

FARMER GERALD I
Form 4
February 27, 2012

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2015
Estimated average burden hours per response... 0.5

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
FARMER GERALD I

2. Issuer Name and Ticker or Trading Symbol
MITEK SYSTEMS INC [MITK]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
02/23/2012

Director 10% Owner
 Officer (give title below) Other (specify below)

C/O MITEK SYSTEMS, INC., 8911 BALBOA AVENUE, SUITE B

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

SAN DIEGO, CA 92123

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D) Code V Amount (D) Price			
Common Stock	02/23/2012		M	15,000 D \$ 10.802	35,000	I	Family Trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 6)
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FARMER GERALD I C/O MITEK SYSTEMS, INC. 8911 BALBOA AVENUE, SUITE B SAN DIEGO, CA 92123	X			

Signatures

/s/ Fred Hutton, by Power of Attorney 02/27/2012

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. WIDTH: 100%; MARGIN-LEFT: 0pt" cellSpacing=0 cellPadding=0>

CONSOLIDATED

2011
2012
2013

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2014

2015

2016

2017 and thereafter

TOTAL

COUNTRY

Banco do Brasil

240,491

345,379

Explanation of Responses:

3

	375,922
	99,065
	-
	-
	-
	1,060,857
Caixa Econômica Federal	
	69,543
	102,760
	104,110
	65,412
	43,277
	41,818
	432,894
	859,814
Debentures	
	510,067
	835,755
	582,397
	371,031
	393,744
	80,616
	524,884
	3,298,494

BNDES (Banco Nacional de Desenvolvimento Econômico Social)

32,112

36,908

4,182

-

-

-

-

73,202

BNDES (Banco Nacional de Desenvolvimento Econômico Social)SANTISTA

-

16,309

16,309

16,309

16,309

16,309

48,929

130,474

BNDES (Banco Nacional de Desenvolvimento Econômico Social)PAC

Explanation of Responses:

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	1,649
	3,872
	3,872
	3,872
	3,872
	3,872
	24,992
	46,001
BNDES (Banco Nacional de Desenvolvimento Econômico Social) ONDA LIMPA	-
	14,250
	18,999
	18,999
	18,999
	18,999
	156,746
	246,992
Mútuo Foz do Brasil	-
	55,341
	-
	-
	-
	-
	55,341
Explanation of Responses:	6

Others

2,116

804

521

491

553

623

1,220

6,328

Interests and charges

130,226

-

-

-

-

-

-

130,226

In national currency

986,204

1,411,378

1,106,312

575,179

476,754

162,237

1,189,665

Explanation of Responses:

7

ABROAD

BID

53,553

61,923

61,923

61,923

61,923

61,923

	193,473
	556,641
BIRD	-
	10
	-
	-
	-
	-
	10
Eurobonds	-
	-
	-
	-
	-
	227,389
	562,864
	790,253
JBIC	21,460
	42,897
	42,897
	42,897
	42,897
Explanation of Responses:	9

	42,897
	557,658
	793,603
BID 1983AB	
	38,995
	38,678
	38,678
	38,678
	38,678
	38,678
	171,785
	404,170
Interest and charges	
	31,088
	-
	-
	-
	-
	-
	-
	31,088
Foreign Currency	
	145,096
	143,508
	143,498
	143,498
Explanation of Responses:	10

	143,498
	370,887
	1,485,780
	2,575,765
Grand Total	
	1,131,300
	1,554,886
	1,249,810
	718,677
	620,252
	533,124
	2,675,445
	8,483,494

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(v) Financial Commitments – “Covenants”

Some contracts of loans and financings have clauses related to the meeting of certain financial ratios that are calculated quarterly.

Debentures 8th, 9th, 11th e 12th Issue:

a) Adjusted current liquidity (current assets divided by current liabilities, excluding from current liabilities the portion recorded as current liabilities of non-current debts contracted by the Company) higher than 1.0; and

b) Ebitda/Financial expenses equal to, or higher than, 1.5.

Failure to meet the clauses of the covenants shall lead to the early maturity of the contract. The lack of fulfillment of these obligations shall only be characterized when verified in its quarterly financial information, for at least two consecutive quarters, or even for two non consecutive quarters within a twelve-month period.

