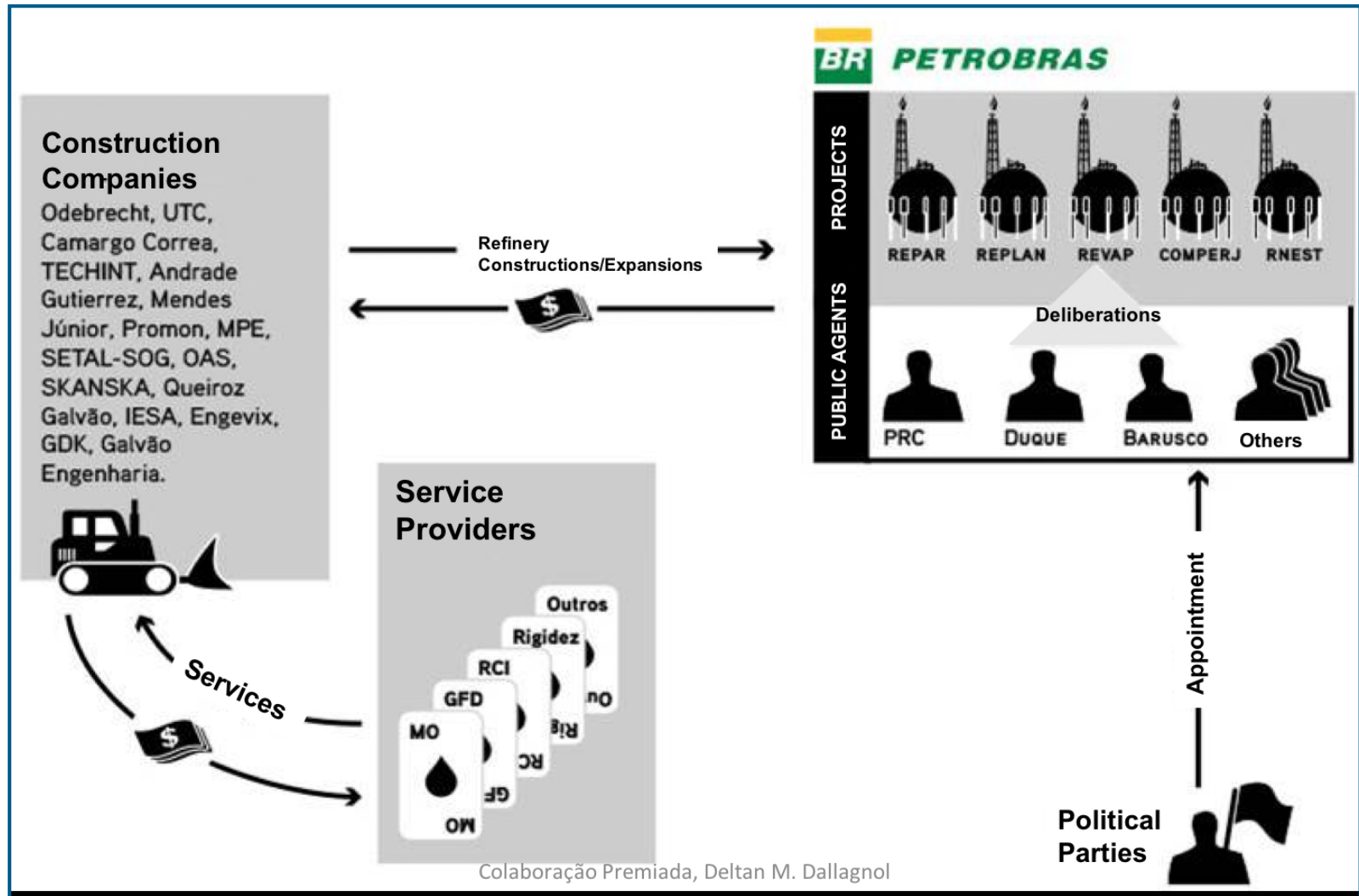


“Operation Car Wash”

Navigating the Expanding Investigation and Realizing Emerging Investment Opportunities

