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The new corporate law: advances, absences and problems

After more than two years of negotiations, including about 30 days of suspense at the end of the process for the presidential sanctioning, the new Corporate Law was finally approved on October 31st.

We think that this new law is such an important matter for the perspectives of long-term investors in Brazil, such as Dynamo, that we dedicated this long Report (which delay is now justified) entirely for the analysis of its practical consequences. We even permitted ourselves to break two rules of more than 25 editions: we did not include the "Our Performance" section and we did not respect the 4-pages limit.

Before anything, a disclaimer is due: the approach of our analysis is predominantly economic. Though we are familiar with issues involving corporate laws both in Brazil and in more developed markets, we lack the necessary background to analyze the purely legal aspects of the new law. Moreover, our comments do not cover all of the changes, but only the ones that we feel have the most impact on our position as investors.

The new Law, 10303/01, has eight articles. Article 1 is only an introduction. Article 2 contains a new text for around 40 articles of the existing Law 6404/76. Article 3 incorporates four new articles to the same Law including the return of the tag along rights for ordinary shares. Articles 4 and 5 originally were related to the changes of Law 6385/76, which regulates the CVM (the local SEC), but were vetoed by the President. Finally, the last three articles deal with the operational aspects for the implementation of the new Law, which, as we will discuss later, might bring a few problems for investors.

As a whole, and concluding even before we start, we are utterly convinced that this new law, which many consider to be the "possible law", is very positive for our capital markets. However, we must express our frustration over the confusing process of political negotiation to get this law passed, which froze the version approved by Congress and produced a final text of legal quality below our expectations. For this reason, it should be emphasized the importance and urgency of its regulation by the CVM, as will become clear along this Report.

Major Advances

Tag Along (article 254-A)

If we had the right to propose only two changes to the existing Law, we have no doubts that we would choose the return of the tag along (article 254-A) and the new rules for de-listing (articles 4 and 4-A). These two alterations are the most valuable for better aligning the interests of minority and controlling shareholders, the central problem for corporate governance of listed companies in Brazil.

The tag along rights for the voting common shares had been present in the Law since it was first enacted, although its authors were against it, since in their view "... the difference between controlling and minority shares in general is relatively small because, unless control is exercised in an abusive form by the company, it doesn´t grant sufficient advantages to justify the attribution of a much greater value to the controlling shares". However, the reality of the sale-of-control transactions that occurred after the tag along right was taken away from the law in 1997, proved unequivocally that such argument was false (please refer to Report 22, "Controlling Premium in Brazil: Why, How and To Whom"). There is nothing that distorts more the relationship between shareholders of a company than the possibility of controlling shareholder to increase the premium on his shares by depreciating the value of the remaining shares.

There is no doubt that the discount of 20% for the exercise of the tag along, which did not exist in the original version of the Law, is negative. Nevertheless, when you compare it to the exorbitant premia seen in recent transactions, it becomes acceptable. Much more important is how the CVM defines what characterizes a change of control. And that is because, on the one hand, the CVM has available a jurisprudence of applying this tag along rule for more than 20 years. On the other hand, the new reality of our stock market where a number of firms are controlled via complex shareholders agreements or by foreign companies or, still, by holding companies (if not by holding of holding companies), will require a high level of competence from our regulator. Note that we are not even mentioning the inexorable creativity of Brazilian controlling shareholders who, most certainly, will not take long to conceive magical solutions to obtain unfair gains. Extraordinary payments for non-competing clauses or above-market working contracts, just to mention two of these tricks, will require close monitoring so as not to render article 254-A ineffective.

De-listing (article 4 and 4-A)

The tag along right was not granted to preferred shares, which have never had this protection. So this kind of equity claim which actually makes up the vast majority of traded shares in Brazil were only bestowed with the new rules for de-listing, the importance of which should not be underestimated. As we commented in our Report 28, in this kind of transaction, the negotiating position of the controlling shareholder is so overwhelmingly superior to the position of the minority shareholders that a fair balance can only be reestablished by the intervention of the regulatory agency. Such was the objective of articles 4 and 4-A which, like many others, is in urgent need of detailed regulation by the CVM.

According to the new rule, a public company can only be de-listed if the controlling shareholder offers a fair price to buy out the minority shareholders. As the definition of what constitutes a fair price is far from being an exact science, shareholders with more than 10% of the free float were given the right to require the company to call a Special Shareholders Meeting to decide about a possible new valuation of their shares.