Upon the lack of observance to the covenants, the fiduciary agent shall convene, within 48 hours from the date it becomes aware of the occurrence, of a general debenture holders’ meeting in order to deliberate on the declaration of early maturity of the debentures.

Debentures 10th Issue:

a) EBITDA/ROL: equal to, or higher than, 38%;

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- b) EBITDA/Financial expenses: equal to, or higher than, 2.35%; and

- c) Net Banking Debt/Ebitda: equal to, or higher than, 3.65%.

Caixa Econômica Federal – Pro-Sanitation Program:

By means of the Performance Improvement Agreement, targets are set for financial and operating indicators (loss of invoicing, revenues evasion, cash availability and reduction of days of account receivable) that, based on the last two years, are projected annually for the upcoming five years.

Non fulfillment of 5 out 8 clauses of covenants shall trigger the early maturity of the contract.

Debentures 13th Issue:

- a) The ratio obtained by the division of the Total Debt by the EBITDA shall be lower than or equal to 3.65; and

- b) The ratio obtained by the division of the EBITDA by the Financial Expenses shall be equal to, or higher than, 1.5.

BNDES:

- a) Adjusted current liquidity: higher than 1.0;

- b) Ebitda / Net Operating Revenue: higher than or equal to 38%;

Explanation of Responses:

- c) Total connections (water and sewage) /headcount: higher than or equal to 520;
- d) Ebitda /Debt service: higher than or equal to 1.5; e
- e) Net Worth/Total Liabilities: higher than or equal to 0.8.

Non fulfillment of the clauses of covenants shall trigger the early maturity of the contract.

Eurobonds:

Limit the contracting of new debts in such a way that:

- a) The total adjusted debt to Ebitda shall not be higher than 3.65; and
- b) The Company's interest coverage ratio, determined at the date of incursion of this debt, is not lower than 2.35.

Non fulfillment of the clauses of covenants shall trigger the early maturity of the contract.

Banco Interamericano de Desenvolvimento (BID):

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The contracts 713, 896, 1.212 e 2.202- The tariffs may:

- a) Produce revenue enough to cover the expenses with system exploration, including those related to the management, operation, maintenance and depreciation;
- b) Provide a profitability on fixed assets higher than 7%; and
- c) During the execution of the Project, the balances of the loans contracted for short term shall be higher than 8.5% to net worth.

Non fulfillment of the clauses of covenants shall trigger the early maturity of the contract.

On March 31, 2011, the Company met the requirements included in its loan and financing contracts.

The Company has obtained from BNDES, exceptionally, the suspension for 13 months, as of December, 2010, of the requirement to fulfill the special obligations set forth by the contracts.

13. TAXES AND CONTRIBUTIONS

	HOLDING			
	Current		Non current	
	Mar/11	Dec/10	Mar/11	Dec/10
Income tax and social contribution	81,457	-	-	-
Cofins and pasep	47,773	48,149	-	-
Paes	35,702	35,364	44,627	53,045
INSS	23,256	24,112	-	-

Explanation of Responses:

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Others	12,752	50,143	-	-
Total	200,940	157,768	44,627	53,045

	CONSOLIDATED			
	Current		Non-current	
	Mar/11	Dec/10	Mar/11	Dec/10
Income tax and social contribution	81,498	-	-	-
Cofins and pasep	47,789	48,149	-	-
Paes	35,702	35,364	44,627	53,045
INSS	23,256	24,112	-	-
Others	12,882	50,425	-	-
Total	201,127	158,050	44,627	53,045

The company applied for the Special Installment Payment Request (Paes) on July 15, 2003, pursuant Law nr. 10684 of May 30, 2003, including in this application the debts related to the Cofins and to the Pasep involved in judicial lawsuit against the application of Law nr. 9718/98 and consolidated the remaining balance of the Tax Recovery Program (Refis). The total amount included in the Paes was R\$ 316,953, as follows:

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Tax	Principal	Penalty	Interests	Total
COFINS	132,499	13,250	50,994	196,743
PASEP	5,001	509	2,061	7,571
REFIS	112,639	-	-	112,639
Total	250,139	13,759	53,055	316,953

The debt is being paid in 120 months. The amounts paid in the 1st quarter, 2011 and in the 4th quarter, 2010 were R\$ 8,897 and R\$ 8,813, respectively. Financial expenses were recorded in the amount of R\$ 817 in the 1st quarter of 2011 and R\$ 1,155 in the 1st quarter, 2010. The outstanding debt on March 31, 2011 was R\$ 80,329. The assets granted in guarantee to the previous Refis Program, in the amount of R\$ 249,034 continue to guarantee the amounts of the Paes Program.

