



**Tarpon Investimentos S.A.**

**Individual and consolidated interim  
financial statements  
Quarter ended March 31, 2011**

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## Tarpon Inestimentos S.A.

### Individual and consolidated interim financial statements

**Quarter ended March 31, 2011**

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# Management Report

## **Market context**

Tarpon's investment funds invest in public companies as well as in private equity investments.

In the first quarter of 2011, Ibovespa, the average quotation performance index of the major companies listed on the Brazilian stock exchange (Bovespa), continued its scenario of appreciation below the world average observed in the last quarter of 2010, with a decrease of 1.04%. In this same period, the US indexes S&P 500, Dow Jones and Nasdaq had an increase of 5.42%, 6.41% and 4.83, respectively, and the London FTSE index had an increase of 3.19% (in US dollars). The public companies listed on Bovespa that are included in the portfolio of funds managed by Tarpon had, on average, a performance above Ibovespa's.

In this same period, it was also observed intense activities of public offerings on the Brazilian stock market, with nine companies issuing their initial public offering (IPO) or subsequent offerings (follow-on). In the case of the public companies included in the portfolio of the funds managed by Tarpon, both Arezzo and Direcional Engenharia accessed the capital market; the former by means of an IPO, and the latter by means of a follow-on.

Regarding the fluctuation of the US dollar versus Brazilian Real, the first quarter of 2011 was calm, with a depreciation of the US dollar of approximately 2.2%.

## **Asset management activity**

Tarpon Investimentos S.A. ("Tarpon" or "the Company") is an independent asset management company dedicated to investments in public and private equity. Tarpon's goal is to provide, in the long run, above-market returns.

Tarpon's strategy is to search for non-obvious investment opportunities, usually overlooked by the market, with prices significantly below its assessment of fair market value and with significant potential of long-term appreciation.

For the services rendered in connection to the asset management activity of the funds and management accounts ("Tarpon Funds"), the Company is remunerated by management and performance fees charged from the Tarpon Funds LPs.

Revenues related to management fees: remuneration calculated based on Tarpon Funds' net asset value. Management fees are charged on a monthly or quarterly basis.

Revenues related to performance fees: remuneration related to the performance of the funds when their performance exceeds certain hurdle rates. The majority of the Tarpon Funds' hurdles vary from 6% per year to an inflation index plus 6% per year.

The Tarpon Funds include the concept of a high water mark. Performance fees are charged only if the net asset value (NAV) of the fund's shares exceeds the NAV of the previous date of performance fee collection, adjusted for the hurdle rate.

## **Investment strategy**

The Company conducts its investments based on three main strategies:

### **Long Only Equity:**

The Long Only Equity strategy comprises the Tarpon Funds that invest exclusively in Brazilian publicly traded companies listed at BM&FBOVESPA.

### **Hybrid Equity:**

The Hybrid-Equity strategy comprises the Tarpon Funds that have flexibility to invest in either public equities or privately held companies in Brazil or other Latin American countries.

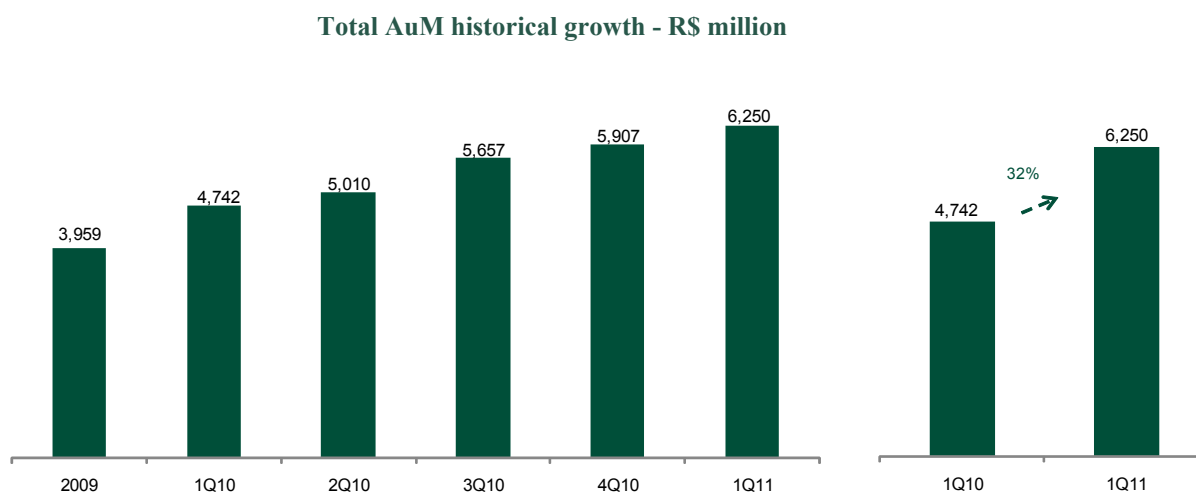
### **Co-Investment Strategy:**

The co-investment strategy serves as a sidecar/co-investment structure whose primary objective is to co-invest with the other Tarpon Funds in specific public and private equities.

## **Investor base**

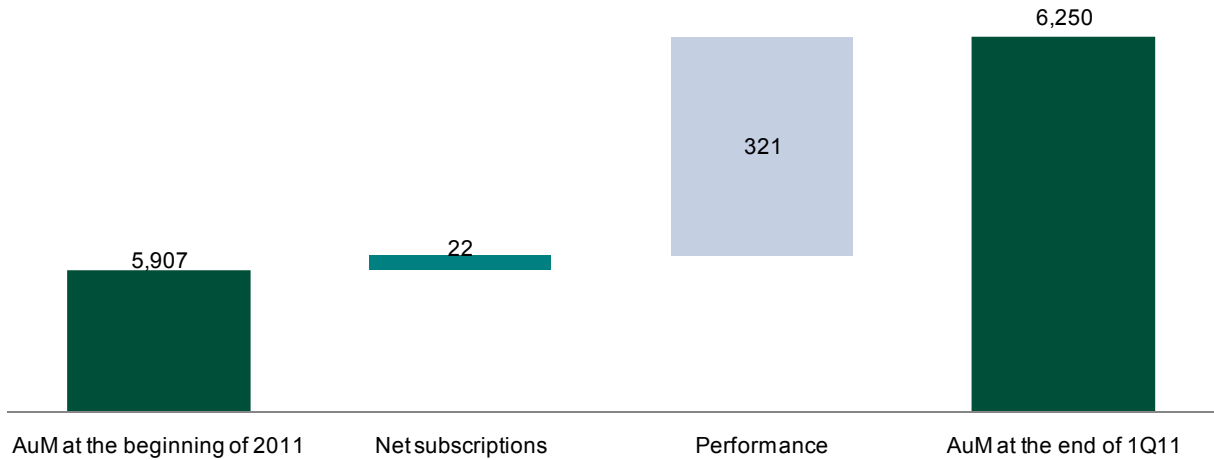
Tarpon Funds' investor base is mostly comprised of foreign institutional investors with long-term investment approaches. This characteristic not only brings more stability to Tarpon's AuM, but also enables a strong alignment between the Company's philosophy and its investors.

Our assets under management ("AuM") amounted to R\$6.3 billion as of March 31st 2011, an increase of almost 6% when compared to R\$5.9 billion AuM as of December 31st 2010 and an increase of 32% when compared to the first quarter of 2010.



The AuM growth was mainly driven by the strong performance of the Tarpon Funds. The chart below indicates the AuM growth breakdown by performance gains and net asset inflows during 2011.

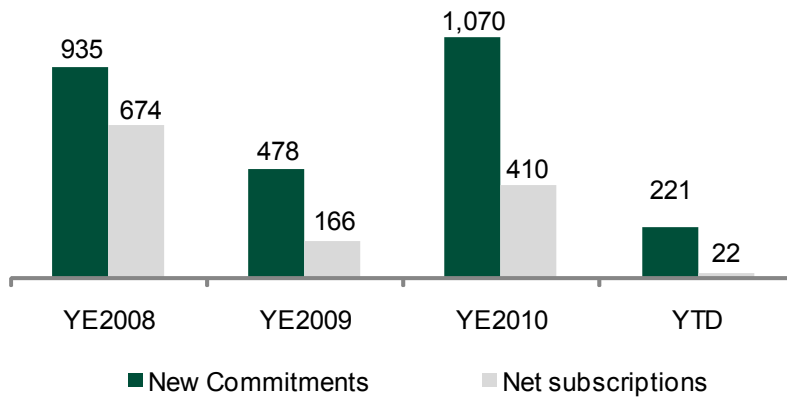
### AuM growth 2010 - R\$ million



Performance: the net positive performance of the Tarpon Funds contributed to a R\$321 million AuM increase in 1Q11.

