

05/08/2006

CONSOLIDATED RECOVERY PLAN

of

“VARIG,” S.A. (Viação Aérea Rio Grandense)

Rio Sul Linhas Aéreas S.A.

Nordeste Linhas Aéreas S.A.

Undergoing Judicial Recovery

**AS CONSOLIDATED ON
5/8/2006**

CONSOLIDATED JUDICIAL RECOVERY PLANI – DEFINITIONS AND ACRONYMS

1. Names and acronyms used in the text:

THE COMPANIES' SHARES	Has the meaning attributed to it in item 17
CONTROL FIP ADMINISTRATOR	First-line financial institution chosen by the INTERIM MANAGER to exercise the functions attributed to it in the REGULATIONS
AERUS	Instituto AERUS de Seguridade Social
AGC OF 12/19/2005	The General Assembly of Creditors held on 12/19/2005
AGC OF 2/13/2006	General Assembly of Creditors convened on February 13, 2006 and concluded on February 23, 2006, with the exclusive agenda to review and ratify the wording of the legal documents relative to the PLAN, as per p. 14,072 of the PROCEEDING
AGC OF 5/8/2006	General Assembly of Creditors held on May 8, 2006
FIDUCIARY AGENT	Has the meaning contained in item 19 of this document
ANAC	Brazilian National Civil Aviation Agency
FINAL PRESENTATION	Slides presented by VARIG's President at the AGC of 12/19/2005 (Annex I)
NOMINATIONS ASSEMBLY	Assembly of Creditors held on 5/5/2006 to choose the FIP-CONTROL MANAGER and the FIDUCIARY AGENT
APPRAISER	First-line company in charge of appraising the COMPANIES' SHARES
BANK CREDIT NOTE	Bank credit notes issued in accordance with item 10
BANK CREDIT NOTE CERTIFICATES	Bank Credit Note Certificates issued in accordance with item 10
CLASS I	Group of CLASS-I CREDITORS
CLASS II	Group of CLASS-II CREDITORS
CLASSE III	Group of CLASS-III CREDITORS
CLASSES OF CREDITORS	CLASSES I, II and III together
COMPANIES	VARIG, RIO SUL and NORDESTE, together
CREDITORS' COMMITTEE	Committee of Creditors constituted according to article 26 <i>et seq</i> of the LRE
DEBT ACKNOWLEDGMENT	The private debt acknowledgment instrument to be signed between the COMPANIES and the CREDITORS pursuant to item 10.d) of this CONSOLIDATED PLAN, as well as between the COMPANIES and holders of OUT-OF-

	COMPOSITION CREDITS, provided they are clear and legal, with the purpose of substantiating and updating the value of the CREDITS and/or OUT-OF-COMPOSITION CREDITS, which will have substantially the same standard-draft form as Annex IV to this CONSOLIDATED PLAN
CLASS-A QUOTAS	The Class-A CONTROL-FIP quotas, as defined in the REGULATIONS
CLASS-B QUOTAS	The Class-B CONTROL-FIP quotas, as defined in the REGULATIONS
CLASS-C QUOTAS	The Class-C CONTROL-FIP quotas, as defined in the REGULATIONS
OUT-OF-COMPOSITION CREDITS	Has the meaning established in item 9 a) of this document
CREDITS	The credits against the COMPANIES subject to JUDICIAL RECOVERY
CREDITORS	CREDITORS of CLASS I, II and III, together, as well as their successors and assignees, for whatever reason
CLASS-I CREDITORS	Holders of credits derived from the labor laws or work accidents
CLASS-II CREDITORS	Holders of secured credits
CLASS-III CREDITORS	Holders of unsecured credits with special, general or subordinate credits
CVM	The Brazilian Securities and Exchange Commission
DETAILING	Wording of legal documents relative to the PLAN, as approved in the AGC of 2/13/2006
FIP	Investment Fund in Shares
CONTROL-FIP	The FIP that will hold shareholding control of the COMPANIES
CREDIT-I FIP	The FIP reserved for the CLASS-I CREDITORS
CREDIT-II FIP	The FIP reserved for the CLASS-II CREDITORS
CREDIT-III FIP	The FIP reserved for the CLASS-III CREDITORS
CREDIT FIPs	CREDIT-I, CREDIT-II and CREDIT-III FIPs, together
FRB-Par	FRB-Par Investimentos S.A.
FOUNDATION	The Ruben Berta Foundation
MANAGER OF THE CONTROL FIP	Manager of the CONTROL FIP is the institution chosen at the NOMINATIONS ASSEMBLY to exercise the functions attributed by the REGULATIONS
INTERIM MANAGER	The person in charge of exercising the Interim Management pursuant to p. 14,072 of the PROCESS

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INTERVENING FINANCIAL INSTITUTION	Has the meaning contained in item 15 b)
TRUSTEE FINANCIAL INSTITUTION	Has the meaning contained in item 16
PUBLIC OFFERING LEADER	An institution that is a member of the Brazilian system of distribution of securities, hired by the CONTROL FIP ADMINISTRATOR to conduct the PUBLIC OFFERING OF CLASS-B QUOTAS and DISTRIBUTION TO THE CREDITORS
TAX ADDITION	Precise increase in the obligation so that after all mandatory taxes are withheld, the net amount will reflect the net amount originally contracted
IN/CVM 391	CVM Regulatory Instruction no. 391 of 7/16/2003
LRE	Law no. 11,101 of 2/9/2005
NORDESTE	Nordeste Linhas Aéreas S.A.
PUBLIC OFFERING OF CLASS-B QUOTAS	Has the meaning attributed in item 32
CONSOLIDATED PLAN	This document, which consolidates the PLAN and the DETAILING, and prevails over them as well as over any other documents or understandings
PLAN	The Judicial Recovery Plan approved in the AGC of 12/19/2005
PROCEEDING	Proceeding no. 2005,001,072887-7, underway before the 8th Corporate Court of the District of the State Capital of the State of Rio de Janeiro
DEFINITIVE LIST OF CREDITORS	The General List of Creditors signed by the Judge and by the Judicial Administrator, in accordance with Article 14 of the LRE or the Sole Paragraph of Article 18 of the LRE
DOCUMENTARY CREDIT DEPOSIT RECEIPT	Has the meaning attributed in item 16
JUDICIAL RECOVERY	The judicial recovery procedure substantiated in the PROCEEDING
REGULATIONS	The CONTROL FIP regulations, a draft of which is contained in Annex VI to this CONSOLIDATED PLAN
PRIOR MEETING OF CREDITORS	Meeting of the CREDITORS called by the FIDUCIARY AGENT pursuant to the terms described in item 22 of this CONSOLIDATED PLAN, to determine how the FIDUCIARY AGENT should vote at a General Assembly of the CONTROL FIP's Quota Holders in its capacity as quota holder of CLASS-C QUOTAS
RIO SUL	Rio Sul Linhas Aéreas S.A.
QUALIFIED SECURITIES	The DEBT ACKNOWLEDGMENTS, the

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	DOCUMENTARY CREDIT DEPOSIT RECEIPTS, the BANK CREDIT NOTES or the BANK CREDIT NOTE CERTIFICATES
DOMESTIC OPERATING UNIT	Has the meaning attributed in item 35 (ii).
INTEGRAL OPERATING UNIT	Has the meaning attributed in item 35 (i).
VARIG	VARIG Viação Aérea Rio Grandense S.A.
VPTA	Varig Participações em Transportes Aéreos S.A.

II - INTRODUCTION

A – Approval of the PLAN

2. The AGC of 12/19/2005 approved the PLAN, as shown in the minutes of the meeting drawn up by the Meeting Secretary and signed by the Judicial Administrator, in his capacity as [Meeting] Chairman, and by the legal number of CREDITORS, pursuant to art. 45 of the LRE and for the purposes and effects of the terms of art. 59 *et seq* of the LRE.
3. As the PLAN establishes, Marcelo Bottini, in his capacity as INTERIM MANAGER, was attributed with the task of obtaining the final wording of the legal documents relative to the PLAN, for review and subsequent ratification in the AGC of 2/13/2006.
4. This document consolidates the PLAN and its DETAILING, and also ratifies all the acts performed to date as a result of the PLAN and the DETAILING.

III – INTERIM MANAGEMENT

5. The PLAN and the DETAILING created the function of INTERIM MANAGER, who will be in charge of carrying out the following:
 - a) Corporate planning and reorganization, including, after ratification of the DETAILING, obtaining the necessary authorizations and approvals from the CVM and ANAC, without detriment to any other authorizations that may be required; and
 - b) Performing the acts attributed to him according to the PLAN, necessary for its implementation, until his function is eliminated; and
 - c) Contracting, by determination of the CREDITORS, the firm of Alvarez & Marsal Consultoria Empresarial do Brasil Ltda. to restructure the COMPANIES.