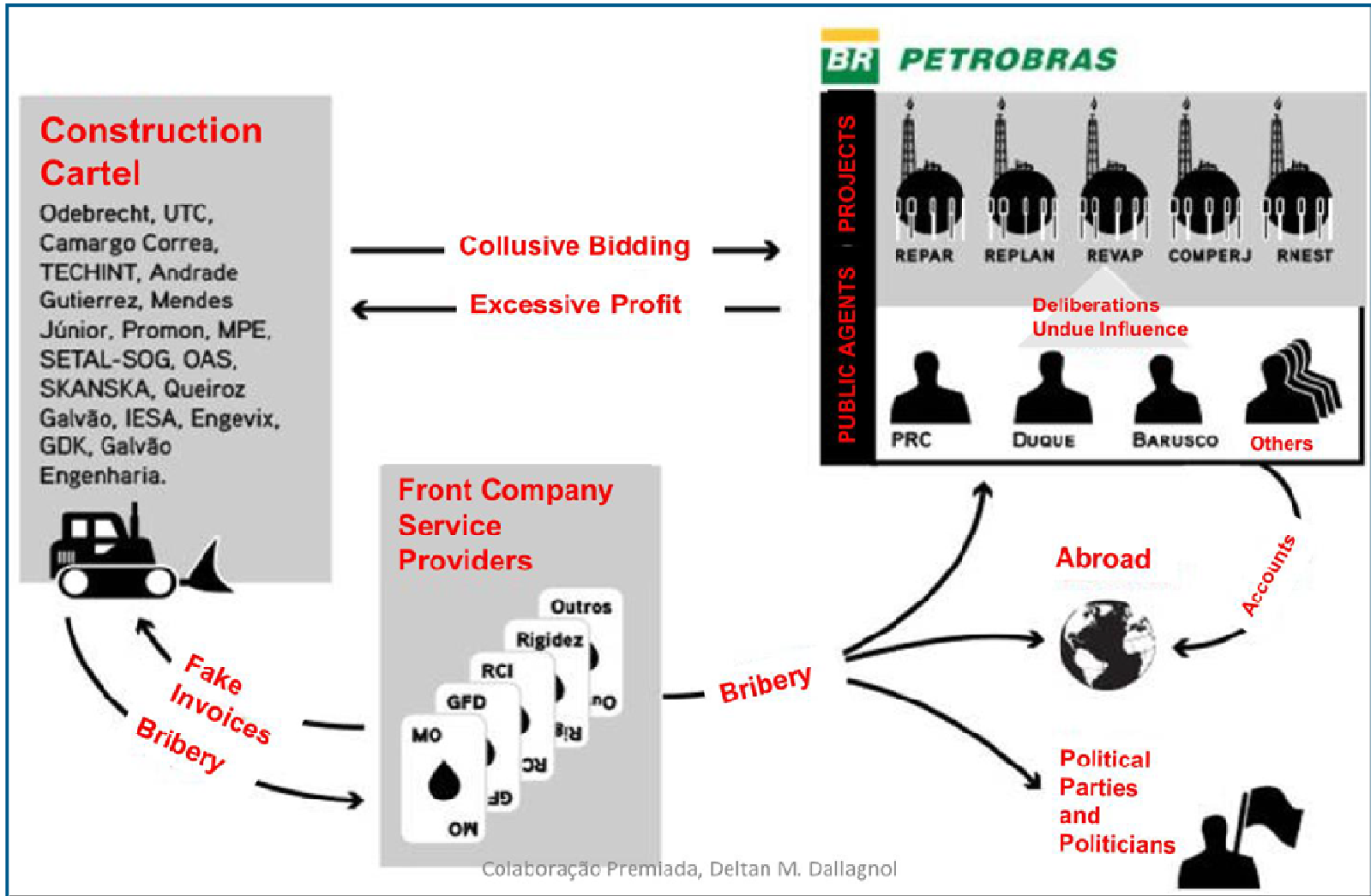
Houston
April 5, 2016

“Operation Car Wash”: Overview of Petrobras Scheme



Source : Paulo Roberto Galvao, *Federal Prosecutor Lava Jato Task Force*, Federal Prosecution Service – Brazil