New commitments: the Tarpon Funds received net commitments (new commitments net of redemptions) in the amount of R\$22 million during the first quarter.

### Commitments - R\$ million



The majority of subscriptions made during 2011 were committed to the hybrid equity strategy designated to co-invest alongside the other Tarpon Funds in certain public and private-equity opportunities.

### Investment performance

During the quarter, the Long-Only Equity strategy posted net returns of 5.0% in R\$ and 5.8% in US\$. The accumulated returns were 35.6% in R\$ and 37.1% in US\$.

The Hybrid-Equity strategy posted net returns of 6.1% (in US\$) in the quarter, accumulating net positive performance of 33.6% since launch.

We do not follow any stock market index as a performance benchmark. However, for illustrative purposes, during the quarter, Ibovespa and IBX Indexes posted returns of -1.0% and 0.6%, respectively (both in R\$).

Strategy	Inception	Performance <sup>(1)(2)</sup>					Since launch (annualized)
		1Q11	YTD	LTM	2 years	5 year	
Long-Only Equity (R\$)	May 2002	5.0%	5.0%	34.8%	172.8%	220.3%	35.6%
Long-Only Equity (US\$)	May 2002	5.8%	5.8%	40.6%	251.7%	287.6%	37.1%
Hybrid-Equity (US\$)	Oct 2006	6.1%	6.1%	47.5%	273.1%	-	33.6%
Stock market index		1Q11	YTD	LTM	2 years	5 years	Since May 2002 (annualized)
Ibovespa (R\$)		-1.0%	-1.0%	-2.5%	67.5%	80.7%	21.0%
IBX (R\$)		0.6%	0.6%	1.3%	62.1%	83.9%	23.8%
Ibovespa (US\$)		1.2%	1.2%	6.5%	138.2%	141.0%	26.3%
IBX (US\$)		2.9%	2.9%	10.8%	130.4%	145.3%	29.2%

(1) Performance net of fees.

(2) Performance up to March 31th, 2011

## Summary of results

### *Financial highlights - R\$ million*

	1Q 2011	1Q 2010
<b>Gross revenues</b>	<b>92.4</b>	<b>69.4</b>
Management fees	15.1	12.8
Performance fees	77.3	56.6
<b>Net revenues</b>	<b>87.3</b>	<b>65.8</b>
<b>Operating expenses</b>	<b>(6.6)</b>	<b>(4.6)</b>
Recurring: general administration, payroll & others	(4.7)	(2.7)
Non recurring: stock option	(1.9)	(1.9)
<b>Results from operating activities</b>	<b>80.7</b>	<b>61.2</b>
<i>Operating margin</i>	92%	93%
<b>Results from financial activities</b>	<b>1.5</b>	<b>0.7</b>
Finance Expense / Income	1.5	0.7
<b>Income tax and social contribution</b>	<b>(28.6)</b>	<b>(7.8)</b>
<b>Net Income</b>	<b>53.6</b>	<b>54.1</b>
<i>Net margin</i>	61%	82%
Earnings per share (R\$/share)	1,17	1,31
Dividends per share (R\$/share)	1,17	1,31
O/S	45,760	41,207
<b>AuM (end of period)</b>	<b>6,250</b>	<b>4,742</b>
Average fee paying AuM <sup>1</sup>	5,478	3,895

(1) Assets under management subject to payment of management fees. Excludes committed but uncalled capital and other co-investment structures.

Note: the margin indicated is calculated over net operating revenues.

## Operating revenues

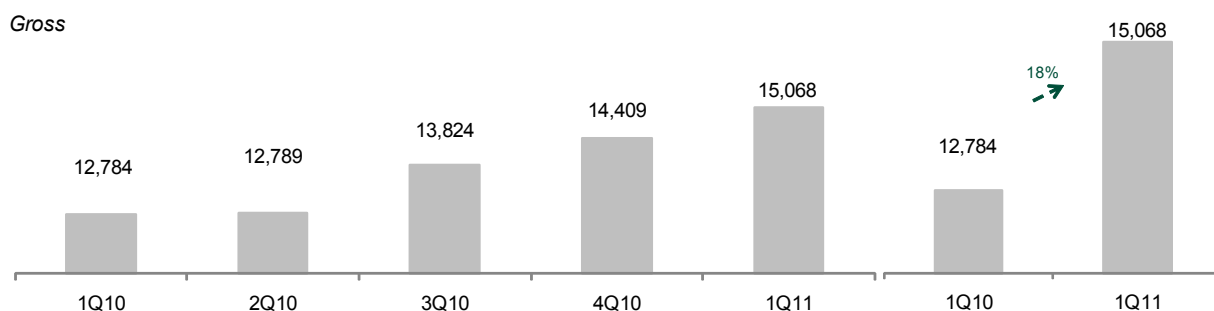
Operating revenues are composed of compensation related to management fees - recurring and more predictable income flow based on the Tarpon Funds' net asset value - and compensation related to performance fees income flow with higher volatility based on the performance rendered by the Tarpon Funds.

## Revenues related to management fees

Management fees are charged on the Tarpon Funds on a monthly or quarterly basis, calculated over the amount of called capital.

During the quarter, gross revenues related to management fees amounted to R\$15.1 million, equivalent to 16% of the operating revenues. When compared to 2010, the amount represented an 18% increase.

### Management fees revenues - R\$'000



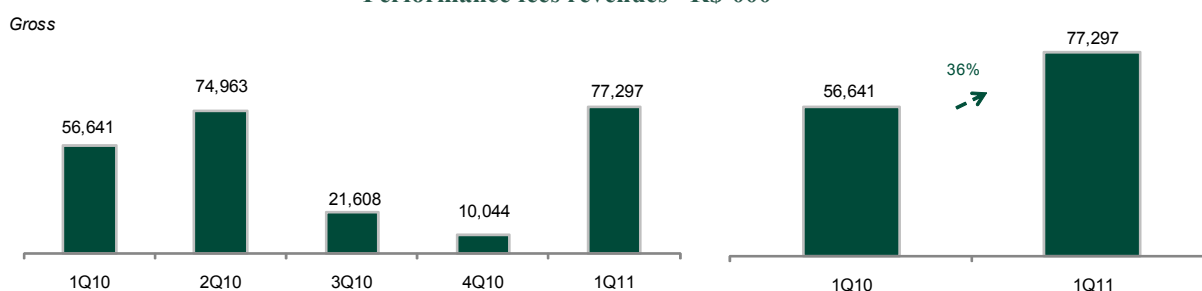
### Revenues related to performance fees

The Tarpon Funds are entitled to collect performance fees when their performance exceeds certain hurdle rates. The majority of the Tarpon Funds' hurdles vary from 6% per year to an inflation index plus 6% per year.

The Tarpon Funds include the concept of a high water mark. Performance fees are charged only if the net asset value (NAV) of the fund's shares exceeds the NAV of the previous date of performance fee collection, adjusted for the hurdle rate.

In the quarter, revenues related to performance fees amounted to R\$77.3 million, accounting for 84% of overall operating revenues in the period.

### Performance fees revenues - R\$'000

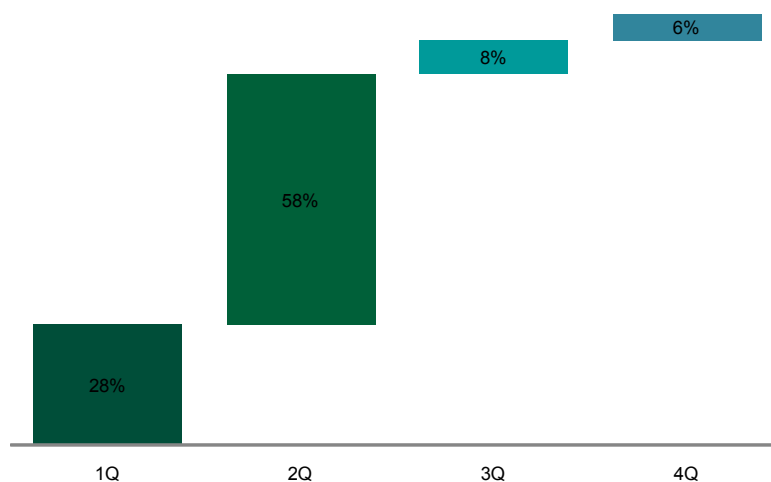


During the quarter, revenues totaled R\$77.3 million as a result of the superior performance delivered by the Tarpon Funds. During the same period in 2010, revenues amounted to R\$56.4 million.