6. The function of INTERIM MANAGER will be eliminated when the CONTROL FIP invests in the ownership of the COMPANIES' SHARES and is fully able to exercise the voting rights derived therefrom.

IV – OPERATIONAL RESTRUCTURING AND ECONOMIC AND FINANCIAL PROJECTIONS

7. The operating plan contemplates the measures set forth in the Technical-Operational Model for the Segregation and Operation of *Varig Internacional* and *Varig Doméstica*, Annex III to this CONSOLIDATED PLAN. In relation to the work force, the following precepts will be pursued and followed:
 - (a) Adaptation of the COMPANIES' personnel staffs to market efficiency standards, in accordance with the Collective Bargaining Agreement to be negotiated in accordance with art. 50, VIII, of the LRE;
 - (b) If more personnel are needed, the COMPANIES, as well as their operating units segregated in accordance with art. 60 of the LRE, must utilize the excess personnel resulting from the work force reduction.
8. The revised economic-financial projections are shown in Annex VIII and take into account the adjustments of this CONSOLIDATED PLAN. Approval of the CONSOLIDATED PLAN does not imply the assumption of an obligation by the CREDITORS, including vendor creditors, to participate in a loan or other form of granting of credit to the COMPANIES.

V – RENEGOTIATION OF BANKRUPTCY COMPOSITION CREDITORS' DEBTS

9. This CONSOLIDATED PLAN incorporates the forms, conditions and payment dates approved in the AGC of 5/8/2006 and listed herein in detail in the following paragraphs, it being agreed that:
 - a) The credits constituted after June 17, 2005, even if derived from contracts prior to that date, are out-of-creditor-composition credits and must be paid on their due date, in accordance with the conditions established in the contracts with the COMPANIES, with application of the terms of art. 67 of the LRE to those credits ("OUT-OF-COMPOSITION CREDITS").
 - b) The owners of OUT-OF-COMPOSITION CREDITS may also obtain a DEBT ACKNOWLEDGMENT from the COMPANIES, and must, for that purpose, follow the operating procedures to be disclosed in due time by the COMPANIES.
10. Provisions common to all credits renegotiated within the CONSOLIDATED PLAN:

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- a) all credits that were substituted based on the PLAN and/or the CONSOLIDATED PLAN shall be binding on the COMPANIES and all the CREDITORS, without changing the guarantees, as determined by art. 59 of the LRE, except when stated otherwise in the CONSOLIDATED PLAN;
- b) the ADDED-TAX obligations pertaining to the CREDITS shall be maintained, in so far as they are foreseen in the original contracts and their respective amendments;
- c) all the obligations not expressly renegotiated within the JUDICIAL RECOVERY process shall be maintained in the manner established in the original contracts and their respective amendments, including payment procedures and currency-conversion criteria;
- d) the CREDITORS may, at their exclusive discretion, obtain from the COMPANIES a DEBT ACKNOWLEDGMENT document, without being obliged to perform any future acts aimed at the issue of BANK CREDIT NOTES, and must, for that purpose, follow the operating procedures to be disclosed in due time by the COMPANIES;
 - i. In the event the COMPANIES should go bankrupt within 2 (two) years of the granting of JUDICIAL RECOVERY, the rights and guarantees of the CREDITORS shall be reconstituted under the conditions originally contracted, as described in the DEBT ACKNOWLEDGMENT under "Origin of the Debt" and "Guarantees," even if they have opted for the issue of any of the instruments inserted on the list of QUALIFIED SECURITIES.
- e) After obtaining the DEBT ACKNOWLEDGMENT referred to in item d), above, the CREDITORS shall also have the option, at their exclusive discretion, to request the issue of a BANK CREDIT NOTE, BANK CREDIT NOTE CERTIFICATE or DOCUMENTARY BANK CREDIT RECEIPT, as established in Chapter VI of this CONSOLIDATED PLAN, based on their CREDIT;
- f) The QUALIFIED SECURITIES shall be accepted for trading on the over-the-counter market (fixed income), and will be the specific instrument for effecting the conversion described in detail in Chapter VII of this CONSOLIDATED PLAN.

11. Conditions applicable to the CLASS-I CREDITORS:

- a) All Airline Workers will be paid off without altering the original value or conditions for the payment of their CREDITS, within the time limit set forth in art. 54, *caput*, of the LRE, namely, within no more than one year of the date of approval of the PLAN, it being agreed that those who wish may have their CREDITS, both composition and out-of-composition credits, converted to payment in the judicial sale of the FULL

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OPERATING UNIT and/or DOMESTIC OPERATING UNIT, or even via adherence to the CREDIT-I FIP, under the terms defined in this CONSOLIDATED PLAN.

- b) All Pilots shall be paid off in accordance with the following conditions:
- i. FGTS: in accordance with the contract already entered into with Caixa Econômica Federal, or in cash, in the cases of withdrawals stipulated in the fund's regulations.
 - ii. PIA: under the same conditions originally agreed to;
 - iii. The Pilots' CREDITS, except for those from FGTS and PIA: the conversion of composition CREDITS and out-of-composition CREDITS, and/or the company's own funds of any nature as payment via a bid in the judicial sale of the DOMESTIC OPERATING UNIT and/or FULL OPERATING UNIT, or, in CREDIT-I FIP quotas under the terms defined in this CONSOLIDATED PLAN or receipt within 3 (three) years, for their par value, according to an eventual Collective Bargaining Agreement to be entered into within no more than 30 (thirty) days of the date of approval of this instrument or also within 1 (one) year, in accordance with Art. 54, *caput*, of the LRE.

12. Conditions applicable to the CLASS-II CREDITORS:

- a) The payment conditions applicable to the CREDITS held by AERUS included under CLASS II shall be those described in item 14 b) of this CONSOLIDATED PLAN.
- b) The payment conditions applicable to the Credits held by the Brazilian American Merchant Bank – BAMB were renegotiated as follows:
 - i. the contracts referred to as “Loan Agreements” in the amounts of US\$ 60,000,000.00 and US\$ 40,000,000.00, entered into between VARIG and BAMB, on October 21, 1994, and their addenda entered into on 3/29/1995, with an unpaid balance of US\$ 55,661,898.24, equivalent to R\$ 132,881,649.68, on 6/17/2005, hereinafter referred to as the “DEBT PRINCIPAL,” must be liquidated under the following special conditions:
 - A. total time limit: 14 (fourteen) years, including the 36- (thirty-six) month grace period, so that the final payment will take place on 1/28/2020;

- B. finance charges: monetary correction according to the exchange rate (U.S. dollar) plus interest of 4.75% (four and seventy-five hundredths percent) in the period between June 17, 2005 and May 7, 2006, and 2.5% (two and five tenths percent) per year, *pro rata die* (based on 365 days), as of May 8, 2006, it being agreed that the financial costs applicable from June 17, 2005 until the end of the grace period will be incorporated to the DEBT PRINCIPAL;
- B.1. finance charges: after the grace period, the finance charges will be payable on the due date of each installment of the principal, according to the Price Table;
- C. form of payment: the value of the debt calculated after the grace period, including the principal and finance charges, compounded (item B above), will be paid in 132 (one hundred and thirty-two) monthly and successive installments, according to the Price Table, plus finance charges calculated in the period (item B.1. above), the first installment coming due non February 28, 2009, and the last on January 28, 2020;
- D. guarantees: all the guarantees contained in the original agreements and their addenda will remain intact, remaining fully valid and binding, and must be respected until the debt is fully paid off, except with regard to the shares in RIO SUL and the real estate that is the object of payment in kind, which will be treated as per item “ii” below;
- E. other conditions: all the other clauses and conditions of the original agreements and their amendments not modified herein shall be maintained, including procedures for making payments, which must occur in the following manner:
 - E.1. Payments must be made in U.S. dollars via the Interbank Payment Clearing Chamber System of New York to the “Brazilian American Merchant Bank” or in its behalf, in account number 810560114 of the New York Branch of Banco do Brasil S.A., at 550 Fifth Avenue, New York, NY – 10036, by 3:00 P.M., New York time;
 - E.2. The parameter for converting currency will be the exchange rate on the date of payment, as publicly announced by the Central Bank of Brazil in the SISBACEN system (or another system replacing it) as

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the U.S. dollar exchange rate, PTAX800, option 5 (selling rate), currency 220;

