NOTICE TO THE MARKET

Clarifications on CVM/BOVESPA Queries

News item

To the Securities and Exchange Commission of Brazil (CVM)

Corporate Oversight Department 2 (GEA-2)

Corporate Relations Department (SEP)

c/o: Mr. Guilherme Rocha Lopes

Manager

Ref: Official Letter 198/2016-CVM/SEP/GEA-2

Estácio Participações S.A. ("Estácio" or "Company") - (BM&FBOVESPA: ESTC3; OTCQX: ECPCY) hereby responds to Official Letter 207/2016-CVM/SEP/GEA-2 ("Official Letter"), received on June 29, 2016, namely:

"Official Letter 207/2016-CVM/SEP/GEA-2

Rio de Janeiro, June 29, 2016.

To

PEDRO THOMPSON LANDEIRA DE OLIVEIRA

Investor Relations Officer of

ESTACIO PARTICIPAÇÕES S.A.

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Subject: ***Request for clarification regarding news item.***

Dear Sir,

1. We refer to the news item published on June 29, 2016 in the Valor Econômico newspaper, under the title "Estácio's Board of Directors prepares final response and wants a better offer from Kroton", which includes the following information:

> *"**Estácio's Board of Directors is inclined to not recommend the Merger with Kroton under the proposed conditions**, even if this does not stop the transaction. The merger of the companies has the support of a significant portion of the Shareholders of both companies. In case of a negative recommendation by Estácio's Board of Directors, Rodrigo Galindo, **Kroton's CEO, will have a decision to make by midnight tomorrow**: decide for a hostile takeover under the current terms or accept that Kroton's interest in the company resulting from the Merger will be reduced by between 1.20% and 1.80% - of the current proposal that guarantees 80.8%.*
>
> *It is this additional dilution that Galindo is protecting and that separates Kroton from obtaining Estácio's Board of Directors' favorable opinion, for a friendly combination of the companies.*
>
> ***The combination of Kroton and Estácio is taken for granted. The aspects still on the table are the conditions and the type of operation – a friendly transaction, under better conditions than those of the current proposal,** or a hostile takeover maintaining the price.*
>
> ***Estácio's Board of Directors has until the end of Thursday to state its position on Kroton's current offer:** 1.25 Kroton share for each share of the Rio de Janeiro chain. The final meeting of the collegiate body will only be held on June 30. Considering this ratio, Estácio would correspond to 19.2% of the resulting company.*
>
> *Valor found that **the board members are not comfortable with the current price**. A proposal of between 1.35 and 1.40 would make them more comfortable regarding their fiduciary duties.*
>
> *The reasoning comes from the history of the relationship between the companies' prices. In the last twelve months, the ratio between Kroton's and Estácio's shares averaged 1.36:1. Considering Kroton's entire period after the combination with Anhanguera, this ratio is 1.49.*
>
> *It was mostly because of this that **the Board of Directors was signaling that the ideal ratio would be 1.50 Kroton share for each Estácio share**.*
>
> *In addition to the negotiation with Kroton, Chaim Zaher, the most opinionated Shareholder and current CEO of Estácio, is preparing for*

a promised offer for the company's shares until he holds at least 50.13% of its capital stock – if the negotiation with Kroton does not come to consensual terms.

Zaher holds 14.13% of the capital stock of the Rio de Janeiro chain and plans to make an offer for the acquisition of additional 36%. He declared his intentions in a material fact published against the recommendation of the Board of Directors. Zaher said to Valor that he has already obtained the good will of banks and funds to finance R$2 billion to be allocated to his endeavor. The acquisition's structure would follow the traditionally adopted manner in cases like this: the offeror raises the funds and, after obtaining the control, transfers the debt to the company.

***The entrepreneur stated that "he is fully aligned with the Board of Directors"** and added that there is no conflict of interest with his position. Even so, **people close to management believe that he can resign in the coming days** to prepare for the potential offer.*

Zaher's initiative added turmoil to the negotiation's war of nerves, precisely in its final stages. Due to him being Estácio's CEO - and before that, a member of the Board of Directors - his offer should be accompanied by an economic value appraisal report (pursuant to article 8 of Instruction 361 of the Brazilian Securities and Exchange Commission - CVM). Its purpose is to protect the market, as this is a person with more information than other Shareholders.

***During the international trips to meet with the Shareholders,** Estácio's negotiation committee - which still had Zaher as a member - indicated that the company **could not be evaluated for less than the equivalent to R$20 per share**. This analysis should, therefore, be included in the report.*

When proposing 1.25 as the exchange ratio, Kroton stated that the implied value at that time was R$16.41. Galindo, according to Valor's findings, is willing to present Estácio's merger offer directly to the Shareholders, even without support from company management - which characterizes a hostile takeover. He has the approval of the Shareholders of the two companies.

Neither of the companies has a controlling shareholder. The same group of a few funds hold a relevant interest in both companies: 56% in Estácio and 36% in Kroton. In absolute terms, the group's exposure is higher in Galindo's company: R$7.9 billion versus R$2.8 billion.