The process for choosing a new advisor to perform the new valuation has not yet been defined although the Law does prohibit the controlling shareholder to vote in this meeting and mentions a few acceptable valuation methods. We hope that the spirit of the existing paragraph 4 of article 45 prevails. According to it, all minority shareholders, including preferred ones, pick a firm out of a list of three chosen by the board of directors.

The definition of a fair mechanism for this new valuation is essential as, differently from article 45, in this case, the costs involved are borne by the shareholders that voted for the new valuation, if it results in a price equal or inferior to the price originally offered. The idea of not allowing minority shareholders to have a free option at the cost of the company is reasonable. However, it is critical that the cost of the new valuation is defined before the Special Shareholders Meeting and we are concerned that this negotiation will be carried without the participation of those who will eventually pay the bill. We also worry about the fact that the advantages for the minority shareholders to remain as free riders are so evident that the risk of this collective action not happening becomes very high.

Still in this chapter, we should register what we consider to be two clever improvements. The new Article 4 will allow (i) the company to be the direct acquirer of the shares in the de-listing offer, and (ii) the squeeze-out (compulsory redemption of shares) if the shares remaining after the offer represent less than 5% of total capital (note that the law has also prohibited explicitly the compulsory redemption of preferred shares, a subject that was not clear in the previous law).

Empowerment of the CVM (provisional measure with the new version of Law 6385)

The greater strength of the CVM granted by this new Law 6385 is another major advance. The solution found to preempt the questioning about the legal power of the legislative to create a federal agency – a subtle but important constitutional issue that was responsible for most of the delay in approving the new Law – was simple and effective. The President vetoed articles 4 and 5, which carried the new text for Law 6385 and, simultaneously, enacted a provisional measure with the same content (except for the articles for which veto had already been negotiated with Congress). From the perspective of the operational efficiency of the CVM, maybe even more important than the new powers granted to it, was the definition that the agency becomes self-financed, that is, its revenues can be used to finance its expenses. Until this year, the CVM had to submit an annual budget together with all federal entities to the Treasury to where all of its revenues ultimately went. In spite of reducing the fiscal surplus of the federal government – with the impressive growth of the fund industry these past years, the CVM has become highly "profitable" – this measure, whenever put into effect, gives the regulatory agency conditions to redimension itself to a size compatible with the market to be regulated. To put into perspective, the American SEC recently carried a process to hire 200 lawyers only to take care of issues related to the Internet. Our CVM currently employs around 13 lawyers in all.

Arbitration (article 109)

The new Law explicitly allows company by-laws to include arbitration clauses for the solution of shareholders conflicts. Although we are aware that it will take a long time before this measure has practical effect, we hope that our legal culture will develop in this direction as it seems to be the shortest way to establish some sort of court specialized in corporate legal matters, the lack of which is a major obstacle to assuring the rights of minority shareholders.

Supporting Actors

Election of Board Member by Preferred Shareholders (article 141)

It may come as a surprise that we did not include this new feature under the "Major Advances" classification. The truth of the matter is that our own experience has shown that the indication of board members by minority shareholders does not contribute meaningfully to align the interests of all shareholders of a given company. Actually, we never understood the reason for such a strong, and successful, lobby against this specific article by controlling shareholders. The only special right this board member shall have is the right to veto the firing and hiring of external auditors (note that he shall not be able to hire the external auditors).

In practice, beginning in March 2002, hence in time for most of the Annual Ordinary Shareholders Meetings (that, legally, have to take place before April 30th), both the preferred shares, as long as they represent 10% of total capital, and the minority common shares, as long as they represent 15% of this class of shares, shall have the right to elect a member of the board outside the regular process of cumulative voting. We think it is unlikely for the minority common shareholders to exercise such right since 15% of the voting shares should grant them a seat on the board in the vast majority of the Brazilian listed companies (mathematically, it would suffice that the company in question had more than 7 board members). In addition, until the Annual Meeting of 2006, whenever a minority shareholder wishes to exercise such right, he will have to pick one of three members suggested by the controlling shareholder (sic).

In summary, what was already an unimportant right became almost useless, at least until 2006. Until then, the only positive aspect will be to assess the quality (or lack thereof) of the triple list proposed by the controlling shareholder in the Annual Meetings. Companies that already have reasonably independent board members are likely to include such names in their list; in case they are not "elected" by minority shareholders, the controllers will do it by themselves in the regular election, which shall be subsequent.