14. DEFERRED TAXES AND CONTRIBUTIONS**(a) Balances**

	Holding		Consolidated	
	Mar/11	Dec/10	Mar/11	Dec/10
Deferred income tax asset				
Provision for contingencies	538,815	539,394	538,815	539,394
Social security obligations –G1	175,204	162,552	175,204	162,552
Social security obligations –G0	85,271	85,271	85,271	85,271
Donation of assets related to the concession contracts	38,213	38,213	38,213	38,213
Others	202,307	177,816	204,632	179,356
Total deferred tax asset	1,039,810	1,003,246	1,042,135	1,004,786
Deferred income tax liability				
Temporary difference on concession of intangible asset	(705,428)	(711,283)	(705,428)	(711,283)
Capitalization of loan costs	(125,933)	(102,339)	(125,933)	(102,339)
Income– public entities	(74,660)	(72,968)	(74,660)	(72,968)
Others	(42,449)	(38,743)	(44,161)	(39,756)
Total deferred tax liability	(948,470)	(925,333)	(950,182)	(926,346)
Deferred Tax asset (liability) in the balance sheet	91,340	77,913	91,953	78,440

(b) Conciliation of the effective tax rate

Explanation of Responses:

The amounts recorded as income and social contribution tax expenses in the interim financial statements are reconciled to the statutory rates provided for in law, as shown below:

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	Holding		Consolidated	
	<u>Jan-Mar/11</u>	<u>Jan-Mar/10</u>	<u>Jan-Mar/11</u>	<u>Jan-Mar/10</u>
Income before taxes on income	378,727	478,890	378,689	478,890
Statutory rate	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>
Tax expense at statutory rate	(128,767)	(162,823)	(128,754)	(162,823)
Permanent differences				
Provision Act 4819/58 (i)	(67,167)	(15,361)	(67,167)	(15,361)
Other differences	<u>-</u>	<u>(1,661)</u>	<u>25</u>	<u>(1,661)</u>
Income tax and social contribution	<u>(195,934)</u>	<u>(179,845)</u>	<u>(195,896)</u>	<u>(179,845)</u>
Current income tax and social contribution	(209,314)	(236,931)	(209,314)	(236,931)
Deferred income tax and social contribution	13,380	57,086	13,418	57,086
Effective tax rate	52%	38%	52%	38%

(i) Permanent difference related to the provision referring to the actuarial obligation (note 8 (vii)).

Transitional Tax Regime – RTT

For the purposes of calculation of income tax and social contribution on net income of the years of 2009 and 2008, the Company and its subsidiaries adopted the RTT, which allows the legal entity to eliminate the accounting effects of the Law 11638/07 and the Provisional Measure 449/08, converted into Law 11941/09, by the registers in the fiscal books - LALUR and auxiliary controls, without any changes in the accounting books.

In 2011, the Company also adopted the same tax practices adopted in 2008, 2009 and 2010, since the RTT shall be in force until the enacting of the Law that rules the tax effects of the new accounting standards, seeking the tax neutrality.

15. BENEFITS TO EMPLOYEES

Explanation of Responses:

(a) Assistance Plan

Managed by Fundação SABESP de Seguridade Social – Sabesprev, it is constituted by optional health plan, of free choice, kept by contributions from the sponsor and the participants, which were the following in the period:

From the Company: 7.7%, on average, on the payroll;

From the participants: 3.21%, on base salary and bonus, which corresponds to the average of 1.4% on the payroll.

(b) The amounts recorded in the balance are the following:

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ITR - Quarterly Information 03/31/2011 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO**Funded Plan – G1**

Social security obligations in December, 2010	487,332
Expenses recorded in 2011	<u>11,600</u>
Social security obligations in March, 2011	498,932

Unfunded Plan – G0

Social security obligations in December, 2010	1,316,706
Actuarial losses calculated in December, 2010 (ii)	157,527
Expenses recorded in 2011	<u>26,088</u>
Social security obligations in March, 2011	<u>1,500,321</u>
Total	<u>1,999,253</u>

(i) Plan G1

Managed by Fundação SABESP de Seguridade Social – Sabesprev, the defined benefit plan (“Plano G1”) receives monthly contributions as follows: 2.6% from the Company and 2.8% from the participants.