“Operation Car Wash”: Overview of Petrobras Scheme



Source : Paulo Roberto Galvao, *Federal Prosecutor* Lava Jato Task Force, Federal Prosecution Service – Brazil

Session One

NAVIGATING THE EXPANDING INVESTIGATION

Navigating the Expanding Investigation

- The latest developments: An overview and impact assessment of recent events.
- “Car Wash” beyond Petrobras: The full investigative scope and corresponding enforcement risk (including Eletrobras and Eletronuclear).
- “Car Wash” beyond Brazil: Impacts across Latin America and the status of cooperation and coordination between Brazil and the global enforcement community (including the DOJ and the SEC).

Navigating the Expanding Investigation

- The enforcement toolkit: Why compliance with the Clean Company Act alone is not enough and what to expect next.
- Leniency agreements and plea bargaining in Brazil: What you need to know.

Brazilian Integrity Laws

	Clean Company Act Law 12.846, of 2013	Antitrust Act Law 12.529, of 2011	Court of Auditors Act Law 8.433, of 1992	Public Improbity Act Law 8.429 ,de 1992
Conducts	Corruption of civil servants and fraud in public tender or contract. Article 5	Collusion, bid-rigging, anti-competitive conducts. Article 36	Embezzlement or any irregularity that results in damage to the Treasury. Unlawful or wasteful management. Articles 46 and 58	Corruption or illicit enrichment, damage to the Treasury or violation of public administration principles. Articles 9, 10 and 11
Corporate liability	YES	YES	YES	YES
Federal Enforcement Agencies	<ul style="list-style-type: none"> i. Attorney General ii. Comptroller General iii. Federal Accountability Court iv. Federal Prosecutor's Office v. Petrobras 	<ul style="list-style-type: none"> i. Antitrust Agency ii. Federal Prosecutor's Office iii. Petrobras 	<ul style="list-style-type: none"> i. Court of Auditors 	<ul style="list-style-type: none"> i. Attorney General ii. Federal Prosecutor's office iii. Petrobras
Penalties	<ul style="list-style-type: none"> 1. Fines of up to 20% of annual revenues 2. Debarment 3. Asset forfeiture 4. Suspension or interdiction of activities; 5. Compulsory dissolution; 6. Ineligibility for subsidies (tax credits, aid, donations or loans) 	<ul style="list-style-type: none"> 1. Fines of up to 20% of annual revenues 2. Debarment 	<ul style="list-style-type: none"> 1. Fines 2. Debarment 	<ul style="list-style-type: none"> 1. Fines 2. Debarment

Brazilian Integrity Laws

	Clean Company Act Law 12.846, of 2013	Antitrust Act Law 12.529, of 2011	Court of Auditors Act Law 8.433, of 1992	Public Improbability Act Law 8.429 ,de 1992
Damages and reparation in addition to fines?	YES	YES	YES	YES
Leniency Agreements	YES, without criminal amnesty	YES, with criminal amnesty and cessation of conduct	YES, through the Clean Company Act	YES, through settlement with federal agencies
Liability Standard	Strict, joint, several and extendable to corporate group and JV partners	Strict, joint, several and extendable to corporate group	Possible by means of court decision	Possible
Successor Liability	Limited to financial penalties and capped at the value of assets acquired Unlimited in case of fraudulent M&A.	Possible	Possible	Not expressly provided for, but possible in relation to fines and damages.
Economic Group Liability	Limited to financial penalties	Joint and Several	Not expressly provided for, corporate liability must be expressly stated in the court's decision	Not expressly provided for

Brazilian Constitution

- Art. 37. The government including all entities of the federation, Federal, State and Municipal levels shall be bound by the principles of legality, impartiality, morality, publicity and efficiency, as well as by the following:
 - § 5º The law shall establish the statute of limitations for illegalities that cause damage to the treasury, whether caused by public servants or not; except for what pertains to damage claims.

Normative Instruction – Federal Court of Auditors

- Normative Instruction - TCU nº 74 – requires ratification of federal leniency agreements by the Court of Auditors.