Our funds collect performance annually or semiannually, therefore the collection of performance fees on our AuM base is not uniform through the year. Below you will find our current performance collection schedule as a % of AuM, divided by quarter:



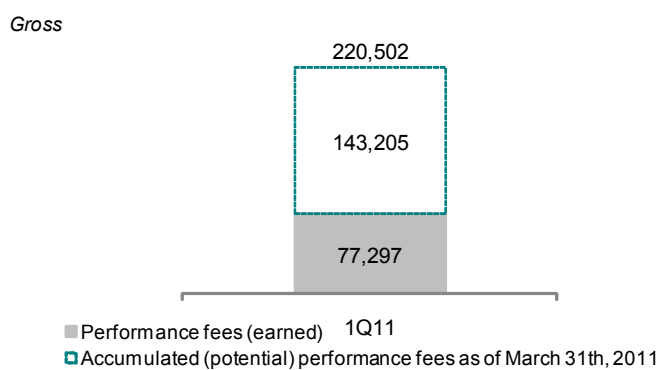
### Segregation of Performance Fee - %AUM



As of March 31<sup>st</sup> 2011, 100% of the Tarpon Funds' NAV was above their respective high water marks.

The Tarpon Funds are entitled to collect performance fees on distinct dates. As presented in the chart below, for illustrative purposes, if 100% of the Tarpon Fund's net asset value had been charged performance fees as of March 31<sup>st</sup> 2011, the additional amount in revenues related to performance fees would have been R\$143.2 million (potential revenues based on the net asset value of funds as of such date). As we cannot predict the Tarpon Funds' performance, we cannot guarantee that this potential amount will be owed to tarpon at any future date. The amount shown below may differ substantially from the actual realized amount.

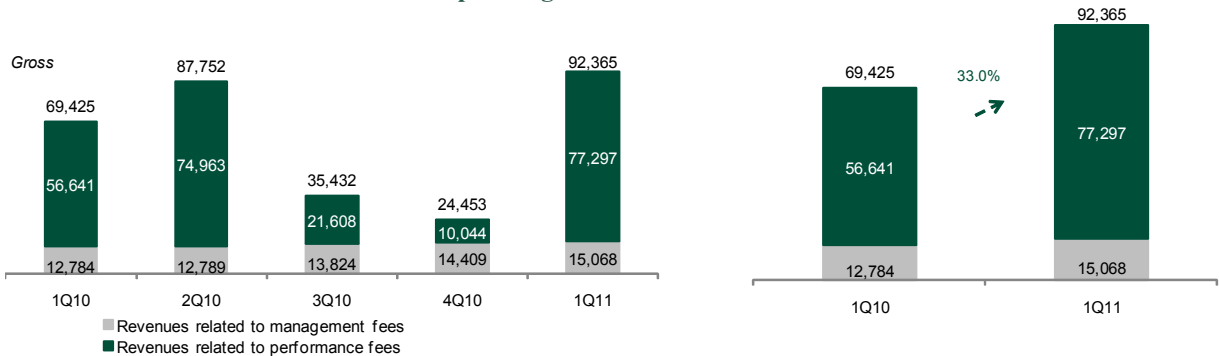
### Performance fees revenues: earned and potential amount as of March 31<sup>st</sup>, 2011 - R\$'000



### Total operating revenues

The amount of revenues related to management and performance fees totaled R\$92.4 million in the quarter a 33% increase over the amount recorded in the same period of 2010.

### Total operating revenues - R\$'000



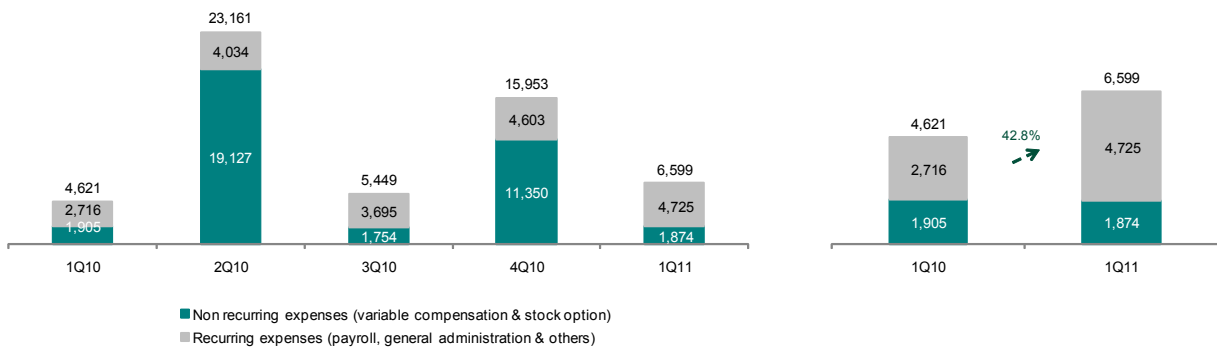
### Operating expenses

Operating expenses, which are comprised of recurring and non-recurring expenses, amounted to R\$6.6 million during the first quarter of 2011 (92% of operating margin), compared to R\$4.6 million reported in the same period of 2010 (93% of operating margin).

The recurring portion of operating expenses is comprised of general and administrative expenses, payroll expenses, and other income/expenses related to depreciation and business trip reimbursement. In 1Q11, recurring expenses totaled R\$4.7 million, equivalent to 71% of total operating expenses. In 1Q10, recurring expenses amounted to R\$2.7 million, primarily due to an increase in headcount.

In 1Q11, non-recurring operating expenses amounted to R\$1.9 million, that amount refers to stock option provision (with no cash impact).

### Total operating expenses - R\$'000



### Taxes

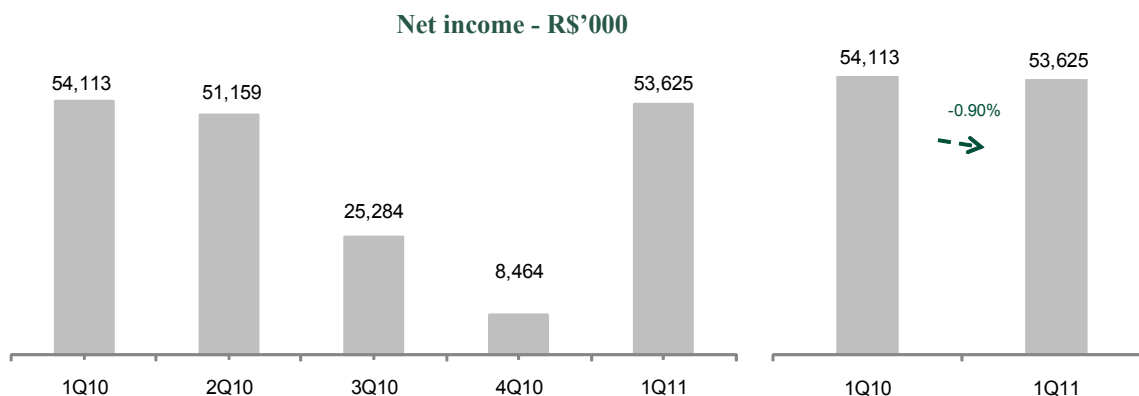
Because the total level of revenue recorded in 2010, as of Fiscal Year 2011, the Company started to calculate its income tax using “Lucro Real” method.

Due to the above mentioned change, the effective tax rate increased from 18.9% to 38.6% (considering PIS, COFINS, ISS, IR and CSLL) from December 31, 2010 to March 31, 2011. As consequence there was an increase of approximately 266% in the expenses of income taxes (IR and CSLL).

Despite of the significant increase in tax expense, net income remained stable during the period due mainly to a 35% increase in revenues from performance fees and 18% management fee, in the quarter ended March 31, 2011.