- ii. Payment in kind: VARIG shall give BAMB as payment the real property it owns located at a Lot designated by the letter "L," Quadra CN-02, consisting of Torre Norte, Bloco "B," Quadra 04 of Setor Comercial [Commercial Sector] Norte-SC/Norte, Brasilia (DF), bound to a 1st degree mortgage, listed below ("REAL ESTATE"):

Matriculation	Unit	Location
50852	Store no. 26	Ground Floor
50853	101	1st floor
68476	201	2 nd floor
50854	301	3 rd floor
50855	401	4th floor
50856	501	5th floor
50857	601	6th floor
50858	701	7th floor
50859	801	8th floor
50860	901	9th floor
50861	1001	10th floor
50862	1101	11th floor
50863	1201	12th floor
Included and distributed among the above real property	Auditorium	13th floor
Included and distributed among the above real property	Penthouse	14th floor

A. Within no more than 90 (ninety) days from the adjournment of the AGC of 2/13/2006, Varig must formalize the public deed of payment in kind for faithful compliance with the PLAN proposed and as a condition for releasing the shares in RIO SUL, as approved at the AGC of 12/19/2005, the object of which is the REAL PROPERTY, which, on the date of payment, is free and clear of any liens, burdens or pending judicial or extra judicial encumbrances of any kind filed by third parties.

A.1. VARIG agrees, within no more than 18 (eighteen) months of the adjournment of the AGC of 2/13/2006, to release and clear the REAL PROPERTY of any liens, burdens or pending judicial or extra judicial encumbrances of any kind that have not been transferred at the time the public deed mentioned in item A above is drawn up.

- A.2. During the 18 (eighteen) months referred to in the above item, VARIG may assign to third parties for a fee ICMS credits derived from judicial decisions that have been declared final, fully reverting the product of the transfer to BAMB until the total value of the REAL PROPERTY that was not given as payment in kind, due to any lien, burden or encumbrance that remained, is satisfied. In the paid ICMS credit assignment transactions referred to in this item, BAMB will be named as the interventor indicated to directly receive the assignment proceeds, up to the limit of the amount it is entitled to.
- A.3. Whenever BAMB receives funds derived from the paid assignment of ICMS credits, according to the terms of item A.2 above, it will release from the mortgage corresponding to one or more REAL PROPERTIES not yet transferred as payment in kind due to remaining liens, burdens or encumbrances, the choice of property or properties to be released being up to the consensus of both the parties. The REAL PROPERTIES released from mortgage in accordance with this item will be excluded from the obligation referred to in item ii.
- A.4 For purposes of the payment in kind foreseen in this item ii and for reference purposes for the alternate mortgage release mechanism described in items A.2 and A.3 above, the REAL PROPERTY will be appraised by two companies selected by VARIG from among those accredited by Banco do Brasil to perform such services. The market value of the REAL PROPERTY to be utilized will be the larger of: (i) the arithmetic average of the two appraisals; and (ii) the value utilized as a basis for calculating the IPTU property tax in the year 2006. The REAL PROPERTY will be appraised without considering the effects of mortgages, liens or any judicial an extra judicial encumbrances applicable to it. The appraisal company costs will be divided equally between VARIG and BAMB.
- A.5 The results of each payment in kind, as well as the payments resulting from the assignment of ICMS credits will be utilized to amortize the debt mentioned in item i, above, utilizing the same procedures described in items E.1 and E.2, above.

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- A.6 The COMPANIES, the FOUNDATION, FRB-Par and BAMB will negotiate in good faith the remission of guarantees rendered by the FOUNDATION, FRB-Par or subsidiaries via the utilization of the product of the sale of ICMS credits, in accordance with item A.2, above, and/or via Smiles Program miles, provided the judicial transfer referred to in item 35 is carried out.
- B. The expenses incurred with published announcements, transfer, including taxes and fees, will be borne by VARIG;
- iii. The provisions common to the Class II Creditors resulting from the prorating of R\$ 100,000,000.00 (one hundred million *reais*) according to item "14" below will also apply to the creditor BAMB.
 - A. the amount earmarked for BAMB in the Prorating will also be utilized to amortize the debt mentioned in item "i" above, utilizing the same payment procedures established in "E.1" and "E.2" of the same item.
- c) The payment conditions applicable to the CREDITS held by the other CLASS-II CREDITORS will be renegotiated in the following manner:
 - i. total pay-off within 14 (fourteen) years, counting as of February 28, 2006, with the first 36 (thirty-six) months being stipulated as a grace period with no obligation to pay principal and finance charges and 132 (one hundred and thirty-two) months to amortize the principal and finance charges. During the first 36 (thirty-six) months, R\$ 100,000,000.00 (one hundred million reais) will be prorated, in accordance with the projection contained in item 14, with the respective amounts received by the CREDITORS being amortized from the value of their respective CREDITS.
 - ii. the value of the debt calculated after the grace period, including the principal and finance charges, will be paid in 132 (one hundred and thirty-two) monthly and successive installments, plus finance charges, according to the Price Table, the first installment coming due on February 28, 2009.
 - iii. the finance charges applicable to the debt will be: (i) for debts in foreign currency, monetary correction according to the U.S. dollar exchange-rate variation plus 4.75% (four and seventy-five hundredths percent) interest per year, *pro rata die* (based on 365 days), from June 17, 2005 until May 7, 2006, and monetary

correction according to the U.S. dollar variation plus 2.50% (two and five tenths percent) interest as of May 8, 2006; and (ii) for debts in Brazilian currency, monetary correction according to the variation in the IGP-M index plus 4.75% (four and seventy-five hundredths percent) interest per year, *pro rata die* (based on 365 days), from June 17, 2005 until May 7, 2006, and monetary correction according to the variation in the IGP-M index plus 2.50% (two and five tenths percent) interest as of May 8, 2006. In both cases, the finance charges applicable from June 17, 2005 to the end of the grace period will be incorporated to the debt's principal.

13. Conditions applicable to the CLASS-III CREDITORS:

- a) The payment conditions applicable to the CREDITS held by AERUS in CLASS III will be those described in item 14 b) of this CONSOLIDATED PLAN.
- b) Without detriment to the protests presented by any of the creditors listed below, in relation to the classification or the value of their CREDITS, the payment conditions applicable to the CREDITS pertaining to the CREDITORS referred to in item 13 of the explanatory notes to VARIG's quarterly financial statements of June 2005 (Annex V), renegotiated in accordance with the CONSOLIDATED PLAN will be identical to the conditions stipulated in items 12. c) i, 12. c) ii and 12.c) iii, above, with the originally contracted guarantees being fully maintained and unaltered:
 - i) GE-Engines Services Incorporation (including here the following companies: General Electric Company; CFM International Inc.; GE Rio Revisão de Motores Aeronáuticos S/A; GE Celma Ltda.;
 - ii) GE-Capital Aviation Services Incorporation (GE Capital Group);
 - iii) INFRAERO – Empresa Brasileira de Infra-estrutura Aeroportuária;
 - iv) Petrobras Distribuidora S/A;
 - v) International Lease Finance Corporation;
 - vi) PLM Worldwide;
 - vii) Sunrock Aircraft Corporation;
 - viii) Mitsui;
 - ix) CIT;
 - x) ACG (Wells Fargo Bank Northwest National Association – Aircraft MSN 24377 and 24098);
 - xi) GATX (including here: GATX Third Aircraft Corporation, East Trust Sub-3 and East Trust Sub-14);
 - xii) Boullioun (referring to an agreement with Wells Fargo Bank Northwest signed on 4/7/2004);

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- xiii) Ansett (including here Ansett Worldwide Aviation Limited, Ansett Worldwide Aviation USA, AWMS I and AWMS II);
 - xiv) Debis (the Debis Group);
 - xv) Nissho Iway (currently known as SOJITZ Corporation);
 - xvi) Boeing (the Boeing Group).
- c) The payment conditions applicable to the CREDITS held by the other CLASS-III CREDITORS were renegotiated in the following manner:
- i. total pay-off within 17 (seventeen) years, counting as of February 28, 2006, with the first 36 (thirty-six) months being stipulated as a grace period with no obligation to pay principal and finance charges and 168 (one hundred and sixty-eight) months to amortize the principal and finance charges. During the first 36 (thirty-six) months, R\$ 100,000,000.00 (one hundred million reais) will be prorated, in accordance with the projection contained in item 14, with the respective amounts received by the CREDITORS to be amortized from the value of their respective CREDITS.
 - ii. the value of the debt calculated after the grace period, including the principal and finance charges, will be paid in 168 (one hundred and sixty-eight) monthly and successive installments, plus finance charges, according to the Price Table, the first installment coming due on February 28, 2009.
 - iii. the finance charges applicable to the debt will be: (i) for debts in foreign currency, monetary correction according to the U.S. dollar exchange-rate variation plus 4.75% (four and seventy-five hundredths percent) interest per year, *pro rata die* (based on 365 days), from June 17, 2005 to May 7, 2006, and monetary correction according to the U.S. dollar variation plus 2.50% (two and five tenths percent) interest as of May 8, 2006; and (ii) for debts in Brazilian currency, monetary correction according to the variation in the IGP-M index plus 4.75% (four and seventy-five hundredths percent) interest per year, *pro rata die* (based on 365 days), from June 17, 2005 to May 7, 2006, and according to the variation in the IGP-M index plus 2.50% (two and five tenths percent) interest as of May 8, 2006. In both cases, the finance charges applicable from June 17, 2005 to the end of the grace period will be incorporated to the debt's principal.