In March 31, 2011, the Company had a net actuarial obligation of R\$ 498,932 (Dec/10 – R\$ 487,332) that represents the difference between the present value of the Company’s obligations related to the participants that are employees, retirees and pensioners and the fair value of the related assets, and unrecognized actuarial gains.

With the purpose to settle the debt referring to the Defined Benefit Plan (BD) G1, as of July, 2010, SABESP and SABESPREV have structured a process through which the participants could elect to change from the Defined Benefit Plan to Defined Contribution Plan, the SABESPREV Mais.

The period for migrating the plan, from July to November, 2010, was suspended through preliminary injunction granted by the Court of Justice of the State of Sao Paulo on October 20, 2010, until the allegations from the parties involved are analyzed.

(ii) Plan G0

The Company makes payments, due to judicial decision, of pension and retirement complementary plan to former employees and pensioners provided by Law nr. 4819/58. These amounts are recorded as accounts receivable

from shareholders, limiting to the amounts recognized as due by the Government of the State.

In March 31, 2011, the Company had an obligation to the Plan G0 of R\$ 1,500,866 (Dec/10 – R\$ 1,316,706). In the period from January to March, 2011, the additional amount of R\$ 157,527 was recorded, referring to the amortization of actuarial gains and losses, corresponding to the portion that exceeded 10% of the present value of the actuarial obligation (corridor) of the calculation of December, 2010.

(c) Profit Sharing

Based on the negotiations held between the Company and the entities that represent the functional class, it was implemented the Profit Sharing Plan, considering the period from January to December, 2010, with the distribution of the amount corresponding to

one payroll, upon the setting of targets. In the first quarter, 2011 it was accrued the amount of R\$ 13,150 (first quarter of 2010 – R\$ 13,352).

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16. PROVISIONS FOR CONTINGENCIES

				Interest, adjustments	
				Monetary	
	<u>Dec/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>and reversals</u>	<u>Mar/11</u>
Customers (i)	770,205	24,024	(44,604)	(6,129)	743,496
Suppliers (ii)	372,889	1,862	(50)	7,113	381,814
Other civil lawsuits (iii)	175,932	7,462	(4,241)	7,509	186,662
Tax (iv)	58,658	5,053	(116)	6,170	69,765
Labor (v)	137,232	9,543	(4,413)	3,878	146,240
Environmental (vi)	<u>65,095</u>	<u>1,143</u>	<u>(4,269)</u>	<u>1,357</u>	<u>63,326</u>
Subtotal	1,580,011	49,087	(57,693)	19,898	1,591,303
Judicial deposits	<u>(120,181)</u>	<u>(1,443)</u>	<u>9,884</u>	<u>1,066</u>	<u>(110,674)</u>
Total	<u>1,459,830</u>	<u>47,644</u>	<u>(47,809)</u>	<u>20,964</u>	<u>1,480,629</u>

Based on a joint analysis with its legal counsel, Management made a provision of an amount considered sufficient to cover probable losses on lawsuits. The amounts related to lawsuits in the sentence execution stage, recorded in current liabilities, under the caption "Provisions", of R\$ 780,801 (Dec/2010 - R\$ 766,603), and the amounts recorded in non-current liabilities, under the caption "Provisions", of R\$ 699,828 (Dec/2010 - R\$ 693,227). The amount paid in the first quarter of 2011 was R \$ 33,458.

(i) Customers - Approximately 1,590 lawsuits were filed by commercial customers, which claim that their tariffs should be equal to the tariffs of another consumer category, and therefore claim the refund of the amounts collected by SABESP. The Company was granted both favorable and unfavorable final decisions at several courts, and recognized provisions when the likelihood of loss is considered probable.

(ii) Suppliers - Suppliers' claims include lawsuits filed by some building companies alleging an underpayment of monetary adjustments, withholding of amounts related to the understatement of official inflation rates after the Real economic plan, and the economic and financial imbalance of the agreements. These lawsuits are in progress at different courts and a provision is recognized when the likelihood of loss is considered probable.

