location that (i) does not impose taxation on income, (ii) imposes income tax at a maximum rate lower than 20%, or (iii) imposes restrictions on the disclosure of shareholding composition or the ownership of the investment. Ordinance No. 488, dated November 28, 2014, reduced this minimum threshold for certain specific cases from 20% to 17%. The reduced 17% threshold applies only to countries and regimes aligned with international standards of fiscal transparency in accordance with rules established by the Brazilian tax authorities in Normative Ruling No. 1,530, dated December 19, 2014.

In effect as of January 1, 2009, Law No. 11,727 introduced the concept of "Privileged Tax Regime" in connection with transactions subject to Brazilian transfer pricing rules and thin capitalization (cross border interest tax deductibility) rules, which is broader than the concept of Low or Nil Taxation Jurisdictions. Under this new law, a Privileged Tax Regime is considered to apply to a jurisdiction that meets any of the following requirements: (i) it does not tax income or taxes income at a maximum rate lower than 20% or 17%, as applicable; (ii) it grants tax advantages to a non-resident entity or individual (a) without requiring substantial economic activity in the jurisdiction of such non-resident entity or individual or (b) to the extent such non-resident entity or individual does not conduct substantial economic activity in the jurisdiction of such non-resident entity or individual; (iii) it does not tax income generated abroad, or imposes tax on income generated abroad at a maximum rate lower than 20% or 17%, as applicable; or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about the execution of economic transactions.

Notwithstanding the fact that the Privileged Tax Regime pertains to transfer pricing rules and thin capitalization/cross border interest deductibility rules, there is no assurance that Brazilian tax authorities will not apply the regime to other types of transactions. Prospective purchasers should consult with their own tax advisors regarding the consequences of the implementation of Law No. 11,727, Normative Ruling No. 1,037 and of any related Brazilian tax law or regulation concerning tax haven jurisdictions and Privileged Tax Regimes.

Furthermore, the Brazilian transfer pricing rules have been recently modified by Law No. 14,596/23 to align their practices with OECD Guidelines. However, the application of such law is pending further, more detailed guidance by the Brazilian Federal Revenue, including the treatment of interest payments.

Tax on Foreign Exchange and Financial Transactions

Foreign Exchange Transactions (IOF/Exchange)

Brazilian law imposes a tax on foreign exchange transactions ("IOF/Exchange") triggered by the conversion of Brazilian reais into foreign currency and on the conversion of foreign currency into Brazilian reais.

Pursuant to Decree No. 6,306, as amended, IOF/Exchange may be levied on foreign exchange transactions, affecting either or both the inflow and/or outflow of investments. The IOF rates are set by the Brazilian executive branch and the highest applicable rate is 25%, although no transactions have been subject to such a rate. Currently, for most exchange transactions, the rate of IOF/Exchange is 0.38%.

The rate of IOF/Exchange tax imposed on foreign exchange transactions carried out by a foreign investor for the purpose of investing in the financial and capital markets may vary from time to time as defined by the government and the rates may be different based on the type of investment as well as the time in which such investment is maintained in Brazil.

The inflow of foreign funds for the purchase of shares under Resolution No. 4,373 is subject to a 0% IOF/Exchange rate and the same 0% rate levies on the remittance of dividends and payments of interest on shareholder's capital. Although it is not clearly regulated, the conversion of Brazilian reais into dollars for payment of dividends to holders of ADS should also benefit from a 0% IOF/Exchange rate. The inflow of funds derived from the ADS cancellation for purposes of investing in shares is also subject to a 0% rate of IOF/Exchange.

Notwithstanding these rates of the IOF/Exchange, the Brazilian government is permitted to increase at any time the rate to a maximum of 25%, but only in relation to future transactions, with immediate effects.

Tax on Transactions Involving Bonds and Securities (IOF/Bonds Tax)

In addition to the IOF/Exchange, Brazilian law imposes a Tax on Transactions Involving Bonds and Securities, known as "IOF/Bonds Tax." Currently, the rate of IOF/Bonds Tax applicable to transactions involving common or preferred shares is zero. However, considering that the IOF/Bonds Tax is a regulatory tax, its rate may be increased at any time by the Brazilian Government, up to 1.5% per day and only in respect to future transactions, and does not have to follow any ordinary legislative procedure or requires approval by the Brazilian Congress.

Other Relevant Brazilian Taxes

Some Brazilian states impose donation and inheritance taxes on donations or bequests made by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states. There are no Brazilian stamp, issue, registration or similar taxes or duties payable by holders of our shares or ADS.

Material United States Federal Income Tax Consequences

The following discussion describes the material United States federal income tax consequences of purchasing, holding and disposing of our shares or ADS. This discussion applies only to beneficial owners of our shares or ADS that are "U.S. Holders," as defined below. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing final, temporary and proposed Treasury Regulations, administrative pronouncements by the United States Internal Revenue Service, or IRS, and judicial decisions, all as currently in effect and all of which are subject to change (possibly on a retroactive basis) and to different interpretations.