14. Provisions Common to the CLASS-II and CLASS-III CREDITORS

- a) All the CLASS II and III CREDITORS, except AERUS, will receive partial payment of their CREDITS, without detriment to the other provisions referred to in items 12 and 13, above, resulting from prorating the overall amount of

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R\$ 100,000,000.00 (one hundred million *reais*) among those CREDITORS, according to the following criterion, for payment in 36 (thirty-six) equal and successive monthly installments, as of February 28, 2006:

- i. 80% (eighty percent) of the overall amount referred to above will be prorated and paid among the CLASS-II and CLASS-III Creditors referred to in item 13 of the explanatory notes to VARIG's quarterly financial statements of June 2005 (Annex V), according to the list of creditors and corresponding amounts established in Annex IX to the CONSOLIDATED PLAN and paid in 36 (thirty-six) equal and successive monthly installments, as of February 28, 2006.
 - ii. 20% (twenty percent) of the overall amount referred to above will be prorated and paid among the CLASS-III CREDITORS, with one half (10%) prorated proportionally to the value of their CREDITS and the other half (10%) [prorated] linearly, namely, divided by the total number of CREDITORS in the CLASS.
 - iii. The creditors referred to as "secured" in item 13 of the explanatory notes to VARIG's quarterly financial statements of June 2005 (Annex V) and identified in item 13 b) will participate in the prorating referred to in this item "14. a)" according to sub-item i, above.
 - iv. The amounts to be paid as a function of the prorating of the amount stipulated in item a) i. of this item are established in Annex IX to this CONSOLIDATED PLAN.
 - v. As to the CLASS-III CREDITORS (except AERUS), the parameter to be utilized to establish the prorating proportion, as well as the total number of creditors in the class established in item a) ii. of this item will be the one given by the list of CREDITORS of the COMPANIES published in the Official Gazette of the Union on August 3, 2005, with the corrections implemented by the publication of September 23, 2005, excluding, only for this specific purpose, the CREDITORS listed in the table contained in Annex IX to this CONSOLIDATED PLAN.
 - vi. The COMPANIES will be allowed, at their discretion, to pre-pay the CREDITORS whose total principal of the CREDIT is equal or less than R\$ 50,000.00 (fifty thousand *reais*), up to the limit of R\$ 13,000,000.00 (thirteen million *reais*), being authorized to negotiate a discount.
- b) The payment conditions applicable to the CREDITS held by AERUS were agreed to as follows:

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- i. A payment was made on January 31, 2006 relative to the sponsor's contributions in arrears (and the object of specific renegotiations according to the "Private Instrument of Consolidation and Renegotiation of Debts Amortizable via Fixed Term, with Agreement to Suspend Collection and Offer of Guarantees," dated 4/10/2003), in the amount of R\$ 8,726,807.55 (eight million, seven hundred twenty-six thousand, eight hundred seven *reais* and fifty-five *centavos*).
- ii. In addition, the payment deadline stipulated in that instrument of renegotiation is extended to 377 (three hundred seventy-seven) monthly installments, payable as of and including August 2006. The balance of the credits due and unpaid from May 2005 to December 31, 2005 was incorporated into the unpaid balance referred to in item "i" above and divided into the 377 (three hundred seventy-seven) installments payable as of and including August 2006, with all the conditions of the corresponding instrument of renegotiation being applicable, thus resulting from the consolidation of the debt in monthly installments of R\$ 6,517,544.81 (six million, five hundred seventeen thousand, five hundred forty-four *reais* and eighty-one *centavos*), in values on that date, subject to interest and monetary correction and all the other terms and conditions established in that instrument of renegotiation;
- iii. The monthly installments coming due between February 2006 and April 2006, as well as those coming due from May to (and including) August 2006, will be adjusted in accordance with the criterion established in the *caput* of Clause Three of the renegotiation instrument referred to above and paid in the month of August 2006;
- iv. Considering the need for cash flow for the plans sponsored by VARIG and administered by AERUS, the monthly installments payable in the first 24 (twenty-four) months from (and including) August 2006 to (and including) July 2008 will be fully earmarked for VARIG's Plan I. As of (and including) August 2008, the monthly installments paid to AERUS will once again be prorated between Varig's Plans I and II, with 68.2989% (sixty-eight and two thousand nine hundred eighty-nine ten thousandths percent) of the amounts received going to Plan I and 31.7011% (thirty-one and seven thousand eleven ten thousandths percent) going to Plan II.
- v. The guarantees and all the other terms and conditions stipulated in the corresponding instrument of renegotiation were fully maintained and ratified, with AERUS' rights also being fully safeguarded against the other co-obligated signers of that instrument, pursuant to art. 49, § 1 of the LRE,

under the precise terms and conditions contracted, with no grace period;

- vi. All the obligations contracted via the “Private Instrument of Acknowledgment and Responsibility and Other Pacts” dated 7/1/2004, concerning responsibility for covering a technical deficit of benefits granted (assisted participants) in the supplemental social security plans sponsored by VARIG for AERUS, were fully maintained and ratified, especially with regard to the guarantee given therein and VARIG’s obligation to make the payments on time and in the manner agreed in that instrument;
- vii. AERUS’ CREDITS that are part of CLASS III and whose qualification comes to be acknowledged will be amortized under the same conditions as the obligations stipulated in the “Private Instrument of Acknowledgment and Responsibility and Other Pacts” dated 7/1/2004. Therefore, all the terms and conditions established in that instrument apply to AERUS’ CREDITS.

c) Credits constituted after June 17, 2005, even if derived from contracts prior to that date, are out of composition and must be paid on their due date, according to the form and conditions established contractually with the COMPANIES, with the terms of art. 67 of the LRE applying to those credits.

VI – INCENTIVE FOR LIQUIDITY OF THE CREDITS

15. To encourage the circulation of the CREDITS, thus giving the CREDITORS greater liquidity, the latter will have the possibility of substantiating their CREDITS at any time with securities issued by the COMPANIES, representing the precise content of the CREDITS, including with regard to real or fiduciary guarantees admitted for trading on the organized over-the-counter debt market, governed according to the rules of the Brazilian Securities and Exchange Commission (CVM) and the Central Bank of Brasil, in accordance with the following procedure:

- a) any CREDITOR may request the issue of a BANK CREDIT NOTE by the COMPANIES, in the form of a letter and, if they wish, the corresponding BANK CREDIT NOTE CERTIFICATE, in deed form.
- b) the procedure for issuing the BANK CREDIT NOTE and the BANK CREDIT NOTE CERTIFICATE will be implemented through a financial institution or

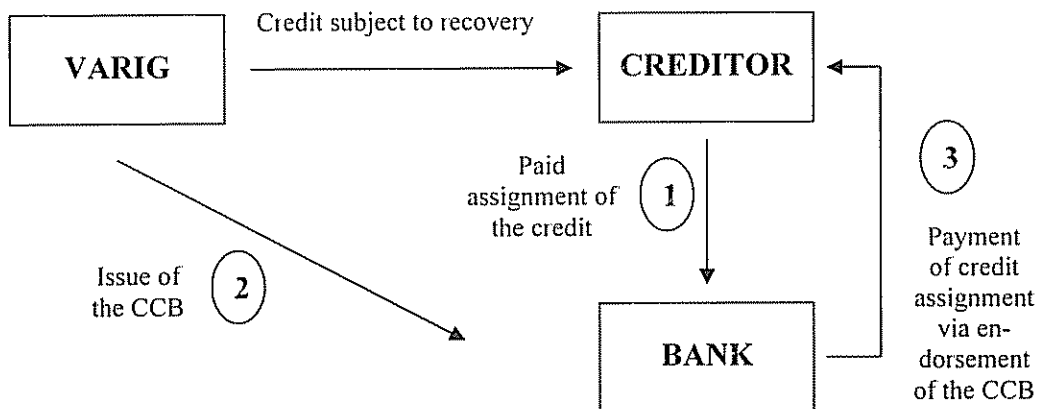
equivalent entity to be contracted by the COMPANIES for that purpose (“INTERVENING FINANCIAL INSTITUTION”), as described below:

