May 3, 2019

037/2019-PRE

CIRCULAR LETTER

To: B3's Market Participants - BM&FBOVESPA Segment

Ref.: **Treatment of Securities Lending Positions on the Equities of Brasil Brokers Participações S.A. as a result of the Company's Placement Offering of Debentures.**

On April 29, 2019 Brasil Brokers Participações S.A. (Company) published a Notice of Material Event regarding the Distribution Offer of Convertible Debentures with Restricted Placement Efforts (private placement), pursuant to the provisions of CVM Instruction 476, assuring company shareholders priority in subscribing to the debentures, in accordance with item 9 of the Instruction.

Pursuant to item 6.8.3, subitem 5, of the BMF&BOVESPA Clearinghouse Operating Procedures Manual, treatment of securities lending positions in the Company's equities will be executed in accordance with the following provisions.

1. Operational procedures in the RTC system

a) To treat the exercise of the priority right in the Private Placement through the RTC system, lenders must comply with the timetable contained in item 2 of this Circular Letter, and with the requirements set out below. Only those securities lending agreements on equities in the Company that are eligible at the closing of April 3, 2019 **(cutoff date)** are eligible to participate in the process through the RTC system.

b) Lenders must express their interest during the period for exercising the priority right, published in the Statement of Material Event and in the timetable given in item 2 of this Circular Letter.

c) Lenders must express their interest through the RTC system, at the *Gerenciamento de Oferta Prioritária* (private placement management) menu, via their full trading participant or settlement participant and communicate, with each agreement, the quantity of securities that should receive treatment equivalent to the exercise of the priority right in the scope of the private placement. This quantity of securities may be limited, complying with the proportional subscription limit announced by the Company.

d) On the offer's settlement date, there will **not** be the creation of debenture sub-agreements, yet, by debiting from the borrower client and crediting to the lender client, there will be cash settlement of the difference, if positive, between the value of the security, calculated according to the methodology described in the **Annex** to this Circular Letter, and the issue price of the security, multiplied by the quantity requested in item c.

The agreements registered **on T+1 of the cutoff date** do not grant lenders the right to the equivalent treatment to be executed by the RTC for the priority placement.

2. Timetable

Dates	
Publication of Notice of Material Event	April 29, 2019
Cutoff Date	April 3, 2019
Period for lenders to express interest	May 2, 2019 to May 8, 2019
Private placement settlement date	May 16, 2019

3. General provisions

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The provisions set out in this Circular Letter are subject to change if the Company announces new information about the private placement.

Further information may be obtained from Processes and Settlement Services Support by telephone on +55 11 2656-5010, option 3, or by email at liquidacao.posicoes@b3.com.br.

Gilson Finkelsztain
Chief Executive Officer

Cícero Augusto Vieira Neto
Chief Operating Officer

Annex to Circular Letter 000/2019-PRE

Calculation of the Convertible Debenture Reference Price

PRD: reference price of the convertible debenture, calculated considering the characteristics set out in the indenture.

The reference price of the debenture will be calculated through the binomial tree, which during every day's conversion period valuates its conversion into BBRK3 equities. The payoff for conversion valuation is different for an (i) expiration date, (ii) dates covered by in the conversion period and (iii) other dates.

Expiration date

$$PRD(T,j) = S_c(T,j)Q_c \qquad (1)$$

Where:

j: index that represents the price scenario of the equities at each valuation moment;

T: is the expiration date of the debenture;

$S_c(T,j)$: price of the BBRK3 equity at moment T and price scenario j, calculated from the binomial tree;

Q_c: quantity of BBRK3 equities received due to the conversion, in accordance with parameters established in the debenture indenture. The number of equities to be delivered to the holders of the debentures in the case of conversion will be based on three distinct prices, which vary according to the quarterly accounts presented in the eight quarters following the issue date in three scenarios.

a) If net revenue is less than BRL 333 million in the calculation period, the conversion price will be BRL 3.50.

b) If net revenue is between BRL 333 million and BRL 400 million, the conversion price will be BRL 5.00.

c) If the net revenue in the calculation period is higher than BRL 400 million, the conversion price will be BRL 6.50.

The reference for the conversion price is BRL 3.50. This value was determined by historical analysis of net revenue of the past three years, in which 80% of results were under BRL 333 million.

Dates covered in the conversion period

Based on the $PRD(T,j)$ values of each j scenario, it passes through the expiration's binomial tree to source, calculating the values expected from decisions at each moment, discounted by the interest rate and credit spread.

$$PRD(i,j) = \max\left[\frac{p\,PRD(i+1,j+1) + (1-p)PRD(i+1,j)}{\left(1 + r(T_{i-1},T_i)\right)^{\frac{1}{252}}(1+s)^{\frac{1}{252}}}\ ; S_c(i,j)Q_c\right] \qquad (2)$$

Where:

i: index that represents the date or moment of the option's valuation. This present simulation considers daily steps until the debenture's expiration date;

$PRD(i,j)$: reference price of the debenture upon valuation *i* and equity price scenario *j*;

p: probability associated to the reference price $PRD(i+1,j+1)$, calculated according to equation (4);

$r(T_{i-1},T_i)$: overnight rate between T_{i-1} and T_i, calculated by the exponential interpolation of the settlement prices of the DI1 futures contracts;

s: credit spread, which corresponds to the implicit spread of the unit price of the debenture.

Other dates

For the other dates before and after conversion, the reference price of the convertible debenture ($PRD(i,j)$) is calculated from the equation (2.1).

$$PRD(i,j) = \frac{p\ PRD(i+1,j+1) + (1-p)PRD(i+1,j)}{\left(1+r(T_{i-1},T_i)\right)^{\frac{1}{252}}(1+s)^{\frac{1}{252}}}$$

(2.1)

The shocks applied to asset prices *u* and *d* are given by:

$$u = \exp\left(\sigma\sqrt{\delta}\right) \text{ e } d = \frac{1}{u}$$

(3)

Where:

δ: time interval for valuation of the conversion option, considering one business day;

σ: volatility of each equity, calculated by equation (6)

Probability *p*, used in expression (2), associated to each path is (*i,j*) calculated by the following equation.

$$p = \frac{\exp(r(T_{i-1},T_i)\delta) - d}{u-d}$$

(4)

Where:

$r(T_{i-1},T_i)$: overnight rate between T_{i-1} and T_i, calculated by the exponential interpolation of the settlement prices of the DI1 futures contracts;

δ: time interval for conversion option valuation, considering one business day;

$u\ e\ d$: upper and lower shocks calculated by equation (3).

The volatility of each equity is calculated by equation (6), being an estimate of the long-term volatility of a GARCH(1.1) model with normal residuals.

$$\sigma = \sqrt{252\ V_L}$$

$$V_L = \frac{\omega}{1 - \alpha - \beta}$$

(6)

Where:

V_L: long-term volatility;

$\omega, \ \alpha, \ \beta$: coefficients estimated on a series of equity returns through the maximum likelihood estimation technique, according to equation (7), considering three years of data.

$$r(t) = \sqrt{\hat{\sigma}^2(t)} z_t$$

$$\hat{\sigma}^2(t) = \omega + \alpha r^2(t-1) + \beta\hat{\sigma}^2(t-1)$$

(7)

Where:

$r(t)$: return from the equity;

$\hat{\sigma}^2(t)$: volatility estimate.