### **Net Income**

Net income in 1Q11 amounted to R\$53.6 million (R\$1.17 per share) a decrease of 0.9% when compared to the first quarter of 2010, representing a net margin of 61%.



### **Corporate Governance**

Tarpon shares are traded in the New Market segment of the BM&FBOVESPA, under the ticker TRPN3.

### **Investor Relations - IR**

Shareholders, investors and market analysts have at their disposal information available on the Company's IR website ([www.tarponinvest.com.br/ri](http://www.tarponinvest.com.br/ri)). For further information, direct contact can be made with the IR department by e-mail ([ri@tarponinvest.com.br](mailto:ri@tarponinvest.com.br)) or by telephone: (11) 3074 5800.

### **Independent Auditors**

Tarpon's financial statements related to the period ended March 31, 2011 were audited by KPMG Auditores Independentes. Tarpon's policy adopted for hiring audit non-related services from its independent auditors aims to assure that there are no conflicts of interest, loss of independence nor objectivity.

During the period ended March, 2011 no other service but financial auditing related to the financial statements was provided by the independent auditors.

### **Arbitration Clause**

Tarpon Investimentos S.A. is related to an arbitration at the Market Arbitration Chamber, in accordance with an arbitration clause included in the Company's By-laws.



**KPMG Auditores Independentes**  
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## Independent auditors' report on review of the individual and consolidated interim financial statements

The Board of Directors and Shareholders of  
Tarpon Investimentos S.A.  
São Paulo - SP

### Introduction

We have reviewed the individual and consolidated interim financial statements of Tarpon Investimentos S.A. for the quarter ended March 31, 2011, comprising the balance sheets and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the quarter then ended, in addition to the notes to the financial statements.

Management is responsible for preparing the individual interim financial statements in accordance with CPC Technical Pronouncement 21 - Interim Financial Reporting, and the consolidated interim financial statements in accordance with CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and for presenting this information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM). Our responsibility is to express opinion conclusion on these interim financial statements based on our review.

### Review scope

We conducted our review in accordance with Brazilian and International Standards on Review of interim information (NBC TR 2410 - Review of Interim Financial Information by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion on the individual interim financial statements

Based on our review, we are not aware of any facts that causes us to believe that the individual interim financial statements referred to above were not prepared, in all material respects, in accordance with CPC 21, applicable to the preparation of interim financial statements, and the standards issued by the Brazilian Securities and Exchange Commission (CVM).



### **Conclusion on the consolidated interim financial statements**

Based on our review, we are not aware of any fact that causes us to believe that the consolidated interim financial statements referred to above were not prepared, in all material respects, in accordance with CPC 21 and IAS 34, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

### **Other matters**

#### **Interim statement of added value**

We have also reviewed the individual and consolidated interim statements of added value (DVA) for the quarter ended March 31, 2011, the presentation of which is required by the standards issued by the Brazilian Securities and Exchange Commission but is considered supplementary information under IFRS, which does not require the publication of the DVA. This statement was subject to the same review procedures described earlier and our review did not detect any facts that causes us to believe that the DVA was not prepared, in all material aspects, consistently with the individual and consolidated interim financial statements taken as a whole.

São Paulo, May 9, 2011

KPMG Auditores Independentes  
CRC 2SP014428/O-6  
*Original version in portuguese signed by*  
Cláudio Rogélio Sertório  
Accountant CRC 1SP212059/O-0

Jubran Pereira Pinto Coelho  
Accountant CRC IMG077045/O-0 T-SP

# Tarpon Investimentos S.A.

## Individual and consolidated balance sheets

Quarters ended March 31, 2011 and December 31, 2010

(In thousands of Reais)

Assets	Notes	Consolidated		Individual		Liabilities	Notes	Consolidado		Individual	
		31/03/11	31/12/10	31/03/11	31/12/10			31/03/11	31/12/10		
<b>Current</b>						<b>Current</b>					
Cash and cash equivalents	4	82	294	82	294	Accounts payable	16c	811	10,063	811	10,063
Financial assets measured at fair value through profit or loss	5	29,726	45,217	29,726	45,217	Tax liabilities	16d	33,290	6,396	33,290	6,396
Receivables	7	88,335	21,282	88,335	21,282	Labor liabilities	16e	1,441	1,589	1,441	1,589
Other assets	16b	1,869	1,523	1,869	1,523	Statutory obligations	8c	-	33,713	-	33,713
		120,012	68,316	120,012	68,316			35,542	51,761	35,542	51,761
<b>Noncurrent</b>						<b>Shareholders' equity</b>					
Property, plant and equipment	16a	1,407	1,435	1,407	1,435	Capital	8a	5,419	4,180	5,419	4,180
		1,407	1,435	1,407	1,435	Capital reserves	8e	16,678	2,102	16,678	2,102
						Statutory reserve	8d	30	30	30	30
						Legal reserve	8b	836	836	836	836
						Stock option plan	12	9,289	10,842	9,289	10,842
						Retained earnings		53,625	-	53,625	-
						Equity attributable to controlling shareholders		85,877	17,990	85,877	17,990
Total assets		121,419	69,751	121,419	69,751	Total liabilities and shareholders' equity		121,419	69,751	121,419	69,751

See the accompanying notes to the individual and consolidated interim financial statements.

# Tarpon Investimentos S.A.

## Individual and consolidated statements of income

### Quarters ended March 31, 2011 and 2010

(In thousands of Reais)

	Notes	Consolidated		Individual	
		2011	2010	2011	2010
Management fee		14,111	12,055	14,111	12,055
Performance fee		73,149	53,795	73,149	53,795
<b>Net operating revenue</b>	10	<u>87,260</u>	<u>65,850</u>	<u>87,260</u>	<u>65,850</u>
<b>Operating revenue and expense</b>					
Personnel expenses	16e	(2,693)	(1,846)	(2,693)	(1,846)
Stock option plan	12	(1,874)	(1,905)	(1,874)	(1,905)
Administrative expenses	11	(2,055)	(931)	(2,055)	(931)
Income(loss) with financial assets measured at fair value through profit or loss		1,525	669	1,525	669
Equity in net income of subsidiaries		-	(57)	-	(28)
Other operating revenue/(expenses)		23	61	23	61
		(5,074)	(4,009)	(5,074)	(3,980)
<b>Operating income</b>		82,186	61,841	82,186	61,870
<b>Income tax and social contribution</b>	13	<u>(28,561)</u>	<u>(7,756)</u>	<u>(28,561)</u>	<u>(7,756)</u>
<b>Net income for the quarter</b>		<u>53,625</u>	<u>54,085</u>	<u>53,625</u>	<u>54,114</u>
attributable to controlling shareholders		53,625	54,085	53,625	54,114
attributable to non-controlling shareholders		-	29	-	-
<b>Number of shares at period-end</b>	8	<u>45,760</u>	<u>41,207</u>	<u>45,760</u>	<u>41,207</u>
<b>Basic earnings per lot of one thousand shares, in R\$</b>	9	<u>1.17</u>	<u>1.31</u>	<u>1.17</u>	<u>1.31</u>
<b>Diluted earnings per lot of one thousand shares, in R\$</b>	9	<u>1.17</u>	<u>1.31</u>	<u>1.17</u>	<u>1.31</u>

See the accompanying notes to the individual and consolidated interim financial statements.

Tarpon Investimentos S.A.