Challenges

- Absence of a common understanding by all enforcement agencies in regards to the Clean Company Act.
- Competition for protagonism between enforcement agencies.
- Difficulties in standardizing damage calculation, disgorgements and forfeitures.
- Political stalemate.

Facing the Challenges

- Who to approach first: Comptroller General and Federal Prosecutor's Office.
- What to offer: Effective collaboration and reparation.
- How address it:
 1. By the Company: Leniency agreement with the Comptroller General's Office and Federal Prosecutor's Office as provided in the Clean Company Act.
 2. By the individual criminally charged: Plea bargain provided by the Law 12.850, of 2013.

Ministro Benjamin Zimmler – TCU

Commenting Camargo Correa's leniency agreement:

“A leniency agreement worth R\$ 700 million was considered to be extraordinarily high. As a matter of fact, for a leniency agreement, it is very significant. But it is insignificant in view of the potential damage to the Treasury that Camargo Correa, for instance, may have caused only in the Abreu and Lima Refinery. Its coking plant had R\$ 700 million in irregularities, which equals the leniency agreement fines. I am not sure if the Prosecutors or Judge Moro himself have grasped the dimensions of the iceberg. Maybe they have only discovered its tip. That is why the Court must act as quickly as possible.”

Navigating the Expanding Investigation

- Proactive internal investigations: Addressing key questions, including:
 - What are my competitors doing?
 - What are they finding?
 - How do I scope my review?
 - What do we do with the results?

When Prevention Turns to Detection: S.P.E.A.R.

When Prevention Turns to Detection: S.P.E.A.R.

Advice in situations of a potential suspect or improper payment:

Stabilize

Preserve

Evaluate/Investigate

Advocacy/Alignment

Remediate

When Prevention Turns to Detection: S.P.E.A.R.

Step	Key Action Items Include:
Stabilize	Stop ongoing conduct Develop interim business protocols
Preserve	Halt regular IT overwrite/retention schedule Issue preservation notices/legal hold memos Collect key materials
Evaluate/Investigate	Define/execute investigative scope & compile findings Conduct root cause analysis & apply governing law Determine next steps, incl. disclosure pros/cons
Advocacy/Alignment	Advocacy: Credibility/Advocacy/Alignment
Remediate	Evaluate potential personnel actions Prepare compliance program recommendations

Session Two

REALIZING EMERGING INVESTMENT OPPORTUNITIES

Realizing Emerging Investment Opportunities

The Rio Times News in English for Rio de Janeiro and Brazil

SÃO PAULO, BRAZIL – In four years time Petrobras will have a smaller structure but be much more profitable than today, assured the oil giant's CEO, Aldemir Bendine on Tuesday, adding that the divestment program adopted by the company this year will be increased next year.



Petrobras CEO Aldemir Bendine, photo courtesy of Petrobras

"I can guarantee that the divestment next year will be stronger and greater than one can imagine," he said during an end-of-the-year breakfast with reporters. "We have no doubts that we will reach the planned value due to the negotiations underway."

For Bendine the company will come out of this crisis strengthened and although it will be smaller than it is, it will become 'more profitable than today with greater operational capacity'.

The CEO said that the company was able to surprise

Brazil's Petrobras Divestment Program to Increase in 2016

By Lise Alves on December 16, 2015



CEO says oil giant will have a smaller structure but be much more profitable than today.

In October Petrobras, announced it was reducing its forecast for investments in 2015-2016 by US\$11 billion and operational expenditures by US\$7 billion due to the decline of international oil prices and the recent appreciation of the U.S. dollar.

The reduction in investments from US\$37.1 billion in 2014 to US\$25 billion this year is expected to be responsible for at least a two percent contraction in the country's Gross Domestic Product (GDP) for 2015 according to government studies.

Realizing Emerging Investment Opportunities

Business and Management Plan 2015-2019

Press Conference
June 29th, 2015



update or revise any forward-
of new information or future
for 2015 on are estimates or

expressly qualified in their
t, and you should not place
atement contained in this

SERVES:

ESTORS

entation, such as oil and gas
o present in documents filed
Exchange Commission (SEC)
n S-K because such terms do
ossible reserves under Rule 4-



social developments, receipt of governmental approvals and licenses
and our ability to obtain financing.