(iii) Other civil lawsuits - refer mainly to indemnity claims for property damage, pain and suffering, and loss of profits allegedly caused to third parties, filed at different court levels, duly accrued when classified as probable losses.

(iv) Tax lawsuits - the provision for tax contingencies refers mainly to issues related to tax collections challenged due to differences in the interpretation of legislation by the Company's legal counsel, duly accrued when classified as probable losses.

(v) Labor lawsuits - the Company is a party to labor lawsuits, involving issues such as overtime, health hazard premium and hazardous duty premium, prior notice, change of function, salary equalization, and other. Part of the amount involved is in provisional or final execution at various court levels, and thus is classified as a probable loss and accordingly a provision was recognized.

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(vi) Environmental lawsuits - refer to several administrative proceedings and lawsuits filed by government entities, including Companhia de Tecnologia de Saneamento Ambiental - Cetesb and the São Paulo State Public Prosecution Office for the imposition of fines for environmental damages allegedly caused by the Company. The amounts recognized in provision do not always represent the final amount to be disbursed as indemnity of alleged damages, in view of the current stage in which such lawsuits are and Management's impossibility to reasonably estimate the amounts of future disbursements.

Lawsuits with possible likelihood of loss

The Company is a party to lawsuits and administrative proceedings related to environmental, tax, civil and labor lawsuits, which are considered by its legal counsel as possible losses, and are not recorded in the books. The amount attributed to these lawsuits and proceedings is approximately R\$ 2,420,700 as of March 31, 2011 (Dec/2010 - R\$ 2,297,900).

17. REVENUE

(a) Gross Sales of Goods and Services

	<u>HOLDING</u>	<u>CONSOLIDATED</u>	<u>HOLDING AND CONSOLIDATED</u>
	<u>1st Qtr/11</u>	<u>1st Qtr/11</u>	<u>1st Qtr/10</u>
Metropolitan Region of São Paulo	1,441,667	1,441,667	1,345,081
Regional systems(i)	<u>548,163</u>	<u>549,207</u>	<u>499,426</u>
Total	<u>1,989,830</u>	<u>1,990,874</u>	<u>1,844,507</u>

(i) Comprises the municipalities operated in the Interior of the State of São Paulo.

(b) Reconciliation of gross revenue to net

	<u>HOLDING</u>	<u>CONSOLIDATED</u>	<u>HOLDING AND CONSOLIDATED</u>
	<u>1st Qtr/11</u>	<u>1st Qtr/11</u>	<u>1st Qtr/10</u>
Gross revenues from sales and/or services	1,989,830	1,990,874	1,844,507
Revenues from Construction	450,173	450,188	452,233
Sales taxes	<u>(145,380)</u>	<u>(145,372)</u>	<u>(133,605)</u>
Net revenue	<u>2,294,623</u>	<u>2,295,690</u>	<u>2,163,135</u>

18. OPERATING COSTS AND EXPENSES

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Description	<u>HOLDING</u>		<u>CONSOLIDATED</u>	
	<u>1st Qtr/11</u>	<u>1st Qtr/10</u>	<u>1st Qtr/11</u>	<u>1st Qtr/10</u>
Cost of sales and services				
Wages and taxes	261,576	231,337	261,709	231,337
Pension obligations	11,475	4,624	11,475	4,624
Construction costs	439,415	441,618	439,429	441,618
General supplies	34,669	31,017	34,720	31,017
Treatment supplies	45,605	36,054	45,632	36,054
Party services	131,628	132,985	131,764	132,985
Electricity	140,944	129,652	141,185	129,652
General expenses	84,120	10,669	84,163	10,669
Depreciation and amortization	<u>218,345</u>	<u>136,940</u>	<u>218,347</u>	<u>136,940</u>
	<u>1,367,777</u>	<u>1,154,896</u>	<u>1,368,424</u>	<u>1,154,896</u>
Selling expenses				
Wages and taxes	45,911	43,504	45,931	43,504
Pension obligations	1,962	1,190	1,962	1,190
General supplies	1,740	1,648	1,740	1,648
Party services	71,559	42,794	71,565	42,794
Electricity	171	213	171	213
General expenses	20,211	15,462	20,212	15,462
Depreciation and amortization	3,531	1,264	3,531	1,264
Allowance for doubtful accounts, net of recoveries				
(note7(c))	<u>33,137</u>	<u>10,435</u>	<u>33,137</u>	<u>10,435</u>
	<u>178,222</u>	<u>116,510</u>	<u>178,249</u>	<u>116,510</u>
Administrative expenses:				
Wages and taxes	35,332	31,523	36,030	31,627
Pension obligations	200,229	45,081	200,229	45,081
General supplies	748	1,680	783	1,682
Party services	28,258	39,577	28,663	39,593
Electricity	192	379	194	379
General expenses	23,122	46,599	23,299	46,618
Depreciation and amortization	6,217	4,824	6,222	4,824
Tax expenditure	<u>27,384</u>	<u>27,108</u>	<u>27,431</u>	<u>27,108</u>
	<u>321,482</u>	<u>196,771</u>	<u>322,851</u>	<u>196,912</u>
Costs, and selling and administrative expenses:				
Wages and taxes	342,819	306,364	343,670	306,468
Pension obligations	213,666	50,895	213,666	50,895
Construction costs	439,415	441,618	439,429	441,618
General supplies	37,157	34,345	37,243	34,347
Treatment supplies	45,605	36,054	45,632	36,054
Party services	231,445	215,356	231,992	215,372
Electricity	141,307	130,244	141,550	130,244
General expenses	127,453	72,730	127,674	72,749