Consolidated statements of changes in shareholders' equity and comprehensive income

Quarters ended March 31, 2011 and 2010

(In thousands of Reais)

	Capital	Treasury shares	Capital reserves	Statutory reserves	Legal reserve	Stock option plan	Equity appraisal adjustments	Retained earnings	Equity attributable to controlling shareholders	Non-controlling shareholders	Total shareholders' equity	Statement of total comprehensive income
<b>Balances at December 31, 2010</b>	4,180	-	2,102	30	836	10,842	-	-	17,990	-	17,990	138,888
Capital increase	1,239	-	-	-	-	-	-	-	1,239	-	1,239	-
Legal Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Share cancellation	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment to market value	-	-	-	-	-	-	-	-	-	-	-	-
Stock option plan	-	-	14,576	-	-	(1,553)	-	-	13,023	-	13,023	-
Net income	-	-	-	-	-	-	-	53,625	53,625	-	53,625	53,625
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at March 31, 2011</b>	<u>5,419</u>	<u>-</u>	<u>16,678</u>	<u>30</u>	<u>836</u>	<u>9,289</u>	<u>-</u>	<u>53,625</u>	<u>85,877</u>	<u>-</u>	<u>85,877</u>	<u>53,625</u>
Comprehensive income attributable to controlling shareholders												<u>53,625</u>
Comprehensive income attributable to non-controlling shareholders												<u>-</u>
<b>Balances at December 31, 2009</b>	4,004	-	2,019	30	801	3,227	5	-	10,086	127	10,213	-
Capital increase	176	-	83	-	-	(83)	-	-	176	-	176	-
Legal reserve	-	-	-	-	35	-	-	(35)	-	-	-	-
Adjustment to market value	-	-	-	-	-	-	4,625	-	4,625	-	4,625	4,625
Reclassification to income - Adjustment to market value	-	-	-	-	-	-	(4,630)	-	(4,630)	-	(4,630)	(4,630)
Stock option plan	-	-	-	-	-	7,698	-	-	7,698	-	7,698	-
Net income	-	-	-	-	-	-	-	139,020	139,020	(127)	138,893	138,893
Payment of dividends	-	-	-	-	-	-	-	(138,985)	(138,985)	-	(138,985)	-
<b>Balances at December 31, 2010</b>	<u>4,180</u>	<u>-</u>	<u>2,102</u>	<u>30</u>	<u>836</u>	<u>10,842</u>	<u>-</u>	<u>-</u>	<u>17,990</u>	<u>-</u>	<u>17,990</u>	<u>138,888</u>
Comprehensive income attributable to controlling shareholders												<u>139,015</u>
Comprehensive income attributable to non-controlling shareholders												<u>(127)</u>

See the accompanying notes to the individual and consolidated interim financial statements.



# Tarpon Investimentos S.A.

## Individual and consolidated statements of cash flows

### Quarters ended March 31, 2011 and 2010

(In thousands of Reais)

	<b>Consolidated</b>		<b>Individual</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Operating activities</b>				
Net income from recurrent operations	53,625	54,114	53,625	54,114
Adjustments:				
Depreciation	67	12	67	12
Equity in net income of subsidiaries and affiliates	-	28	-	28
Increase/(decrease) in stock option plan	1,874	1,905	1,874	1,905
<b>Adjusted income/(loss)</b>	<b>55,566</b>	<b>56,059</b>	<b>55,566</b>	<b>56,059</b>
Changes in assets and liabilities:				
(Increase)/decrease in receivables	(67,053)	(55,498)	(67,053)	(55,498)
(Increase)/decrease in other assets	(385)	(174)	(385)	(176)
Increase/(decrease) in accounts payable	(9,252)	(174)	(9,252)	(173)
Increase/(decrease) in tax liabilities	26,894	8,887	26,894	8,887
Increase/(decrease) in labor liabilities	(148)	(5,094)	(148)	(5,094)
<b>Cash flows from operating activities</b>	<b>5,622</b>	<b>4,006</b>	<b>5,622</b>	<b>4,005</b>
<b>Investment activities</b>				
Disposal of assets available for sale	-	-	-	-
Changes in financial assets measured at fair value through profit or loss	15,491	2,642	15,491	2,642
(Acquisitions)/write-offs of investments in affiliates and subsidiaries	-	-	-	-
(Acquisitions)/write-offs of property, plant and equipment	-	(9)	-	(11)
<b>Cash flows produced by investment activities</b>	<b>15,491</b>	<b>2,633</b>	<b>15,491</b>	<b>2,631</b>
<b>Financing activities</b>				
Payment of dividends	(33,713)	(6,833)	(33,713)	(6,833)
Exercised share options	12,388	176	12,388	176
Dividends received and allocated	-	-	-	-
<b>Cash flows from financing activities</b>	<b>(21,325)</b>	<b>(6,657)</b>	<b>(21,325)</b>	<b>(6,657)</b>
<b>Total cash flow</b>	<b>(212)</b>	<b>(18)</b>	<b>(212)</b>	<b>(21)</b>
Net increase/(decrease) in cash and cash equivalents	(212)	(18)	(212)	(21)
Cash and cash equivalents at beginning of quarter	294	42	294	40
<b>Cash and cash equivalents at end of quarter</b>	<b>82</b>	<b>24</b>	<b>82</b>	<b>19</b>

See the accompanying notes to the individual and consolidated interim financial statements.

# Tarpon Investimentos S.A.

## Individual and consolidated statements of added value

### Quarters ended March 31, 2011 and 2010

(In thousands of Reais)

	<b>Consolidated</b>		<b>Individual</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>	<u>92,365</u>	<u>69,425</u>	<u>92,365</u>	<u>69,425</u>
Performance and management fees	92,365	69,425	92,365	69,425
<b>Inputs acquired from third parties</b>	<u>(1,967)</u>	<u>(836)</u>	<u>(1,967)</u>	<u>(836)</u>
Materials-Electricity-Outsourced Services-Other	(1,967)	(836)	(1,967)	(836)
<b>Gross added value</b>	<u>90,398</u>	<u>68,589</u>	<u>90,398</u>	<u>68,589</u>
<b>Withholdings</b>	<u>(67)</u>	<u>(12)</u>	<u>(67)</u>	<u>(12)</u>
Depreciation	(67)	(12)	(67)	(12)
<b>Net added value produced</b>	<u>90,331</u>	<u>68,577</u>	<u>90,331</u>	<u>68,577</u>
<b>Transferred added value</b>	<u>1,525</u>	<u>641</u>	<u>1,525</u>	<u>641</u>
Equity in net income of subsidiaries and affiliates	-	(28)	-	(28)
Financial revenue and expenses	1,525	669	1,525	669
<b>Added value to be distributed</b>	<u>91,856</u>	<u>69,218</u>	<u>91,856</u>	<u>69,218</u>
<b>Distribution of added value</b>	<u>91,856</u>	<u>69,218</u>	<u>91,856</u>	<u>69,218</u>
<b>Personnel</b>	<u>3,787</u>	<u>3,393</u>	<u>3,787</u>	<u>3,393</u>
Direct remuneration	3,787	3,393	3,787	3,393
<b>Taxes and contributions</b>	<u>34,444</u>	<u>11,711</u>	<u>34,444</u>	<u>11,711</u>
Federal	30,006	8,466	30,006	8,466
Municipal	4,438	3,245	4,438	3,245
<b>Interest earnings</b>	<u>53,625</u>	<u>54,114</u>	<u>53,625</u>	<u>54,114</u>
Dividends	-	-	-	-
Retained earnings for the quarter	53,625	54,114	53,625	54,114

See the accompanying notes to the individual and consolidated interim financial statements.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

### Quarter ended March 31, 2011

*(In thousands of Reais)*

#### **1 Operations**

Tarpon Investimentos S.A. (the “Company” or “Tarpon”) was incorporated in June 2002, initially as a limited liability company managing securities portfolios and third-party funds, through investment funds, managed portfolios and other investment vehicles. In December 2003, the Company was transformed into a joint-stock entity.

In March 2007, the Company’s corporate structure was reorganized and it became a subsidiary of TIG Holding Ltd. (“TIG”) through a contribution of common shares from its shareholders to TIG’s capital.

On March 10, 2009, all of the shareholders in attendance at the TIG General Meeting approved a corporate restructuring process for the purpose of segregating fund management activities from proprietary investment activities. The corporate restructuring process consisted of, amongst others, a reduction of TIG’s capital through a proportional transfer by TIG to its shareholders of all its common shares in the Company. TIG’s shareholders retained the same percent ownership interest in TIG they had held before the restructuring process and in addition, received an equivalent equity interest in the Company. As a result of the restructuring: (i) TIG became dedicated to proprietary investment activities; and (ii) the Company became a provider of asset management services for all of the funds and portfolios previously managed by TIG and the Company (“Tarpon Funds”).

As part of the corporate restructuring process, on February 16, 2009, TIG, as the holder of substantially all shares in the Company, approved, amongst others: (i) a capital increase in the Company through capitalization of a reserve; (ii) a stock split; (iii) the acquisition of treasury shares; (iv) registration of the Company as a public stock corporation with the CVM and listing of the Company’s common shares on BM&F BOVESPA’s New Market segment; (v) amendment of the Company’s by-laws for compliance with the New Market Listing Regulations; and (vi) adoption of the Company’s stock option plan.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

### **2 Presentation of the financial statements**

#### ***2.1 Presentation of the individual and consolidated interim financial statements***

The individual financial statements of the parent company were prepared in accordance with the accounting practices adopted in Brazil, and the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as with the accounting practices adopted in Brazil.