Realizing Emerging Investment Opportunities

Business and Mar
2015-2019

Press Conference
June 29th, 2015

Divestments and Restructurings



2015-2016	Divestments revised to US\$ 15.1 billion from US\$ 13.7 billion
2017-2018	US\$ 42.6 billion as follows: <ul style="list-style-type: none">▪ Businesses restructurings▪ Demobilization of assets▪ Additional divestments

Realizing Emerging Investment Opportunities

- Sizing potential liabilities: How are damages, disgorgements and forfeitures being calculated?
- Approaching the Brazilian government: Who can you talk to and what comfort can you get about your planned investment?
- Not buying a problem: Practical advice on conducting successful due diligence in the current environment.
- Living with your results: Post-acquisition compliance implementation and integration.

Enforcement Statistics To Date

- 1016 judicial proceedings
- 396 search warrants
- 99 coercive hearing warrants
- 119 arrest warrants,
113 individuals arrested
- 232 individuals under
investigation
- 16 companies involved
- 86 international assistance
demands
- 40 plea/cooperation agreements
- 36 formal charges against 179
people for the following crimes:
corruption, money laundering,
organized crime, financial crimes,
and drug trafficking
- 5 civil lawsuits against 37
individuals and companies
demanding devolution of \$1.1
billion
- Crimes charged to date involve
bribery of approximately \$1.6
billion, \$717 million of which has
been recovered or guaranteed
- \$614 million in assets frozen
- 93 convicted defendants

Factual Developments

- Petrobras is alleged to have paid politicians for contracts, using money skimmed from company profits.
 - Kickbacks may total as much as \$1.6 million.
- The country's most senior politicians are implicated, including recently re-elected President Dilma Rousseff, who previously headed the Petrobras Board of Directors.
 - While there is no evidence that Rousseff personally benefited from the illegal payments, the majority of alleged events occurred while she held this position at Petrobras.
- At the G20 summit in Australia, President Dilma Rousseff stated that the “Operation Carwash” scandal “may change the country forever”.

Timeline of Events

July 2013:

“Operation Car Wash” is secretly launched by federal police, focusing on illegal money brokers.

November 14, 2015:

Brazil’s Federal Police execute 45 dawn raids and arrest several senior executives of major Brazilian companies, including Petrobras. During the raids, police seize thousands of documents to support the criminal investigation.

December 10, 2014:

Attorney General recommends removal of Petrobras’s management.

March 2014:

“Operation Car Wash” goes public. Former Petrobras director Paulo Roberto Costa and black-market currency dealer Alberto Yousef are arrested for their involvement. Both give confessions implicating numerous others in the scandal.

December 2014:

Several indictments filed, and defendants include high-ranking executives of major Brazilian construction companies.

December 30, 2014:

23 companies related to “Operation Car Wash” are temporarily banned from contracting with Petrobras and cannot participate in Petrobras’s bids.

Timeline of Events

January 14, 2015:

Brazil arrests the former Director of Petrobras's International Division.

February 5, 2015:

Brazil issues 62 warrants to arrest and question suspects, freeze assets, and seize corporate and personal documents.

February 27, 2015:

Two construction company executives enter into plea agreements, becoming the 14th and 15th individuals to admit guilt.

February 4, 2015:

Petrobras CEO Graca Foster and five other officers resign.

February 5, 2015:

Party Treasurer detained for questioning after former Petrobras executive accuses him of receiving illegal donations.

Timeline of Events

March 2015:

New Congressional Investigations Committee issues over 450 subpoenas for documents and testimony.

April 22, 2015:

Former Petrobras Director of Refining and Supply Costa is convicted of money laundering and racketing and is sentenced to one year of house arrest.

March 3, 2015:

Brazil's Attorney General files investigation requests before the Supreme Court against sitting politicians, which includes indictments of the Presidents of Congress (Senate) and the House of Representatives.