The funds are willing to carry out the Merger in accordance with Galindo's current proposal, of 1.25, and this is what the executive officer is relying on.

Estácio's management, according to sources familiar with the transaction, is aware that the Merger can occur at 1.25 and against its opinion.

Exchanged messages and subtle threats should mark the next two days. The worst consequence for Kroton in a hostile takeover would *be the current management's lack of cooperation for the defense before Brazil's Antitrust Authority (Cade). Without accurate and detailed information, it can be exposed to more sanctions. Appetite for this is not lacking in the competition. According to Valor, whilst it is talking about improving its offer, Ser is preparing the arguments it will present to the competition regulator.*

Some of the funds that hold interest in both companies are putting pressure on Estácio's Board of Directors to accept the transaction as it is. *The South African fund, Coronation, the third largest shareholder of the Rio de Janeiro chain with an 11% interest, was one of the most forceful.* ***The fund sent a letter to Estácio's management, with copy to Galindo, in which it declares that it accepts the 1.25 figure despite its awareness that this ratio should be higher in favor of the Rio de Janeiro chain.***

In the document, according to Valor, Coronation informs Estácio's Board of Directors that it might even support a battle to obtain the 1.50 ratio if it were sure that the Merger would not be at risk. The fund informed Estácio's management that, in case of a negative answer by the negotiation committee, it is willing to convene a meeting to evaluate the Merger. The Brazilian Corporation Law ensures this possibility in article 132: any Shareholder can call a meeting if the Board of Directors fails to respond to said shareholders' request within eight days.
It is unlikely that any move will be made before the end of the period. Everyone should hold their weapons until the last minute".

2. Regarding that matter, we determine that you clarify whether the statements in the news item are true, particularly the information highlighted in bold, and, if confirmed its veracity, the company should explain the reasons why the information was not disclosed through a material fact, pursuant to CVM Instruction 358/2002.

3. The Company's response should be sent through the Sistema Empresa.NET via category "Notice to the Market", type "Clarifications on CVM/BOVESPA Queries", subject "News Item", and should include a transcription of this Official Letter.

4. It is worth noting that, pursuant to article 3 of CVM Instruction 358/02, the Investor Relations Officer is responsible for disclosing and informing the CVM and, if applicable, the stock exchange and entity responsible for the organized over-the-counter market in which the Company's securities are traded, of any material act or fact related to the Company's business, as well as ensuring its simultaneous wide and immediate dissemination in all markets in which said securities are traded.

5. ***We emphasize the obligation, in accordance with the sole paragraph of article 4 of CVM Instruction 358/02, to inquire the administrators and the controlling shareholders of the company, in order to ascertain whether they are aware of information that should be disclosed to the market, any material act or fact related to the company's business, as well as ensuring its simultaneous wide and immediate dissemination in all markets in which said securities are traded.***

*6. We caution that, as determined by the Corporate Relations Department, in compliance with its legal duties and, based on clause II of article 9 of Law 6,385/76 and CVM Instruction 452/07, a punitive fine **in the amount of R$1,000.00** (one thousand reais) will be applied, without prejudice to other administrative sanctions, in case of non-compliance with the requirements in this letter within **one (1) business day** from the date of knowledge of the content of this letter, also sent by fax and e-mail.*

Sincerely,

[document electronically signed by Guilherme Rocha Lopes, Manager]"

In response to the Official Letter, Estácio declares that its Committee has not yet come to any decision regarding the proposal submitted by Kroton Educacional S.A. ("Kroton"), pursuant to the material fact of June 21, 2016 and, therefore, the information in the news item object of the Official Letter is speculative. With the support of its Committee and its respective advisors, Estácio is still evaluating Kroton's proposal, as well as the other proposals submitted thereto and other alternatives, always with a commitment to maximize value creation for the Company's shareholders. As publicly announced by Kroton and Estácio on June 21, 2016, Kroton's proposal is valid until today.

In the ordinary course of business, Estácio's management comes in contact with its shareholders and it is natural that now some of them express their opinions about the proposals that have been publicly presented to the Company. Estácio understands that said opinions, in the way they have been stated so far, have no materiality that deserves to be disclosed to the market.

Nevertheless, in response to the Official Letter, Estácio confirms that on June 22, 2016 it received a correspondence from Coronation declaring it was in favor of Kroton's proposal and declared that it has a sufficient number of shares to call a meeting. On June 29, 2016, Coronation sent another correspondence stating that it did not assume a firm commitment to approve Kroton's proposal, which, in its understanding, is not in a situation of conflict of interest due to the stake it holds in Kroton's capital stock, that it will be pleased if Estácio's management improves the conditions of Kroton's offer and that it would just like to warn Estácio's management not to demand an unreasonable premium that would to put the transaction proposed by Kroton at risk. Finally, the

Company points out that the above is the opinion of just one of its shareholders, and it should not be understood as the opinion of its management.

Rio de Janeiro, June 30, 2016.

Pedro Thompson

Chief Financial and Investor Relations Officer