There is no difference between the consolidated shareholders' equity and the consolidated net income reported by the Group and the shareholders' equity and net income of the parent company in its individual financial statements. The Group's consolidated financial statements and the parent company's individual financial statements are therefore being presented side-by-side in a single set of financial statements.

These financial statements and the independent auditors' special review report were approved by the Board of Directors on May 9, 2011.

#### ***2.2 Functional and reporting currency***

These financial statements have been prepared in the Company's functional and reporting currency, Brazilian Reais (R\$).

#### ***2.3 Use of judgments and estimates***

Preparing financial statements requires Management to make judgments and estimates that affect the application of accounting principles and the reported values of assets, liabilities, revenues and expenses, including the market value of securities and the stock option plan. Actual results may differ from these estimates. Estimates and assumptions are reviewed on a quarterly basis.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

### **2.4 Basis of consolidation**

The consolidated financial statements include Tarpon BR S.A., in which the Company holds a direct voting stock interest of 32.5% and an indirect voting stock interest of 50%, and Tarpon BR Participações Ltda., in which the Company holds a direct interest of 50%. These interests are being disposed of, as mentioned in note 16.f, and will be excluded from the consolidation.

Investments in these subsidiaries and all balances between companies were eliminated when preparing the consolidated financial statements, and the minority interest in shareholders' equity and income is presented separately.

### **3 Description of significant accounting policies**

The significant accounting policies described below were applied consistently to Tarpon Investimentos S.A. and its subsidiaries for the quarters/period presented in the financial statements.

#### **a. Revenue**

Revenue comprises management and performance fees payable by Tarpon Funds. Management fees are calculated as a fixed and/or variable percentage of the net asset value of the funds, and are recognized as and when the services are provided. Performance fees, earned when the funds achieve a certain level of performance, as stipulated in their regulations, are recognized only when there is certainty as to the amount to be received and that payment will be made.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

### ***b. Non-derivative financial instruments***

#### *Financial assets measured at fair value through profit or loss*

Financial assets measured at fair value through profit or loss are held for trading and are represented by the Company's investments in investment funds (held in 2010), bank deposit certificates and securities held under repurchase agreements, which are recognized at fair value. Interest and gains and losses arising from adjustment to fair value were recognized in the income statement as "Net income from financial assets at fair value through profit or loss". The fair value of these assets is determined based on, respectively, the quota value stated by the fund manager and the value (adjusted by the interbank deposit fee) stated by the issuer of the bank deposit certificates and repurchase agreements at the end of each month.

#### *Available-for-sale financial assets*

Investments in equity securities are classified as available for sale. After their initial recognition, they are measured at fair value and changes, except impairment, are recognized directly in shareholders' equity. When an investment is redeemed or sold, the accumulated gain or loss in shareholders' equity is transferred to income.

#### *Cash and cash equivalents*

Cash and cash equivalents refer to cash balances used in the management of working capital.

### ***c. Decrease in recoverable value***

The book values of assets are reviewed at each reporting date to determine whether there are signs of impairment. If such signs are detected, the asset's recoverable value is estimated. Impairment is recognized if the asset's book value exceeds its recoverable value.

### ***d. Investments in associated and subsidiary companies***

Investments in associated and subsidiary companies are stated at their face value and adjusted using the equity method.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

(In thousands of Reais)

### ***e. Property, plant and equipment***

Property, plant and equipment is recognized at acquisition cost, net of accumulated depreciation, calculated using the straight line method, which takes into consideration the estimated economic useful life of the relevant item and its residual value. Annual depreciation rates are 10% for furniture, fixtures, machinery and equipment, 10% for facilities, 20% for data processing systems, 20% for communication and security systems, and 25% for software licenses. Improvements on third-party property are depreciated over the term of the relevant rental agreement (five years), at the rate of 20% per year.

### ***f. Short-term employee benefits and profit sharing plan***

Employees are entitled to fixed compensation and eligible to participate in our biannual profit sharing plan. A provision is recognized for the estimated biannual amount payable in profit sharing earnings, in cash, when the Company has a legal or constructive obligation (under the plan) to pay this amount to employees and the amount can be reliably estimated.

### ***g. Provisions***

A provision is recognized if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market conditions and the risks specific to the liability.

### ***h. Stock option plan***

The effects of the stock option plan are calculated based on fair value at the options grant date and recognized in the balance sheet and statement of income on a *pro-rata* basis, over the vesting period of each grant.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

### ***i. Income tax, social contribution and other taxes***

Up to December 31, 2010, the Company used the presumed income method of determining taxable income, which is based on total gross revenue for a given quarter. The calculation base for corporate income tax (IRPJ) and social contribution (CSLL) was calculated as 32% of gross revenue, plus financial revenues. These taxes were calculated as respectively 15% plus a surcharge of 10% and 9% of the calculation base determined as described above.

The PIS and COFINS rates were respectively 0.65% and 3% on revenue from management and performance fees earned from Brazilian funds.

Due to the higher levels of revenue reported in 2010, the Company was required to use a new tax determination method (“Lucro Real”) as from January 1, 2011. A provision for income tax was established at the base rate of 15% of taxable income, plus a surcharge of 10% when certain limits are exceeded. The provision for social contribution on income before income tax is calculated at the rate of 9%. Income tax and social contribution are stated net of tax paid in advance.

The Company adopted the Transition Taxation System (*Regime Tributário de Transição - RTT*) for determining Income Tax and Social Contribution for the quarter ended March 31, 2011, as allowed under Act 11.941/09 to maintain the tax neutrality of the changes in Brazilian corporate legislation introduced by Act 11.638/09 and other changes in accounting practices arising from convergence with IFRS.

The PIS and COFINS rates were respectively 1.65% and 7.60% on revenues from management and performance fees earned from Brazilian funds less creditable expenses.

There was no change to the ISS rate of 2.5% on revenue from management of Brazilian funds and 5% on revenue from management of foreign funds.

PIS, COFINS and ISS are recognized as tax expense on revenue.



# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

### ***j. Other assets and liabilities***

Other assets are stated at their realization value, including any yield and monetary restatement (on a daily “*pro-rata*” basis), and a provision for losses, when deemed necessary. Other liabilities include their known or determinable amounts, plus charges and/or monetary and exchange variations incurred on a daily “*pro-rata*” basis.

### ***k. Receivables***

Receivables are measured at their realization value, less any impairment.

### ***l. Financial disclosures per segment***

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment) and is subject to risks and rewards that are different from those of other segments.

The Company engages in only one type of business (asset management services) and therefore no segment information by business type is presented.

### ***m. Comprehensive income***

The result of changes in the fair value of financial instruments classified as available for sale and net income for the quarter.

### ***n. Earnings per share***

Basic earnings per share are calculated by dividing profit and loss attributable to controlling and noncontrolling shareholders of the company by the weighted average number of common and preferred shares outstanding in the respective period. Diluted earnings per share are calculated by adjusting the aforesaid average number of shares outstanding for the effects of the dilutive options granted under the stock option plan during the reporting periods, pursuant to CPC 41 and IAS 33.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

### 4 Cash and cash equivalents

Individual and consolidated cash and cash equivalents stated for the quarters ended March 31, 2011 and 2010 are represented by cash and banks balances.

### 5 Financial assets stated at fair value through profit or loss and financial assets available for sale

	<b>Consolidated and Individual</b>	
	<b>March 2011</b>	<b>December 2010</b>
<b>Financial assets stated at fair value through profit or loss</b>		
Securities held under repurchase agreements (a)	27,196	16,370
Bank deposit certificate (b)	<u>2,530</u>	<u>28,847</u>
	<u>29,726</u>	<u>45,217</u>

(a) Debentures held under repurchase agreements with first-rate banks, indexed to the Brazilian Interbank Deposit rate, maturing on July 18, 2011. Their fair value is classified as level 3 and is determined by discounting future cash flows to present value at market-observable rates and adjusting them for the credit risk of the counterparties as assessed by Management.