This discussion does not purport to address all United States federal income tax consequences that may be relevant to a particular holder, and you are urged to consult your own tax advisor regarding your specific tax situation. This discussion does not address any aspect of U.S. federal taxation other than U.S. federal income taxation (such as the estate and gift tax or the Medicare tax on net investment income). The discussion applies only to U.S. Holders who hold our shares or ADS as "capital assets" (generally, property held for investment) under the Code and does not address the tax consequences that may be relevant to U.S. Holders in special tax situations including, for example:

- financial institutions or insurance companies;

- tax-exempt organizations;
- broker-dealers;
- traders in securities that elect to mark to market;
- real estate investments trusts, regulated investment companies, partnership or grantor trusts;
- investors whose functional currency is not the United States dollar;
- United States expatriates;
- holders that hold our shares or ADS as part of a hedge, straddle or conversion transaction; or
- holders that own, directly, indirectly, or constructively, 10% or more of the total combined voting power or value, if any, of our shares or ADS.

Except where specifically described below, this discussion assumes that we are not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Please see the discussion in “Item 10. E. Taxation—Material United States Federal Income Tax Consequences—Passive Foreign Investment Company Rules” below. Further, this discussion does not address the alternative minimum tax consequences of holding our shares or ADS or the indirect consequences to holders of equity interests in partnerships or other entities that own our shares or ADS. In addition, this discussion does not address the state, local and non-U.S. tax consequences of holding our shares or ADS.

You should consult your own tax advisor regarding the United States federal, state, local and non-U.S. income and other tax consequences of purchasing, owning, and disposing of our shares or ADS in your particular circumstances.

You are a “U.S. Holder” if you are a beneficial owner of shares or ADS and you are for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to United States federal income tax regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership holds shares or ADS, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A prospective investor who is a partner of a partnership holding our shares or ADS should consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and disposition of the shares or ADS.

Ownership of ADS in General

For United States federal income tax purposes, if you are a holder of ADS, you generally will be treated as the owner of the shares represented by such ADS. Deposits and withdrawals of shares by a U.S. Holder in exchange for ADS generally will not result in the realization of gain or loss for United States federal income tax purposes.

Distributions on Shares or ADS

The gross amount of distributions made to you of cash or property with respect to your shares or ADS, before reduction for any Brazilian taxes withheld therefrom, will be includible in your income as dividend income to the extent such distributions are paid out of our current or accumulated earnings and profits as determined under United States federal income tax principles. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. Subject to applicable limitations, including holding period limitations, dividends paid to non-corporate U.S. Holders of shares or ADS will be taxable at a maximum rate of 20.0%.

If you are a U.S. Holder, and we pay a dividend in Brazilian *reais*, any such dividend will be included in your gross income in an amount equal to the U.S. dollar value of Brazilian *reais* on the date of receipt by you or, in the case of ADS, the depository, regardless of whether or when the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

If you are a U.S. Holder, dividends paid to you with respect to your shares or ADS will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Brazilian tax withheld on dividends may be credited against your U.S. federal income tax liability. Instead of claiming a credit, you may, at your election, deduct such otherwise creditable Brazilian taxes in computing your taxable income, subject to generally applicable limitations under U.S. law. The rules relating to foreign tax credits and deductions are very complex, and recent changes to the foreign tax credit rules introduced additional requirements and limitations (though the application of some of these changes has been deferred pending further guidance). Therefore, you should consult your own tax advisor regarding the applicability of these rules in your particular circumstances.

Sale or Exchange or other Taxable Disposition of Shares or ADS

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange or other taxable disposition of our shares or ADS measured by the difference between the U.S. dollar value of the amount realized and the U.S. Holder's adjusted tax basis in the shares or ADS. Any gain or loss will be long-term capital gain or loss if the shares or ADS have been held for more than one year. Long-term capital gains of certain U.S. holders (including individuals) are eligible for reduced rates of United States federal income taxation. The deductibility of capital losses is subject to certain limitations under the Code.

If Brazilian tax is withheld on the sale or other disposition of a share or ADS, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale or other disposition before deduction of the Brazilian tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of a share or ADS generally will be treated as United States source income or loss for United States foreign tax credit purposes. In the case of a disposition of a share that is subject to Brazilian tax imposed on the gain (or, in the case of a deposit, in exchange for an ADS or share, as the case may be, that is not registered pursuant to Resolution No. 4,373, on which a Brazilian capital gains tax is imposed), the U.S. Holder is likely not to be able to claim a foreign tax credit for that Brazilian tax. The U.S. foreign tax credit rules are complex and recent changes to the foreign tax credit rules introduced additional requirements and limitations. U.S. Holders should consult their own advisors with respect to the application of these rules to their particular circumstances, including whether they can take a deduction in lieu of claiming a foreign tax credit.

Passive Foreign Investment Company Rules

In general, a non-U.S. corporation is a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder holds stock in the non-U.S. corporation, at least 75% of its gross income is passive income or at least 50% of the value of its assets (determined on the basis of a quarterly average) produce passive income or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, rents, royalties and gains from the disposition of investment assets (subject to various exceptions). Based upon the nature of our current and projected income, assets and activities, we do not believe the shares or ADS were for the preceding taxable year, nor do we expect them to be, shares of a PFIC for United States federal income tax purposes. However, the determination of whether the shares or ADS constitute shares of a PFIC is a factual determination made annually and thus may be subject to change. Because these determinations are based on the nature of our income and assets from time to time, as well as certain items that are not directly in our control, such as the value of our shares and ADS, and involve the application of complex tax rules the application of which to our business is not always entirely clear, no assurances can be provided that we will not be considered a PFIC for the current or any past or future tax year.