Redemption Rights (article 137)

In the last change of the Brazilian Corporate Law, article 137, which lay down the conditions that trigger the possibility of minority shareholders to redeem their shares, ended up with a controversial wording. The new article 137 clarifies this controversy: for minority shareholders not to have the right to redeem their shares, shares in the company must have both dispersion and liquidity. In the version that is currently valid, one could argue that only one of the two features needed to be present. In addition, certain spin-off transactions will again trigger the redemption rights (in the 1997 reform, the same rationale that supported the withdrawal of the tag along was responsible for the withdrawal of this feature).

Rules for Fiscal Council Members (articles 163, 164 and 165)

The rules for the individual members of the Fiscal Council (the equivalent to the Audit Board) were improved inasmuch as it became explicit that they may take actions individually. The existing rules could be interpreted such that they could only act as a Council and, since the controlling shareholder also elected the majority of its members – thus creating a problem. Furthermore, the new law defines clearly that members of the Fiscal Council, like the members of the board of directors, must act exclusively in the interest of the company as opposed to the interest of the shareholders that elected them. We think this is a positive step.

Availability of Information for Shareholders Meetings (articles 133 and 135)

The new Law improves the process for disclosure of information for shareholders meetings. From now on, the votes from each member of the Fiscal Council, including eventual dissident votes, have to be made available to shareholders before the meetings and may be presented and read during such meetings. In addition, any document related to the issues to be voted in the meetings will have to be available for consultation on the date the first notice for the meeting is published.

Still for the benefit of transparency, all board members (fiscal council included) and directors of the companies will be required to divulge changes in their shareholding positions in a manner and frequency yet to be defined by the CVM.

Notice for Shareholdes Meetings (article 124)

Another positive change is related to the minimum period between the publication of first notice for a shareholdes meeting and the actual meeting. The regular period was extended from eight to fifteen days (and from five to eight if there was an insufficient quorum for the first meeting). Such interval may still not be enough for holders of ADR's to vote. However, the CVM may, at its own discretion, but only if there is an specific request from a shareholder, extend this period for up to thirty days or, still, halt the counting for up to fifteen days if their directors believe they need extra time to analyze and understand the proposals that will be submitted in the meeting.

Limit for the Issuance of Preferred Shares (article 15 of the Law 6404/76 and article 8 of Law 10303/01)

During the conceptual discussion of the new Law, a great deal of time was spent on the issue of the limit for issuance of preferred shares. We will deal with this topic in more detail later in this Report but a summary of what was approved is the following: companies that are already public (i.e., listed), may still issue up to two thirds of capital in preferred shares. Private companies willing to go public are limited to 50% in preferred shares. The same applies to new companies that are created after the new Law was published (actually, this is the only change that went into effect immediately on October 31st; all others will only become valid around March 1st, 120 days after the Presidential sanction).

Absences

New Preferred Shares (article 17)

Maybe the biggest opportunity lost in this reform was the chance to improve significantly the quality of the "product" preferred share. We have always been against the mere prohibition of new preferred shares and we even do not agree with those that defend a sharp reduction in the 66.7% limit. We actually find it difficult to endorse drastic changes in the rights of existing preferred shares. Having said all that, it could have taken a major and decisive step to build a better capital market in Brazil if this reform had created preferred shares with true preferences. As we have argued in past editions of this Report, it would suffice if the new Law had established that new preferred shares could only be issued if they had at least one of the two preferences (in exchange of which they gave away their voting rights): (i) tag along rights just like the common shares, or (ii) a priority dividend (which is different from a minimum dividend) of 6% of their book value. This proposal seemed extremely reasonable and, in fact, something along these lines, albeit with a confused wording, was present in some of the early drafts of the reform. The problem arose when the version approved in the Lower House of Congress included, as a possible third alternative for the preferences, the right of a dividend per share 10% greater than the common shares'. Such right does not differ in any way from the one that already exists and that we do not regard it as a significant advantage.

Consequently, the practical effect of the new article 17 will be almost none since the majority of existing companies already pay 10% more dividends for preferred shares and shall simply continue to do so ignoring the tag along and the priority dividend alternatives. Regretfully, in this case, the new Law might even have worsen the current situation inasmuch as a malicious interpretation of the new article 17 combined with a few other articles could result in a window of opportunity for companies whose shares carry meaningful minimum dividend rights to do away with them without granting redemption rights for dissident shareholders (please refer to the next section, "Potential Problems").