- i. With the DEBT ACKNOWLEDGMENT referred to in item 10.d) above in hand, the CREDITOR will sign with the INTERVENING FINANCIAL INSTITUTION a Private Instrument of Assignment of Credit, in standard text to be defined, with the express consent of the COMPANY against which it holds the CREDIT, by means of which it will assign partially or totally the CREDIT.
- ii. The price of the assignment referred to in item i above will be paid in the act by the INTERVENING FINANCIAL INSTITUTION, generating a credit in favor of the CREDITOR against the INTERVENING FINANCIAL INSTITUTION.
- iii. At the same time, the COMPANIES will issue the BANK CREDIT NOTE CERTIFICATE representing the CREDIT in favor of the INTERVENING FINANCIAL INSTITUTION, reflecting the terms of the DEBT ACKNOWLEDGMENT, without the effect of substituting the CREDIT and without detriment to all the guarantees tied thereto.
- iv. Then the INTERVENING FINANCIAL INSTITUTION will hand over to the creditor the BANK CREDIT NOTE for the face value of the CREDIT as payment for the obligation referred to in item ii, contracted at the time of the CREDIT assignment established in item i.
- v. The CREDITOR may, at its discretion, receive the BANK CREDIT NOTE in the form of a letter or the corresponding Bank Credit Note Certificate in deed form (the “BANK CREDIT NOTE CERTIFICATE”).
- vi. The BANK CREDIT NOTE CERTIFICATE will be admitted for trading on the organized over-the-counter debt market.
- vii. In accordance with art. 26, Paragraph 1 of Law 10,931/04, the BANK CREDIT NOTES issued in the manner explained herein will be subject to Brazilian law and jurisdiction.
- viii. The text of the BANK CREDIT NOTE will contain an express provision determining that if the debtor’s bankruptcy survives the time limit stipulated in art. 61 of the LRE, the conditions and characteristics CREDIT substantiated in the BANK CREDIT NOTE will be changed so as to fully reconstitute the conditions

originally contracted, as contained in the DEBT ACKNOWLEDGMENT, complying fully with the effects of art. 61 of the LRE.

- ix. The reconstitution indicated in item viii above will be resolved via the occurrence of the first of the following events: (a) the second endorsement of the BANK CREDIT NOTE; or (b) the first endorsement or signing of the first term of transfer relative to the BANK CREDIT NOTE CERTIFICATE, issued based on the BANK CREDIT NOTE.

The procedure for issuing the BANK CREDIT NOTE is illustrated below:



16. As an alternative to the issue of the BANK CREDIT NOTE, the CREDITORS may deposit their CREDITS, in the form of DEBT ACKNOWLEDGMENTS, in the custody of a financial institution to be contracted by the COMPANIES for that purpose (“TRUSTEE FINANCIAL INSTITUTION”), which will issue a documentary credit deposit receipt (“DOCUMENTARY CREDIT DEPOSIT RECEIPT”).

- a) The DOCUMENTARY CREDIT DEPOSIT RECEIPT will give its owner the right to receive in an account opened at the TRUSTEE FINANCIAL INSTITUTION all the payments effected by the COMPANIES in relation to the CREDIT deposited.
- b) The DOCUMENTARY CREDIT DEPOSIT RECEIPT will enable its owner to redeem at any time and by simple request all the documents representing the CREDIT.

- c) The DOCUMENTARY CREDIT DEPOSIT RECEIPT will be admitted for trading on the organized over-the-counter debt market.
- d) The precise format and content of the DOCUMENTARY CREDIT DEPOSIT RECEIPT will be disclosed after the TRUSTEE FINANCIAL INSTITUTION is contracted.

VII – CORPORATE RESTRUCTURING

17. The CONSOLIDATED PLAN also foresees the reorganization of the COMPANIES' control block via the transfer of control over the latter to an Investment Fund in Shares (the "CONTROL FIP"), which will receive via the procedure described in the following items all the shares of common and preferred stock issued by the COMPANIES that are held directly or indirectly by the FOUNDATION, by FRB-PAR and by VPTA (the "COMPANIES' SHARES"). The CONTROL FIP may also receive contributions from three other Investment Funds in Shares, which will be constituted to enable credits in the form of QUALIFIED SECURITIES to be converted to quotas in the CONTROL FIP, a FIP for the CREDITORS of each of the classes I, II and III ("CREDIT-I FIP," "CREDIT-II FIP" and CREDIT-III FIP," respectively), without detriment to the possibility of the holders of the QUALIFIED SECURITIES totally or partially converting their credits directly in the CONTROL FIP or also the possibility of any third parties contributing Brazilian-currency funds to the CONTROL FIP. The CONTROL FIP and the CREDIT-I, CREDIT-II and CREDIT-III FIPs will adopt regulations containing the form and substance of the standard drafts in Annexes VI and VII of this CONSOLIDATED PLAN.

- a) The COMPANIES' SHARES, which will be transferred to the CONTROL FIP, will be appraised: (i) in VARIG's case, according to the arithmetic average daily price per share calculated in a period of 30 (thirty) sessions of the São Paulo Stock Exchange (BOVESPA) prior to and excluding the date of the protocol of the request for constituting the CONTROL FIP where the shares of common and preferred stock have been traded, with those of greater liquidity prevailing, as indicated by that entity; and (ii) in the case of RIO SUL and NORDESTE, since they are closed companies and have a negative net worth on this date, the shares held by the FOUNDATION, by FRB-Par and by VPTA in each of the companies will be appraised at R\$ 10.00 (ten *reais*), equivalent to the value of one quota in the CONTROL FIP. The criteria defined in item (i) may be adjusted according to orientation emanating from the CVM, including with regard to any eventual atypical operations.