Recent Headlines

The Rio Times

News in English for Rio de Janeiro and Brazil

er
the start of the largest corruption investigations Brazil has ever witnessed, the Lava Jato (Carwash) has rendered 93 convictions and returned to the government more than R\$2.9 billion worth of proceeds from bribes and money laundering. The Federal Public Ministry however requests the retrieval of more than R\$ 21.8 billion worth from these bribes.



Businessman Alberto Youssef gave names of other participants of corruption scheme in plea-bargaining agreement with prosecutors, photo by Valter Campanato/Agencia Brasil.

Data from prosecutors involved in the case report more than R\$6.4 billion had been given to former directors of state-owned oil giant Petrobras by some of the largest construction companies in the country for contract benefits.

The Lava Jato scandal led to some of the largest losses registered in Petrobras' history and significantly affected Brazil's GDP results in 2015.

According to the IBGE, Brazil's GDP registered a decline of 3.8 percent in 2015, totaling R\$5.904 trillion, the

Lava Jato Case in Brazil Retrieves Billions in First Two Years

The Ministry of Finance stated that in the last few years Petrobras has been responsible for a significant part of the country's investments.

The study shows that from 2010 to 2014 the oil company was responsible for 8.8 percent of all investments made in Brazil, equivalent to 1.8 percent of the GDP.

The Lava Jato investigation started in 2009 by federal judge Sergio Moro, in Curitiba, when Moro started to investigate the financial operations of black market money dealer, Alberto Yousseff.

Youssef, who has been identified as the main character in the corruption and money laundering scandal involving Petrobras contracts, was arrested in March 2014 by the Federal Police in Curitiba. Since his arrest he has named others involved in the scheme.

Recent Headlines



Business | Tue Mar 8, 2016 3:40pm EST

Former Odebrecht CEO sentenced in Brazil kickback case

RIO DE JANEIRO | BY PEDRO FONSECA

Marcelo Odebrecht, the former chief executive of Latin America's largest construction company, was sentenced on Tuesday to 19 years in prison for his role in an escalating corruption scandal rattling the government of President Dilma Rousseff.

Odebrecht, who until his arrest last June ran his family's engineering conglomerate Odebrecht SA [ODBES.UL], was convicted of bribery, money laundering and organized crime.

The conviction for Odebrecht, the 47-year-old grandson of the company's founder, drew more attention to a news report that he could follow other recently convicted executives in striking a plea bargain to ease his punishment.

Odebrecht's defense lawyer Nabor Bulhoes called the conviction "a grave judicial error" in a statement vowing to appeal the judgment.

Odebrecht is considered a pivotal figure because of his close ties to current and former political leaders, including Rousseff's predecessor and mentor, former President Luiz Inacio Lula da Silva.

Recent Headlines

THE WALL STREET JOURNAL.

mers visit

Odebrecht Says It Is Ready to Testify in Brazil's Petrobras Probe

Firm says its ex-CEO, other jailed executives are prepared to turn state's evidence in massive corruption investigation



A sign of the Odebrecht SA construction conglomerate in Rio de Janeiro, Brazil. PHOTO: REUTERS

By MARLA DICKERSON and LUCIANA MAGALHAES

Updated March 23, 2016 10:36 p.m. ET

SÃO PAULO—Jailed billionaire construction mogul Marcelo Odebrecht is ready to turn state's evidence in a massive Brazilian corruption probe that threatens to upend the government of President Dilma Rousseff and land her predecessor Luiz Inácio Lula da Silva in jail.

Brazilian construction giant Odebrecht SA on Wednesday confirmed that Mr. Odebrecht, its former chief executive, and other company employees are prepared to tell prosecutors what they know about a supplier cartel that siphoned billions from Brazil's state oil company and channeled it into the pockets of crooked politicians.

PANELIST BIOS

Luís Inácio Adams



- Luís Inácio Adams is the former Attorney General of Brazil.