Conflict of Interests (article 115)

A chance was also lost for improving the regulation for companies to deal with conflicts of interests. The new article 115, which was integrally vetoed by the President, contained a rule that was not clear but allowed any shareholder, or group of shareholders with 10% of capital, to call a Special Shareholdes Meeting to decide on the existence of an eventual conflict. But, since the controlling shareholder had the right to vote, this Meeting would be a non-event. The only slightly positive aspect of this confusing article was the constraint imposed on the controlling shareholder to call and preside a meeting with this kind of agenda. On the other hand, involving companies in complicated corporate disputes where a final result would have been know from the start seemed unnecessary and futile.

Nevertheless, we regret the fact that the reform did not deal with this issue as we think it would have been quite simple to upgrade the existing Law. The only change necessary would be to allow preferred shareholders to vote on Meeting where the agenda included a vote on a issue involving conflict of interests. In the existing Law, a vacuum is created when a controlling shareholder is prevented from voting because of a flagrant conflict and owns 100% of the voting shares (a situation not so uncommon). Since preferred shares cannot vote, no shareholder will vote and the issue will end up approved without actually having been decided.

To finish this subject, we cannot help but mention our frustration over the fact that the reform did not contemplate a clear prohibition for listed companies to make any kind of loans to its controlling shareholder. Maybe it is because we are currently involved in two unbelievably scandalous cases, and we have been particularly sensitive about this issue. In Brazil, financial institutions are vehemently prohibited from lending to any of their shareholders and we think the same rule should apply to public companies. Lending to controlling shareholders should at least be characterized as a blatant conflict of interest and should be decided in a special shareholdes meeting where all shares, excluding the controlling shares, could vote. This is such a crucial topic and it has so frequently been overlooked that we plan to dedicate a full Report to it.

Election of Members for the Fiscal Council (article 161)

One of the few important Presidential vetos was the one for the article that set up a different mechanism for the election of the members for the Fiscal Council. The proposed new rule established a council of three members: one indicated by the controller, one elected by the minority shareholders, and the third one, elected by all shareholders in a simple one share-one vote system. We find such procedure to be extremely fair. Highly leveraged controlling shareholders that exercise their power with a very low percentage of ownership (in Brazil, companies can be controlled with 16.67% of total capital, or even less if pyramidal structures are used), will take more risk of loosing the majority of the seats in the Fiscal Council exactly when results are poor and, because of that, shareholder attendance to the Annual Meeting increases. If the company is profitable and well operated, presence in Annual Meetings is usually low and, in most cases, minority shareholders do not even request a Fiscal Council to be set up. Conversely, less leveraged controllers who own more than 50% of total capital would, by definition, control the Fiscal Council, which seems reasonable to us.

The arguments against this procedure are usually related to the possibility of some kind of blackmailing on the part of the members elected by the minority shareholders. As long term investors, we share this concern but note that the new Law deals with this problem explicitly (see above in Rules for Members of the Fiscal Council).

Valuation for the Exercise of Redemption Rights (article 45)

Although it was included in earlier versions, the requirement that redemption rights be exercised at the fair value of the company, along the same lines of the new articles 4 and 4-A, was withdrawn in the final text. The rule

that was created in the 1997 reform remains valid, i.e., shares being redeemed may be priced at book or, if foreseen in the by-laws, at economic value. In practice, since this price is determined by the controlling shareholder, the lowest of the two values. Controlling shareholders of companies whose book value is evidently higher than its true economic value (which happens much more often in Brazil than in more developed markets) will include clauses in their by-laws allowing for the redemption at the lower value. Otherwise, book value would be fine. We are entirely convinced that the fair value concept of articles 4 and 4-A should have applied to this article as well. And we are very concerned about the possibility of controllers to force minority shareholders to redeem their shares at book value as a subterfuge to the obligation of offering the fair value to de-list their company (P.S: In fact, before this translation was finished, the Bunge group announced a corporate restructuring that may very well be interpreted as a clever scheme for de-listing).

Potential Problems

Rights of Preferred Shares (article 17 of Law 6404/76, and 6 and 8 of Law 10303/01)

The initial objective of the new article 17 was to create preferred shares with true preferences. As we said above, the first versions of the new Law listed two alternatives for these preferences, the first being the right for a priority dividend expressed as a percentage of book value, and the second, a tag along like the one granted for common shares. The final text included a third option: dividends 10% greater than dividends of the common shares'. This third option is already an obligation under the existing Law, which makes this new article virtually indifferent for most of the existing companies.