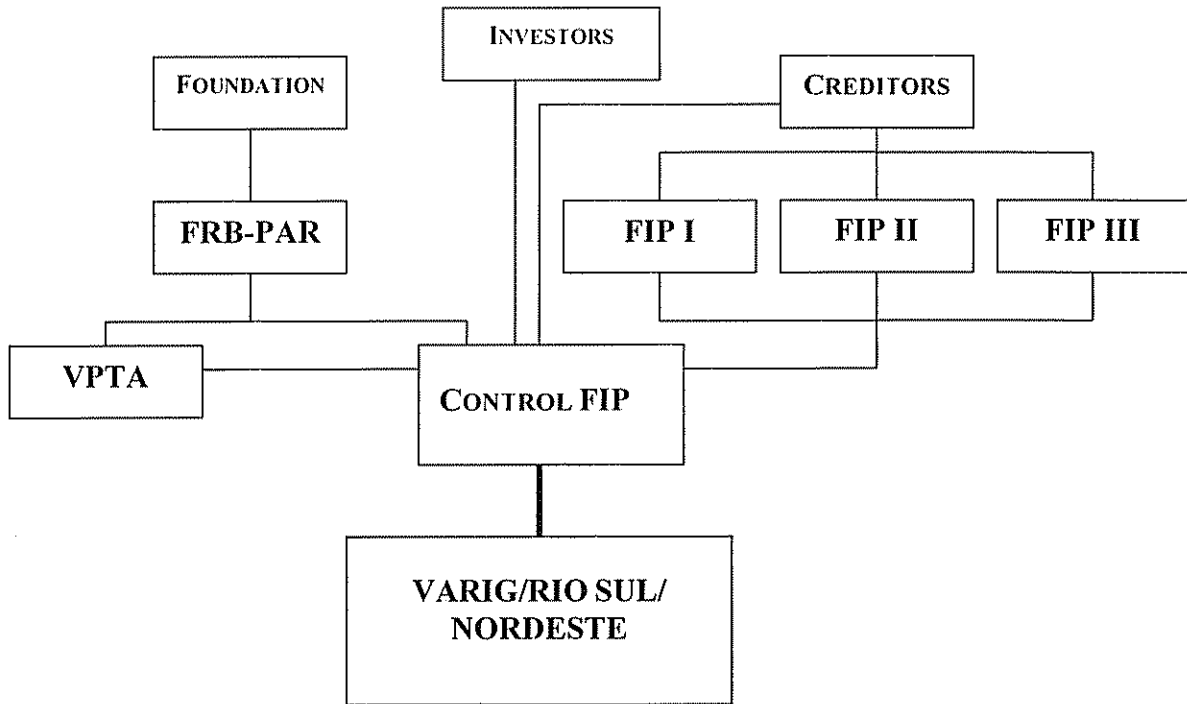
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- b) The value determined according to the terms of item “a” above will represent the legitimate transfer price of the COMPANIES’ SHARES and will be irrevocably binding on both the holders of the COMPANIES’ SHARES and the CONTROL FIP, in accordance with art. 485 of the Brazilian Civil Code.
- c) The holders of the COMPANIES’ SHARES will sign with the CONTROL FIP a subscription bulletin for the transfer of COMPANIES’ SHARES within 48 (forty-eight) hours of BOVESPA’s answer containing the elements for determining the MARKET PRICE, receiving in exchanges as many CLASS-A QUOTAS as necessary, at the issue price of 10.00 (ten *reais*) each, to arrive at that price.
- d) The COMPANIES will adopt all necessary steps so that the procedure described in item “c” above is duly formalized by the holders of the COMPANIES’ SHARES within the maximum and non-extendable time limit established above.
- e) After concluding the transfer of the COMPANIES’ SHARES pursuant to the terms of the above items, the CONTROL-FIP’s ADMINISTRATOR will exert his best efforts to have the economic value of the COMPANIES’ SHARES transferred to the CONTROL FIP appraised according to the best technical standards by one of the appraisal companies designated at the NOMINATIONS ASSEMBLY (the “APPRAISER”). In the event the results of this appraisal indicate a value greater than the one determined according to item “a” above, the CONTROL-FIP ADMINISTRATOR must make the adjustments in the CONTROL FIP’s accounting records.
- f) If for any reason it is not possible to have that appraisal performed, even due to failure by the appraisal companies designated by the NOMINATIONS ASSEMBLY to agree to perform it due to the CONTROL FIP’s lack of funds to pay the APPRAISER’s remuneration or also due to failure to present the conclusive opinion on the value of the COMPANIES’ SHARES within no more than 90 days of the constitution of the CONTROL FIP, then the CONTROL FIP’s accounting records will not be adjusted. The appraisal referred to in this item and in item “e” above may be paid for by the FOUNDATION, FRB-Par and VPTA.
- g) The COMPANIES will make available to the APPRAISER all the information necessary to perform the appraisal work, under a regimen of confidentiality, when necessary, to protect the legitimate managerial, commercial and strategic interests of the COMPANIES.

- h) As soon as the CONTROL FIP is constituted, and at the same time the CLASS-A QUOTAS are paid in, the FIDUCIARY AGENT representing the CREDITORS will subscribe 10,000 (ten thousand) CLASS-C QUOTAS of the CONTROL FIP, each with an issue price of R\$ 10.00 (ten *reais*), which can be paid-in both in CREDITS or QUALIFIED SECURITIES, taken at face value, as well as in Brazilian currency. The funds for paying in the CLASS-C QUOTAS will be contributed by the CREDITORS in proportion to their respective CREDITS in relation to the total CREDITS of CREDITORS who, at their exclusive discretion, decide to pay in the CLASS-C QUOTAS, as per the procedure to be described in detail by the FIDUCIARY AGENT.
- i) After the CLASS-A QUOTAS are subscribed and paid-in by the holders of the COMPANIES' CREDITS and the CLASS-C QUOTAS by the FIDUCIARY AGENT, the CLASS-B QUOTAS will be issued via a mechanism established in Chapter VII (C) of this CONSOLIDATED PLAN. The price per quota for first issue of CLASS-B QUOTAS will be equivalent to the issue prices of the CLASS-A QUOTAS defined according to items "a" and "b" above.
- j) The CLASS I, II and III CREDITORS that wish may, at their exclusive discretion, subscribe quotas in CREDIT-I, CREDIT-II and CREDIT-III FIPs, respectively, paying them in according to their respective Regulations, including via the transfer of the QUALIFIED SECURITIES they hold. CREDIT-I, CREDIT-II and CREDIT-III FIPs will utilize funds that are part of their own patrimony to subscribe and pay-in CLASS-B QUOTAS in the CONTROL FIP issued in distributions of the CONTROL FIP's CLASS-B QUOTAS.
- k) The CREDIT FIPs will act in the place of the CREDITORS who have contributed CREDITS in these CREDIT FIPs with respect to the exercise of the rights inherent to the CLASS-C QUOTAS those CREDITORS own, for purposes of voting at PRIOR MEETINGS OF THE CREDITORS, as long as the respective CREDIT FIP does not use its assets to pay-in CLASS-B QUOTAS, subject to compliance with the procedures defined by the FIDUCIARY AGENT, according to the terms of item 36 below.
- l) The CONTROL FIP will exercise its power of control over the COMPANIES to approve a capital increase (with proper observance of the rights of the COMPANIES' minority shareholders, pursuant to art. 170, paragraph 1, of Law no. 6,404/76), by which CREDIT SECURITIES, QUALIFIED SECURITIES or Brazilian currency funds contributed to the CONTROL FIP by the CREDITORS, by the CREDIT FIPs,

by the FIDUCIARY AGENT or by any third parties as a result of the PUBLIC OFFERING, will be utilized to pay in shares of common stock issued by the COMPANIES and subscribed by the CONTROL FIP.

c) The following organization chart reflects the PLAN's corporate restructuring:



A – Election of Administrators, Managers and Management Committee

18. The procedures for choosing the CONTROL FIP's ADMINISTRATOR and the CONTROL FIP's MANAGER, as well as the ADMINISTRATORS and MANAGERS of CREDIT I, CREDIT-II and CREDIT-III FIPs, were as follows:

- a) The CONTROL FIP's ADMINISTRATOR is Banco Brascan S.A., selected by the INTERIM MANAGER.
- b) The CONTROL FIP's MANAGER, Banco Brascan S.A., was elected at the General Assembly of Creditors called especially for that purpose for April 5, 2006 ("NOMINATIONS ASSEMBLY"), from among the institutions contained in Annex XI of the DETAILING.

- c) The CONTROL FIP's MANAGER was elected by unanimous vote of the CREDITOR CLASSES.
- d) Since no CREDITOR has nominated any candidate for Administrator and Manager of each of the CREDIT FIPs, the INTERIM MANAGER appointed an entity to assume the functions of Administrator and Manager of the CREDIT FIPs, whose appointment and remuneration criteria will be ratified at the first General Assembly of Quota Holders of each of the CREDIT FIPs.
- e) The Administrator and Manager of the CONTROL FIP, and the members of the Management Committee, when installed, as well as the Administrators and Managers of each of the CREDIT FIPs, must have an impeccable reputation and experience in the administration of assets, and must be authorized by the CVM to exercise the activity of administering a securities portfolio.

B – Election of a FIDUCIARY AGENT and PRIOR MEETING OF THE CREDITORS

- 19. An institution duly qualified to perform the functions of CREDITORS' fiduciary agent, Oliveira Trust DTVM S.A., was selected at the NOMINATIONS ASSEMBLY to exercise the voting rights inherent to the CLASS-C QUOTAS ("FIDUCIARY AGENT").
- 20. The FIDUCIARY AGENT will be the owner of the CLASS-C QUOTAS, in its capacity as representative of the CREDITORS, exercising its right to vote in the collective interest, with no privilege or favoring of any CREDITOR or group of CREDITORS, and must comply with, in addition to the obligations established in the respective power of attorney, in a subsidiary manner, the provisions applicable to the Debenture Holders' Fiduciary Agent as set forth in Law 6,404/76 and in the CVM regulations currently in effect.
- 21. The FIDUCIARY AGENT was nominated and elected at the NOMINATIONS ASSEMBLY established in items 18 and 19 above, by a majority vote of the total value of the CREDITS in attendance at that assembly.
- 22. Prior to any General Assembly of the CONTROL FIP's quota holders at which matters whose approval requires an affirmative vote of the owners of the CLASS-C QUOTAS must be voted on, the FIDUCIARY AGENT must call a PRIOR MEETING OF CREDITORS to determine how the FIDUCIARY AGENT will vote at that assembly, exclusively in relation to these matters.
- 23. The FIDUCIARY AGENT must follow the voting orientation of the Prior Meeting of Creditors and utilize the rights inherent to the role of a

CONTROL FIP quota holder of CLASS-C QUOTAS, including the right to act to make the decision of the Prior Meeting of the Creditors effective.