Alexandre R. Chequer



- Alexandre Chequer is a partner of Mayer Brown and of Tauil & Chequer Advogados in association with Mayer Brown. He is the Co-lead of the Energy group at Mayer Brown and global lead of the Oil & Gas group. He focuses on mergers and acquisitions, joint ventures, projects and infrastructure development. The oil and gas development projects include LNG, refinery, petrochemical, FPSO and platform-based offshore developments, and integrated field development, pipeline, and processing projects), mergers and acquisition (including auction and negotiated sales and property exchanges), and energy-based financings (including project financings, reserve-based loans, and production payments).
- Alexandre has experience with the structuring, documentation, and negotiation of oil and gas transactions that range from host government arrangements, farm-ins, and acquisitions to shareholder agreements, operating agreements, and unitizations to EPC, production handling, transportation, and sales contracts and financing arrangements.
- He has assisted clients with political and regulatory risk analyses, investment management and the structuring of financing arrangements in the energy industry.
- Reflecting his pre-eminence in project development and business transactions, he has been selected for "Leaders in their Field" recognition in the areas of corporate/M&A, energy and natural resources and oil and gas law by *Chambers Latin America* (2007 through 2015). He also has received "Leaders in their Field" designations (general business law and overseas specialists) from *Chambers Global* (2007 through 2015). In addition, Alexandre has been listed in *The International Who's Who of Oil and Gas Lawyers* (2007 through 2014) and *Legal 500* in 2013 and 2014.

Laurence Urgenson



- Larry Urgenson is a co-leader of the firms' Global Anti-Corruption & FCPA practice. Larry is widely recognized as one of the preeminent FCPA authorities in the United States. He has represented corporate and individual clients in FCPA and anti-corruption matters worldwide for nearly four decades. As noted in *Chambers*, Larry "is highly esteemed for his FCPA practice, which includes advising on statutory compliance and corporate representation in government investigations" (USA 2015), is "known for his experience in high-stakes investigations" (USA 2013) and "offers incredible knowledge in the FCPA area . . . he has great judgment" (USA 2012). Clients praise Larry and state that, "There simply isn't a more client-sensitive strategist out there." (*Chambers Global* 2016)
- Recently, Larry was named *Benchmark* Litigation Star 2014, 2015. He was also recognized nationally as one of 8 FCPA Masters at the first annual *Main Justice* Best FCPA Lawyers Client Service Awards in 2013. Additionally, he is a sought-after writer and speaker on white collar matters and is currently the Chairman of the Board of Editors of the *Business Crimes Bulletin*.
- Prior to joining private practice, Larry held key leadership positions at the US Department of Justice (DOJ). As the DOJ's Acting Deputy Assistant Attorney General, he primarily supervised the Fraud Section, General Litigation and Legal Advice Section, and Office of Policy and Management Analysis. Additionally, he testified before various congressional committees regarding the Department's white collar crime initiatives. He also served as the DOJ's Chief of the Fraud Section for the Criminal Division, where he advised US Attorneys on white collar crime issues, supervised the prosecution of bank, securities, and defense procurement frauds, and oversaw the FCPA Unit and the Defense Procurement Fraud Unit. Earlier in his career, Larry served as a Chief Assistant US Attorney for the Eastern District of New York. Larry received the Attorney General's Award for Distinguished Service and the Edmund J. Randolph award for Outstanding Service.

Bernardo de Queiroz Weaver



- Bernardo Weaver is a partner in the Anti-Corruption & Compliance group in the Litigation & Dispute Resolution practice of Taül & Chequer Advogados in the São Paulo office. Bernardo has extensive experience with complex cases of fraud and corruption in over 20 different jurisdictions from his previous position in Washington D.C. He has advised and represented clients in a broad range of matters related to anti-corruption and compliance, including pre-acquisition due diligence and risk assessment, development and implementation of compliance programs as well as the litigation of administrative and criminal matters.
- Alongside DOJ and SEC officials, Bernardo trained the Brazilian Federal Prosecutor's and Comptroller General's Offices for the enforcement of the Clean Company Act and related prosecutions. At Harvard he worked for former US Deputy Attorney General Philip B. Heymann on corruption and law enforcement issues in Latin America. He has lectured on anti-corruption laws, comparative criminal procedure and related topics at Harvard, American University and Fundação Getúlio Vargas.