However, the combination of this article 17 with articles 6 and 8 of Law 10303/01 (the Law that implements the changes in the original Law 6404/76) may, in a wicked and opportunistic interpretation, lead to a conclusion that will depreciate the value of existing preferred shares with rights to minimum dividends. Article 6 establishes that "Existing companies shall proceed to adapt their by-laws to the legal requirement of this Law in one year …". Article 8 determine that "Changes to the rights granted to existing shares arising as a consequence of adjustments to this Law shall not confer the redemption right foreseen in article 137 of Law 6404/76, if effected before the end of year 2002 …". Because of the wording of article 17, with some effort, one could conclude that preferred shares with minimum dividends do not fall into any of the three suggested preferences. If one accepts this argument – and this is the key point of the discussion – companies that have issued preferred shares with dividend rights that conferred them true preferences (which represent a true cost for the controlling shareholder) may then proceed to adapt their statutes to the legal requirements of the new Law without triggering the withdrawal rights. In other words, they may unilaterally reduce the dividends of minority shareholders without any cost for the company, which we find absurd and against the spirit of the Law.

We are utterly convinced that this wicked interpretation is not in tune with the objective of improving the Brazilian capital markets, which guided this reform of the Law. We also think that preferred shares with minimum dividend rights are already adapted to the legal requirements of the new Law and, hence, companies do not need to adjust their by-laws in this regard. Unfortunately, the issue is debatable and, because of that, the position of the CVM is, once more, fundamental.

Shareholders Agreements (article 118)

Due to the impact that the changes in article 118 have on existing high-profile shareholders disputes, this article was the most controversial during the period between the approval by the Senate and the Presidential sanction.

The focus of the discussion was paragraph 8 which determines that the votes by board members elected by shareholders bound by specific agreements will not be counted if it is not in line with the vote decided by the participants of the agreement. In other words, if the board member believes that the vote that best suits the companies' interests is different from what was decided in the previous meeting of the participants of the agreement, his vote will be declared not valid by the chairman of the board. Before we position ourselves, a disclaimer is due. Dynamo's funds are not a participant in any shareholders agreements so we do not have any preconceived biased idea about this issue.

Leaving aside any particular interests, the technical discussion has separated, on one side, those who believe it is very important to assign to the board the obligation of complying with shareholders agreements as a way to protect the minority participants in such arrangements, especially in respect to their veto rights that usually inhabit these deals. On the other side, there were those who understand that board members have to vote according to their own conscience and in the exclusive interest of the company, an obligation which, by the way, has always been present in our Law. And by doing so, their votes could not, under any circumstance be disregarded. For those who share this line of thought, to tie the votes of each individual board member to the previous decision of the agreement would make them mere frontmen.

It is true that the new paragraph 8 does not forbid board members to vote against the decision of the agreement, it only requires the chairman not to consider such vote in the final counting. It is also true that in the vast majority of companies with a defined controller, board members are not exactly independent from controlling shareholders and hence, the new article 118 would only be equalizing these companies to those where the control is exercised via an agreement.

As much as these arguments are valid, to a certain extent, they are also dangerous. Paragraph 1 of article 154, which is not being altered, states that board members elected by a group of shareholders have the same duties as all others and cannot, even if that means going against the interest of those who elected them, vote without having the interests of the company as the sole objective. In our view, the new paragraph 8 is, in fact, treating board members elected by shareholders agreements differently from the others.

Furthermore, the argument that companies with defined control already function, in practice, like the new Law has proposed for companies governed by agreements, is not perfectly correct. Without going into the merit that habits and reality should not conform the law – it should be the other way around – board members of companies with a defining controller still have the obligation to vote in the best interest of the company as assessed by each one individually. If the result of the voting in the board is not compatible with the interests of the controller, he will have no other alternative but to call a shareholders meeting to fire the members that dare to vote against him and indicate more obedient frontmen. According to the new article 118, such risk does not exist for companies governed by agreements. Logically, this will lead to the conclusion – and we apologize for exaggerating the point – that controlling shareholders should, from now on, enter into private agreements with each board member so as to guarantee that they will not have to go through the constraint of having to fire anyone.

Maybe even more important than the technical reasons are those related to the nature of the role of the board. Fundamentally, the board should deal with intra-company matters, that is, it should take care of strategy, compensation policy of executives and employees, relevant business decisions, credit risk, etc. In our opinion, attributing the board the responsibility of arbitrating shareholders conflicts is a deformity in its pure conceptual role.

The chairman of the board will, from now on, have to require a copy of the minutes of the meetings of the participants of the agreements that decide on matters that are appreciated and voted in the board. The involvement of companies in the private affairs of their shareholders should be limited to the debates and votes at the shareholders meetings which, having been designed by the law to deal with shareholders issues, is undoubtedly the most appropriate forum for such discussions.