(b) Certificates issued by first-rate banks, indexed to the Brazilian Interbank Deposit rate, maturing in February 2012. Their fair value is classified as level 3 and is determined by discounting future cash flows to present value at market-observable rates and adjusting them for the credit risk of the counterparties as assessed by Management.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

(In thousands of Reais)

### 6 Financial instruments

#### a. Risk management

The Company is exposed to risks largely resulting from the use of financial instruments, including:

##### *Credit risk*

Credit risk arises from the possibility of the Company and its subsidiaries suffering losses due to the default of their counterparties or of financial institutions in which they have funds or financial investments. The Company's policy is to keep its exposure to credit risks to a minimum. Management revises and approves all investment decisions to ensure all investments are made in highly liquid assets issued by reputed institutions.

##### *Market risk*

Market risk is the risk that changes in market prices, such as interest rates and stock prices, may affect revenue or the value of financial instruments. The Company's policy is to minimize exposure to market risk by diversifying its investment portfolio in terms of pre- or post-fixed rates and/or equity indices.

#### b. Financial assets measured at fair value through profit or loss

	<u>2011</u>	<u>2010</u>	<b>Exposure to market value or interest rate risk?</b>
	<b>Valuation method</b>	<b>Valuation method</b>	
Bank Deposit Certificates	Adjusted by the Interbank Deposit rate	Adjusted by the Interbank Deposit rate	Yes
Securities held under repurchase agreements	Adjusted by the Interbank Deposit rate	Adjusted by the Interbank Deposit rate	Yes

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

### ***c. Derivative financial instruments***

As of March 31, 2011 and 2010 and throughout the reporting periods, the Company had no balances of derivative financial instruments.

### ***d. Sensitivity analysis - Effects of changes in fair value***

Pursuant to CVM Instruction 475 of December 17, 2008, the Company confirms that it is not exposed to material market and/or interest rate risks.

Existing financial instruments are used only for temporary cash management and, as of March 31, 2011, consisted of securities held under repurchase agreements (91%) and bank deposit certificates (9%). Although their risk is considered low, management continually monitors fluctuations in the stock and interest rate markets, which could have a direct or indirect impact on the fair value of these financial instruments.

### ***e. Cash and cash equivalents***

Funds are not allocated to interest-earning deposits and therefore no specific interest rate is applicable.

### ***f. Other financial assets and liabilities***

The fair value of other financial assets and liabilities is substantially the same as the book value reported in the balance sheets, as measured at fair value or due to the short period to maturity.

## **7 Receivables**

Management fees payable by funds are calculated monthly and paid at the beginning of the following month, or quarterly. Performance fees are calculated semi-annually and/or annually, as contractually stipulated, and paid on January 31, March 31, April 30, June 30, July 31, September 30, and December 31 each year.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

(In thousands of Reais)

	<b>Consolidated and Individual</b>	
	<b>March 2011</b>	<b>December 2010</b>
Management fee (*)	11,560	11,495
Performance fee (*)	<u>76,775</u>	<u>9,787</u>
	<u>88,335</u>	<u>21,282</u>

(\*) At the time of approval of these financial statements, 100% of these receivables had been settled.

### 8 Shareholders' equity

#### a. Capital

Share capital at March 31, 2011 was R\$ 5,419, represented by 45,760 thousand common shares.

Share capital at March 31, 2010 was R\$ 4,180, represented by 41,207 thousand common shares.

#### b. Legal reserve

A reserve of 5% of the yearly net income is established in accordance with art. 193 of Act 6.404/76. The legal reserve as of March 31, 2011 was R\$ 836.

#### c. Dividends

Our by-laws require distribution of a minimum mandatory dividend of 25% of net income, adjusted in accordance with the by-laws.

The provision of R\$33,713 established at December 31, 2010 was paid in 2011.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

(In thousands of Reais)

### *d. Statutory reserve*

Our by-laws establish that up to 10% of annual net income, adjusted as stipulated in the bylaws and after deducting the minimum mandatory dividend, can be allocated to a statutory reserve for the purpose of redemption, repurchase or acquisition of Company shares, or to develop business.

On March 10, 2009, the Company capitalized R\$ 3,888 of its profit reserve by issuing new shares, and at March 31, 2011 and 2010 the remaining balance was R\$ 30.

### *e. Capital reserve*

On January 7, 2011, 4,553 new shares were issued as part of the Company's stock option program. The issue price was allocated as follows: R\$ 1,239 was allocated to the share capital account and R\$ 11,149 to the capital reserve account.

On March 10, 2010, the Company recorded R\$ 83 as a capital reserve. During the quarter ended March 31, 2011, R\$ 3,426 was transferred between the stock option plan and capital reserve (See Note 12).

## **9 Earnings per share**

### *a. Basic earnings per share*

Earnings per share were calculated based on profit attributed to shareholders and the weighted average number of common shares, as demonstrated below.

	<b>Consolidated and Individual</b>	
	<b>2011</b>	<b>2010</b>
Net income for the quarter attributable to shareholders	53,625	54,114
<b>Weighted average number of common shares</b>		

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

(In thousands of Reais)

	<b>Consolidated and Individual</b>	
	<b>2011</b>	<b>2010</b>
Common shares as at January 1	41,207	41,174
Shares issued during the period	4,553	33
Shares cancelled during the period	<u>-</u>	<u>-</u>
<b>Weighted average number of common shares in the Company</b>	<b><u>45,456</u></b>	<b><u>41,182</u></b>
<b>Basic earnings per share for the year</b>	<b><u>1.18</u></b>	<b><u>1.31</u></b>

### ***b. Diluted earnings per share***

Considering the dilution caused by the stock option plan, including the number of options available (13,724 thousand) and granted (11,800 thousand as at March 31, 2011) under the plan, net income from continuing operations attributed to stockholders would be respectively R\$ 0.91 (R\$ 0.99 in 2010) e R\$ 0.94 (R\$ 1.04 in 2010) per share.

## **10 Net operating revenue**

	<b>Consolidated and Individual</b>	
	<b>2011</b>	<b>2010</b>
Revenue from management fees	15,069	12,784
Revenue from performance fees	77,296	56,641
Tax on revenue <sup>(1)</sup>	<u>( 5,105)</u>	<u>( 3,575)</u>
	<b><u>87,260</u></b>	<b><u>65,850</u></b>

(1) Taxes on gross revenue (ISS, PIS and COFINS).

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

Revenue from management fees is recognized as the relevant management services are provided and calculated as a fixed and/or variable percentage of the net asset value of the funds under management.

Performance fees are earned when the performance of Tarpon Funds exceeds a given hurdle rate. Most funds have hurdle rates ranging from 6%, to inflation plus 6% per year.

Tarpon Funds employ the high water mark concept, in which performance fees are only payable by Tarpon Funds if their quota value on the payment date exceeds the quota value on the previous payment date (i.e. the last water mark), adjusted for the hurdle rate.

At March 31, 2011, all assets under our management were above the relevant high-water mark.

Revenue from performance fees may vary significantly from year to year as a function of: fluctuations in the value of net assets, portfolio performance against the minimum acceptable rate of return (benchmark) for each fund and the realization of private equity investments (since performance fees related to these investments are charged only upon realization of the investment).

Presented below is a history of net returns, which reflects the monthly return to fund investors, net of (i) management fees; (ii) performance fees; and (iii) all other fees and expenses generated by the fund. Net return from strategies is based on gross return at the closing of the month and the aforementioned items may make actual returns for each investor different from those presented below.

<b>Net return history (quarter)</b>				
<b>Strategy</b>	<b>Vehicle</b>	<b>2011</b>	<b>2010</b>	<b>Hurdle rate</b>
Long-Only Equity	Tarpon FIA (Brazilian vehicle)	5.00%	8.14%	IGPM + 6%
	TF Fund (foreign vehicle)	5.80%	5.52%	Libor
	Managed portfolio (foreign vehicle)	5.88%	9.15%	IPCA + 6%
Hybrid Strategy	TAEF Fund	6.10%	5.79%	6%



# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

### 11 Administrative expenses

	<b>Consolidated and Individual</b>	
	<b>2011</b>	<b>2010</b>
Outsourced services	1,024	447
Travel expenses	269	147
IT expenses	73	72
Office maintenance	702	234
Other	<u>( 13)</u>	<u>31</u>
	<b><u>2,055</u></b>	<b><u>931</u></b>

### 12 Stock option plan

The Company's shareholders approved a stock option plan under which options may be issued entitling their holders to purchase shares representing 25% of the shares in the Company (equivalent to 13.724 million common shares on the date the plan was approved), on a fully diluted basis.