24. The PRIOR MEETING OF CREDITORS will be called by the FIDUCIARY AGENT via a prior notice given at least 7 (seven) days in advance and will be accompanied by a precise description of the matters contained in the meeting agenda of the CONTROL FIP's General Assembly that need the affirmative vote of the owners of the CLASS-C QUOTAS in order to be approved, as well as all the material sent to the FIDUCIARY AGENT pertaining to the matters referred to. The PRIOR MEETING OF CREDITORS will be held at least 2 (two) days prior to the General Assembly of the CONTROL FIP's quota holders.
25. The decision relative to the FIDUCIARY AGENT's vote as owner of the Class-C Quotas will be approved by more than half the total value of the CREDITS present at the PRIOR MEETING OF CREDITORS, it being understood that none of the CREDITORS will individually have a vote at the PRIOR MEETINGS OF CREDITORS weighing more than 25% (twenty-five percent) of that of the total CREDITORS who have acquired rights to the Class-C Quotas.
26. The decisions made at the PRIOR MEETING OF CREDITORS must be substantiated in minutes of the meeting, which shall be the Voting Instruction, producing effects analogous to those of article 118 and the paragraphs thereof of Law no. 6,404/76.
27. The FIDUCIARY AGENT must keep the General List of Creditors up-to-date. The FIDUCIARY AGENT shall also be responsible for permanently updating the positions relative to the CREDITORS who own CLASS-C QUOTAS, considering, among other events, conversion of credits to CLASS-B QUOTAS and/or late qualification of CREDITS. If the CREDITORS representing at least 5% (five percent) of the CLASS-C QUOTAS differ on the FIDUCIARY AGENT's procedure, they will be allowed the possibility of requesting a revision of those procedures, and may even call a general assembly of creditors to decide the issue on the appeal level.
28. At the PRIOR MEETINGS OF THE CREDITORS, each CREDITOR will be attributed with votes in proportion to the updated CREDITS, after deducting the amount of CREDITS converted to CLASS-B QUOTAS.

C – Public offering of Class-B Quotas in the CONTROL FIP

29. Within 120 (one hundred and twenty) days of the subscription and pay-in of the CLASS-A QUOTAS and CLASS-C QUOTAS, a public offering of CLASS-B QUOTAS (“DISTRIBUTION TO THE CREDITORS”) will be held in which the CREDIT FIPs and holders of QUALIFIED SECURITIES may participate, provided the requirements of art. 181 of Law 7,565/86 and the other conditions to be defined in due time via consultation with ANAC are met.

30. Those qualified under item 29 above who are interested in participating in the DISTRIBUTION TO THE CREDITORS must reserve quotas, in the total amount they intend to subscribe, at least 48 (forty-eight) hours prior to the scheduled date of the DISTRIBUTION TO THE CREDITORS. The procedure for reserving quotas will be announced in due time in the publication material and in the prospectuses pertaining to the DISTRIBUTION TO THE CREDITORS.
31. In the DISTRIBUTION TO THE CREDITORS, as many CLASS-B QUOTAS will be issued as necessary to fully meet all the demand represented by the reservations made according to item 30 above, which may be paid-in in Brazilian currency.
32. After the DISTRIBUTION TO THE CREDITORS, one or more public offerings of CLASS-B QUOTAS in the CONTROL FIP may be held ("PUBLIC OFFERING OF CLASS-B QUOTAS"), in which the issue price of the CLASS-B QUOTAS will be equivalent to the ideal fraction of the Fund's assets. The procedures and rules applicable to the PUBLIC OFFERING OF CLASS-B QUOTAS will be defined in due time by Banco Brascan, after consulting the Creditors' Committee, when installed, including with regard to the criteria for qualifying the participants.
33. In the issues of CLASS-B QUOTAS IN THE CONTROL FIP, the QUALIFIED SECURITIES will be received at par value to pay in the CLASS-B QUOTAS IN THE CONTROL FIP, whenever Brazilian currency is allowed for the pay-in.
 - a) The QUALIFIED SECURITIES contributed to the CONTROL FIP will be utilized for the CONTROL FIP to pay in new shares of common stock in the COMPANIES to be issued in a capital increase approved in accordance with item 17 of this CONSOLIDATED PLAN.
34. The DISTRIBUTION TO THE CREDITORS and the PUBLIC OFFERING OF CLASS-B QUOTAS will be carried out under the responsibility of an institution that is a member of the Brazilian Securities Distribution System with recognized experience in brokering the placement of securities in the Brazilian stock market, hired specifically for that purpose ("LEADER OF THE PUBLIC OFFERING").
 - a) The LEADER OF THE PUBLIC OFFERING will be selected and contracted by the CONTROL FIP ADMINISTRATOR as soon as the CONTROL FIP is constituted, and its remuneration will be paid by the CONTROL FIP.

D – Judicial Sale of a Single Productive Unit

35. By August 9, 2006, subject to the conditions established below and under the terms and for the purposes of art. 60 of the LRE, the Companies will promote the judicial segregation and sale of an establishment composed of a complex of assets and rights formed by a group of operations in the VARIG network, including the routes, HOTRANS, leasing and all the rights inherent to such operations (the "OPERATING UNIT").

The OPERATING UNIT will be made up of one of the following alternatives, the first of which will prevail if there is an offer for both, except if the absolute amount offered for the second alternative is greater:

- (i) A unit that includes the entire network of Varig services (domestic and international), the Varig trademark in all its variations, the Smiles Program, its trademark and revenues (after these are totally liquidated for the period of payment of PAES or until the settlement of accounts takes place for the funds derived from the Rate Difference, whichever occurs first, during which they will be fully passed on to VARIG), all service revenues related to VARIG's air transport operations, ownership or rights to the installations, maintenance equipment and tools, training, all installations and/or utilization rights to the operation installations (ticketing counters, offices, hangars, classrooms, buildings and others, excluding those expressly earmarked for payment in kind referred to in item "12 b) ii" of this CONSOLIDATED PLAN), and all the equipment, programs, manuals, documents, reservation systems, databases, miscellaneous systems, archives and other items pertaining to the operation, including Air Transport Company Authorization Certificate and HOTRANS (the "FULL OPERATING UNIT"); or
- (ii) The group of assets and rights that makes up VARIG's domestic network, as listed in Annex III ("DOMESTIC OPERATING UNIT").

Without detriment to the above, it is mandatory that VARIG keep enough assets and means of operation so that it may, together with the minimum Brazilian-currency amount stipulated for the judicial sale referred to in item 36 below, have the means to fully pay the CREDITS on their due dates agreed to in this CONSOLIDATED PLAN.

In the case of sale of the FULL OPERATING UNIT, the product of the sale, minus the total value of the out-of composition credits owed up to the date of the judicial sale, including the bridge-loan and the AERUS composition credits past due or coming due by August 2006, as well as the investments up to the limit of US\$ 100,000,000.00 (one hundred million U.S. dollars) in VARIG, will be prorated among the CLASS-II CREDITORS and CLASS-III CREDITORS, under the same conditions of the prorating established in item 14 "a," above.

36. The sale of the OPERATING UNIT will be to the winning bidder that meets the applicable legal and regulatory requirements, including but not limited to those contained in Law 8,987/95, art. 27, with the additions contained in Law 11,196/05, as well as the LRE, and the rules contained in the pertinent bidding instructions, via judicial sale conducted in accordance with art. 142 of the LRE. The judicial sale will be conducted thirty days after publication of the bidding announcement, in compliance with the terms of the LRE and the Code of Civil Procedure, with a minimum price equivalent in *reais* (defined according to P-TAX 800, published by BACEN, on the day before the judicial sale) to:
- (i) US\$ 860,000,000.00 (eight hundred sixty million U.S. dollars) for the FULL OPERATING UNIT; and
 - (ii) US\$ 700,000,000.00 (seven hundred million U.S. dollars) for the DOMESTIC OPERATING UNIT.
37. In the judicial sale of the OPERATING UNIT, the following forms of payment will be accepted, to be paid within up to 5 (five) business days after the judicial sale:
- a) the portion equivalent to the minimum price must be paid in Brazilian currency, in-composition and out-of-composition CLASS-I credits, provided the latter are clear and legal and due by the date of the judicial sale, up to the joint limit of US\$ 100,000,000.00 (one hundred million U.S. dollars) and other out-of-composition credits, provided these are clear and legal and due by the date of the judicial sale, according to the minimum amounts stipulated in item 36;
 - b) the portion of the purchase price that exceeds the minimum price in currency mentioned in the preceding item may be paid in credits against VARIG, according to the following scale:
 - i. Composition Credits included as part of the Judicial Recovery proceeding:
 - Class-I Credits: at par value
 - Class-II Credits: with discount of 40% of the par value
 - CREDITOR CREDITS referred to in item 13 of the Explanatory Notes to VARIG's Financial Statements of June 2005 (Annex V): with a discount of 40% of the par value.
 - Class-III Credits: with discount of 60% of the par value
 - ii. Out-of-Composition Credits, provided they are clear and legal: at par value
 - c) The bidding announcement for the judicial sale may stipulate the requirement that part of the price must be paid in the winning bidder's capital stock.