Finally, we were not able to fit the spirit of this new article within any of the Code of Best Corporate Governance Practices that we know (we must say that harmonizing these codes with the concept of shareholders agreements in general, not only with the new article 118, is already a very difficult task).

Having said all that, not recognizing that the new article is positive for minority shareholders that take part in shareholder agreements would be a mistake. We sincerely hope that the regulation of the new article by the CVM will be efficient and results in benefits greater than the obvious problems it will create.

Information about Trading Activities by Shareholders (article 116-A)

This new article creates an obligation, still to be regulated by the CVM, for any shareholder that voted in the previous election for the board of the Fiscal Council to divulge information about his trades in the market. We could not figure out the rationale of this change unless it has to do with an attempt to dampen corporate governance efforts.

This article surfaced in the context of controlling shareholders trying to render meaningless the right of preferred shareholders to elect a member for the board of directors under the argument that it would prevent insider trading. Well, first, the Law already deals with this crime in various other sections (in fact, the specific legislation is being improved in the new Law 6385). Second, this problem already exists today with respect to the board members elected by common minority shareholders through cumulative voting. And third, the CVM and the Bovespa already possess enough detailed information to permit thorough investigations on possible insider trading activities.

As such, since the right of preferred shareholders to elect a board member was drained through other ways, we may even speculate that somebody forgot to take this article out of the final version. We are always in favor of greater transparency but the fact of the matter is that voting in the election of board members do not mean that these shareholders will automatically gain access to insider information. Much to the contrary, if the board functions as we think it should, the shareholders that participate in the election of the board should stop communicating privately with the board members they voted for (see, one more problem for the application of the new article 118). The same line of thinking does not apply to the controlling shareholders that indicate members for the board as, by definition, they will always have access to privileged information. Consequently, to attribute to active minority shareholders the same disclosure obligation attributed to controllers seems out of proportion. Once more, detailed regulation by the CVM is urgently needed.

Dynamo Cougar x Ibovespa x FGV-100

(in US$ dollars - commercial selling rate)

Period	DYNAMO COUGAR*			FGV-100**			IBOVESPA***		
	Quarter	Year to Date	Since 09/19/94	Quarter	Year to Date	Since 09/19/94	Quarter	Year to Date	Since 09/19/94
1993	-	38,78	38,78	-	9,07	9,07	-	11,12	11,12
1994	-	245,55	379,54	-	165,25	189,30	-	58,59	76,22
1995	-	-3,62	362,20	-	-35,06	87,87	-	-13,48	52,47
1996	-	53,56	609,75	-	6,62	100,30	-	53,19	133,57
1997	-	-6,20	565,50	-	-4,10	92,00	-	34,40	213,80
1998	-	-19,14	438,13	-	-31,49	31,54	-	-38,4	93,27
1st Quar/99	6,81	6,81	474,80	11,91	11,91	47,20	12,47	12,47	117,36
2nd Quar/99	24,28	32,75	614,36	24,60	39,44	83,41	2,02	14,74	121,76
3rd Quar/99	3,17	36,96	637,01	-4,71	32,87	74,77	-7,41	6,24	105,34
4th Quar/99	49,42	104,64	1001,24	62,92	116,46	184,73	59,53	69,49	227,58
1st Quar/00	6,15	6,15	1068,96	11,53	11,53	217,56	7,08	7,08	250,77
2nd Quar/00	-2,43	3,57	1040,57	-6,26	4,55	197,67	-9,03	-2,59	219,10
3rd Quar/00	4,68	8,42	1093,99	0,88	5,47	200,31	-6,10	-8,53	199,63
4th Quar/00	-4,98	3,02	1034,53	-7,69	-2,63	177,23	-10,45	-18,08	168,33
1st Quar/01	-0,98	-0,98	1023,40	-10,06	-10,06	149,33	-16,00	-16,00	125,39
2nd Quar/01	-6,15	-7,07	954,28	-1,76	-11,64	144,95	-3,73	-19,14	116,97
3rd Quar/01	-27,25	-32,40	666,97	-33,81	-41,52	62,12	-36,93	-49,00	36,84

(*) The Dynamo Cougar Fund figures are audited by KPMG and returns net of all costs and fees, except for Adjustment of Performance Fee, if due.
(**) Index that includes 100 companies, but excludes banks and state-owned companies. (***) Ibovespa average.