On March 10, 2009 (the "First Grant Date"), the Company's Board of Directors granted 7.662 million options representing 55.8% of the total number options available under the plan.

The Company's Board of Directors granted a further 2.493 million options on November 30, 2009, 530 thousand options on February 19, 2010 and 1.115 million options on August 19, 2010. As of March 31, 2011, 492 thousand options had been returned by option holders leaving the company. Total options granted, less returns, represent 82.40% of the total number of options available under the plan.

As a result of options being exercised under the plan, (a) 33 thousand shares were issued on March 10, 2010 and (b) 4.553 million shares were issued on January 7, 2011.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

At any date until July 1, 2017, the Company may grant an additional 2.416 million options. Further, as from July 1, 2011 and 2012, the Company may grant additional options equivalent to 7.5% of the total number of options under the plan.

Options are granted to Company Directors (except independent members), vice-presidents and other beneficiaries under the plan, as allocated by the Company's Board of Directors.

The strike price for each grant is the highest of (i) R\$ 5.60 per share (adjusted for dividends distributed by the Company from the date on which the plan was approved to the date on which the option was granted) and (ii) 75% of the quoted share price on the trading day prior to the grant date. The strike price is reduced by dividends paid by the Company, up to a limit of R\$ 2.53 per share or 45% of the shares' quoted price on the date prior to the grant date.

Options under the plan can be exercised in the proportions and on the vesting dates listed below:

- a. Of the first portion of options granted on March 10, 2009, equivalent to 50.2% of the total number of shares under the plan, 20% became exercisable on March 10, 2009; 20% on July 1, 2009; and 20% on each of the 3 anniversaries subsequent to July 1, 2009;
- b. Of the second portion of options granted March 10, 2009, equivalent to 5.6% of the total number of shares under the plan, 20% became exercisable on July 1, 2009 and 20% on each of the 4 anniversaries subsequent to July 1, 2009; and
- c. Of the options granted as from July 1, 2009, 20% will become exercisable on the 1<sup>st</sup> of July of each of the 5 years subsequent to the year in which these options were granted.

Any granted and unexercised options held by individuals leaving the Company will become available to be granted at any time up to July 1, 2017, and any options so granted will become exercisable in portions of 20% in each of the 5 years subsequent to the respective grant date.

If at any time the current controlling shareholders cease to jointly hold at least 30% of the Company's total shares, all of the options granted under the plan will vest immediately.

Each portion of the options granted under the plan will expire on the fifth anniversary of the relevant Vesting Date (including options vesting on the First Grant Date).

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

Options under the plan can only be exercised if certain requirements are met by the beneficiary, including the requirement that the beneficiary remain with the Company. In the event of voluntary termination or termination without cause, the exercisable portion of options held by the beneficiary may be exercised within 30 days of termination, and any unexercised or non-exercisable options will become available to be granted under the stock option plan. In the event of termination for cause, the beneficiary loses eligibility to exercise any of the options granted under the plan. In such event, any unexercised or non-exercisable options will become available to be granted under the stock option plan.

The Stock Option Plan is valued using the binomial model on the date of each grant based on market parameters. The following parameters were determined on the date of each grant: (a) average annual volatility; (b) the current share price; (c) the strike price of options under the plan and (d) the risk-free interest rate. On the most recent grant date, August 19, 2010, these parameters were determined to be as follows: average annual volatility: 22.60%, current share price: R\$11.45; strike price: R\$8.59; interest rate: 10.75% p.a.

In the income statement for the quarter ended March 31, 2011, the amount recorded as adjustment to fair value of the stock option plan was R\$ 1,874 (R\$ 1,905 in 2010). R\$ 3,426 relating to exercised shares were transferred from the option plan reserve to the capital reserve.

### 13 Calculation of income tax and social contribution

#### *Taxable income (quarter ended March 31, 2011)*

	<b>Consolidated and Individual</b>
<b>Determination of the calculation base</b>	
Income before income tax and social contributions	<u>82,186</u>
Income tax and social contribution at current rates (respectively 25% and 9% )	<u>(27,943)</u>
Effects of additions and (exclusions) on tax calculation	
RTT adjustment	19
Options plan	<u>( 637)</u>
Income tax and social contribution for the period	<u>(28,561)</u>

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

### *Presumed income (quarter ended March 31, 2010)*

<b>Determination of the calculation base</b>	<b>Consolidated and Individual</b>
Gross operating revenue	69,425
Presumed income (32%)	22,216
Financial revenue	615
Income tax (IR) and social contribution (CS) calculation base	22,831
IR (15%)	( 3,425)
IR surcharge (10%)	( 2,277)
CS (9%)	<u>( 2,054)</u>
Total	<u>( 7,756)</u>

## **14 Contingencies**

There are no contingent liabilities or legal obligations - taxes and social security - that have not been recorded and no legal proceedings that could represent possible or probable losses.

## **15 Related-party transactions**

The main balances of related party assets and liabilities as of March 31, 2011 and 2010, as well as the related-party transactions that affected income for the quarters then ended, are the result of transactions between the Company and its subsidiaries, affiliates and key Management personnel.

The Company engages in transactions with related parties that are inherent to fund management (See Notes 7 and 10) and transactions related to equity interests, the respective payments of dividends, profit-sharing earnings and remuneration of Management. In addition, the Company has accounts payable to its previous owner (See Note 16.c).

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

(In thousands of Reais)

These transactions were conducted on an arm's length basis and are listed below:

	<b>Consolidated and individual</b>			
	<b>Assets/(liabilities)</b>		<b>Revenue/(expense)</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Receivables	88,335	65,482	92,365	69,425
Accounts payable	-	( 553)	-	( 7)
Dividends	-	( 5)	-	-
D&O compensation (*)	-	-	( 194)	( 180)
Total	<u>88,335</u>	<u>64,924</u>	<u>92,171</u>	<u>69,238</u>

(\*) The maximum total amount of D&O compensation is set annually during Annual and Extraordinary General Meetings. The ceiling set for 2011 is R\$ 18,650.

## 16 Further information

### *a. Property, plant and equipment*

Expenses related to depreciation or amortization of property, plant and equipment were R\$ 67 for the quarter ended March 31, 2011 (R\$ 12 for the quarter ended March 31, 2010).

### *b. Other assets*

Other assets in the consolidated and individual interim financial statements for the quarter ended March 31, 2011 substantially consist of recoverable taxes of R\$ 1,653 (R\$ 1,411 at December 31, 2010) and prepaid expenses of R\$ 173 (R\$ 69 at December 31, 2010).

### *c. Accounts payable*

Trade accounts payable of R\$ 811 (R\$ 798 as at December 31, 2010) and profit sharing earnings of R\$ 9,535 as at December 31, 2010.

# Tarpon Investimentos S.A.

## Notes to the individual and consolidated interim financial statements

*(In thousands of Reais)*

### ***d. Tax obligations***

R\$ 24 in third-party taxes (R\$ 6 as of December 31, 2010), R\$ 477 in PIS and Cofins (R\$ 188 as of December 31, 2010), R\$ 4,228 in ISS (R\$ 864 as of December 31, 2010) and R\$ 28,561 in IRPJ and CSLL (R\$ 5,338 as of December 31, 2010).

### ***e. Labor obligations and personnel expenses***

This balance comprises social security charges, provision for vacation and Christmas bonus, amounting to a total of R\$ 1,441 (R\$ 1,589 at December 31, 2010). Personnel expenses consist of expenses on salaries and charges of R\$ 2,693 (R\$ 1,846 at March 31, 2010).

### ***f. Investments in associated and subsidiary companies***

Up until May 6, 2010, the Company, through its interests in Tarpon BR S.A. and Tarpon BR Participações Ltda., held a 25% interest in Paraná Consultoria de Investimentos S.A. ("Paraná"), a consulting company. Since the Company had no significant control over operating and financial decisions in Parana, this venture was treated as an investment and recorded using the equity method of accounting. This indirect interest was disposed of at a loss of R\$ 100.

\* \* \*

#### **Senior Management**

##### **Chief Executive Officer**

José Carlos Reis de Magalhães Neto

##### **Investor Relations Officer**

Rafael Sonder

##### **Accountant**

Caroline Miranda  
CRC 1SSP-255926/O-6