38. The transfer of the DOMESTIC OPERATING UNIT to the winning bidder will be tied to the signing of one or more commercial and operating agreements (the "OPERATING AGREEMENT") that establish, among other things, the following:
- a) Terms and conditions for the license to use the "Varig" trademark and logos;
 - b) Technical-operating criteria for feeding [business to] and distributing Varig's international network, with the commitment for mutual priority feed;
 - c) Rules for interconnecting the domestic network with international flight frequencies and times;
 - d) The use of code-sharing in domestic and international operations;
 - e) Rules for operating new international routes and designations;
 - f) Operation of cabotage flights when applicable;
 - g) Method of defining prorating criteria, when applicable;
 - h) Rules for defining domestic feed "banks";
 - i) Method for defining fare rates and seating availability in relation to the tickets issued in the Smiles Program;
 - j) Other items relevant to the operating feasibility of the COMPANIES.
39. The contracts to be transferred from VARIG to the winning bidder [acquiring the] OPERATING UNIT will be the object of assignment pursuant to the manner and criteria defined in each contract. Leased aircraft and engines will be transferred in their current state and condition. The winning bidder is obliged to perform all required maintenance. The bidding instructions for the sale will state the specific requirements for the assignment of aircraft. In the event of any legal obstacle in the assignment of concessions for the utilization of airport space and infrastructure, the winning bidder must adhere to the Intervening Contracts by which it will utilize airport space and infrastructure concessions assigned to VARIG, until it acquires its own concessions.
40. The winning bidder that acquires the OPERATING UNIT will not be the successor to any of VARIG's liabilities, with the exception of transport services to be performed. In the case of the DOMESTIC OPERATING UNIT, VARIG will reimburse

the winning bidder, according to criteria defined in the OPERATING AGREEMENT, for any liabilities relative to any domestic-operation transport services to be performed, as they are performed.

41. In the case of the judicial sale of the FULL OPERATING UNIT, the buyer will become VARIG's guarantor in relation to the Private Instrument of Consolidation and Renegotiation of Debts Amortizable on Fixed Dates, with Agreement to Suspend Collection, and Offer of Guarantees entered into with AERUS on April 10, 2003, as amended in this CONSOLIDATED PLAN in item 14, b, ii, above. The guarantee will terminate when the financial obligation is completely paid off, either with the product resulting from the rate-difference lawsuit or any other means of liquidation accepted by AERUS.
42. The technical detailing of the OPERATING UNIT, the OPERATING AGREEMENT and the rules applicable to the bidding will be published within 30 (thirty) days of the approval of this CONSOLIDATED PLAN, together with the bidding announcement.
43. Regarding the transfer of employees and revision of the personnel staff, the following premises will be adopted:
 - (a) Transfer of the number of employees necessary for the OPERATING UNIT to operate, according to market standards.
 - (b) Adaptation of VARIG's staff to market efficiency standards;
 - (c) Employment Contracts will be adjusted to market standards via a Collective-bargaining Agreement to be negotiated;
 - (d) VARIG and the OPERATING UNIT agree that, if additional hiring is needed, they will utilize the excess employees resulting from the reduction in the work force.
44. The winning bidder acquiring the OPERATING UNIT may participate in the DISTRIBUTION TO THE CREDITORS of the CLASS-B QUOTAS and will have the right of first refusal in the acquisition of CLASS-B QUOTAS in the PUBLIC OFFERING OF CLASS-B QUOTAS.

D – Transitory Supply of Cash for the CONTROL FIP

45. During the first year of the CONTROL FIP's existence, the COMPANY will be authorized to pre-pay the CREDITS or OUT-OF-COMPOSITION CREDITS substantiated by QUALIFIED SECURITIES held by the CONTROL FIP, provided it always keeps an amount of cash available to pay the CREDITS, according to the renegotiation thereof in the PLAN, as strictly necessary so that the CONTROL FIP can pay following expenses:

- a. Fixed portion, if any, of the remuneration payable to the LEADER OF THE PUBLIC OFFERING and the APPRAISER; and
 - b. Administration Fee.
46. As an alternative to the pre-payment established in item 45 above, the COMPANY may issue simple and subordinate debentures for private sale to the CONTROL FIP, accepting QUALIFIED SECURITIES to pay-in the debentures issued, with the purpose of creating cash flow for the CONTROL FIP during the first year of its existence, for the same purposes and subject to the same limits established in item 45.

VIII – FINAL PROVISIONS

47. The INTERIM MANAGER, aided by the institution selected to function as MANAGER of the CONTROL FIP, will obtain the necessary approvals from the CVM and ANAC to implement the measures stipulated in this CONSOLIDATED PLAN. If there is any obstacle to getting approval from those bodies or any governmental entity that prevents or hinders the implementation of the measures foreseen in this CONSOLIDATED PLAN, the INTERIM MANAGER, aided by the institution selected to function as MANAGER of the CONTROL FIP, will indicate the changes necessary to overcome the obstacle, submitting the necessary changes to this CONSOLIDATED PLAN to the proper General Assembly of Creditors. In this case, only the items strictly necessary for obtaining the approval of the pertinent body will be revised.
48. Failure to comply with any obligation contained in this CONSOLIDATED PLAN within 2 (two) years of the date the COMPANIES were granted JUDICIAL RECOVERY will result in application of the terms of art. 61, paragraph 1, and art, 73, IV of the LRE.
49. Until the conclusion of this JUDICIAL RECOVERY proceeding is declared in a judicial decision, any litigation or dispute relative to this CONSOLIDATED PLAN will be resolved by the Judge of the 8th Corporate Court of the District of the State Capital of Rio de Janeiro. After the conclusion of the JUDICIAL RECOVERY proceeding, any litigation or dispute relative to this CONSOLIDATED PLAN will be resolved by the Judge of the court of the Court of the District of the State Capital of Rio de Janeiro having jurisdiction.
50. It is hereby recorded that in response to a request by AERUS, the Association of Varig Pilots (APVAR), the Association of Varig Flight Attendants (ACVAR), the Association of Varig Flight Mechanics (AMVVAR), the Association of Nordeste Pilots (APN) and the National Pilots Union (SNA), as well as any natural persons and legal entities that are represented directly or indirectly by the organization referred to as TGV – Workers of the Varig Group, hereby

definitively, unconditionally, irrevocably and irrevocably withdraw, via their affirmative vote of approval to this CONSOLIDATED PLAN, the “proposal of acquisition and subsequent sale of the Debtors, in accordance with the approved Recovery Plan,” formulated in the petition of 4/28/2006 (pp. 16,414 to 16,424 of the PROCEEDING), which will not be resubmitted, either in identical or analogous terms.

51. The CREDITORS appoint Alvarez & Marsal to assume the function of Judicial Manager until no later than May 15 (fifteen), 2006. If the appointee fails to accept the appointment, then Banco Brascan will be responsible for appointing a new restructurer, *ad referendum*, of a new Assembly of the Creditors called especially for that purpose.

List of Annexes

Annex I – Minutes of the AGC of 12/19/2005 with its annexes and Minutes of the AGC of 2/13/2006 with its annexes.

Annex II – Decision rendered by the Judge of the 8th Corporate Court of the District of the State Capital of Rio de Janeiro

Annex III – Technical-Operational Model for the Segregation and Operation of Varig International and Varig Domestic, prepared by VARIG

Annex IV – Models of DEBT ACKNOWLEDGMENTS for CREDITS and OUT-OF-COMPOSITION CREDITS

Annex V – Varig's Quarterly Financial Information (ITR), relative to the second semester of 2005.

Annex VI – THE CONTROL FIP REGULATIONS

Annex VII – Draft of the Regulations of the CREDIT I, II and III FIPs

Annex VIII – Economic-Financial Feasibility Projections

Annex IX – Table of Payments for Prorating among CLASS-II and CLASS-III CREDITORS (except AERUS)