Explanation of Responses:

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Depreciation and amortization	228,093	143,028	228,100	143,028
Tax expenditure	27,384	27,108	27,431	27,108
Allowance for doubtful accounts, net of recoveries (note7(c))	<u>33,137</u>	<u>10,435</u>	<u>33,137</u>	<u>10,435</u>
	<u>1,867,481</u>	<u>1,468,177</u>	<u>1,869,524</u>	<u>1,468,318</u>

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ITR - Quarterly Information 03/31/2011 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO**19. OPERATING INCOME AND EXPENSES**

<u>Description</u>	<u>HOLDING</u>		<u>CONSOLIDATED</u>	
	<u>1st Qtr/11</u>	<u>1st Qtr/10</u>	<u>1st Qtr/11</u>	<u>1st Qtr/10</u>
Financial expenses:				
Interest and charges on loans and financing - local currency	(120,130)	(81,547)	(120,205)	(81,547)
Interest and charges on loans and financing - foreign currency	(19,266)	(15,683)	(19,266)	(15,683)
Other financial expenses	(24,787)	(32,941)	(24,804)	(32,941)
Income tax on shipping abroad	(1,899)	(712)	(1,899)	(712)
Monetary variation on loans and financing	(19,766)	(26,032)	(19,766)	(26,032)
Other Monetary variation	(5,012)	(11,444)	(5,012)	(11,444)
Financial Provisions for contingencies	<u>(19,898)</u>	<u>(90,063)</u>	<u>(19,898)</u>	<u>(90,063)</u>
Total financial expenses	<u>(210,758)</u>	<u>(258,422)</u>	<u>(210,850)</u>	<u>(258,422)</u>
Financial income:				
Monetary variation gains	17,095	23,281	17,105	23,281
Income from financial investments	61,346	17,704	61,360	17,728
Interest and others	<u>17,504</u>	<u>22,271</u>	<u>17,516</u>	<u>22,271</u>
Total financial income	95,945	63,256	95,981	63,280
Financial net before the exchange rate changes	<u>(114,813)</u>	<u>(195,166)</u>	<u>(114,869)</u>	<u>(195,142)</u>
Exchange rate changes, net:				
Exchange variation on loans and financing	69,097	(24,214)	69,097	(24,214)
Other Exchange rate changes	-	(91)	-	(91)
Active Exchange variation	<u>(4,918)</u>	<u>75</u>	<u>(4,918)</u>	<u>75</u>
	<u>64,179</u>	<u>(24,230)</u>	<u>64,179</u>	<u>(24,230)</u>

20. OTHER OPERATING INCOME (EXPENSES), NET

The break-down of “other operating income (expenses), net” is the following:

Explanation of Responses:

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	HOLDING		CONSOLIDATED	
	1st Qtr/11	1st Qtr/10	1st Qtr/11	1st Qtr/10
Other operating income net	5,254	5,096	5,282	5,096
Other operating expenses	(2,069)	(1,651)	(2,069)	(1,651)
Other operating income (expenses), net	3,185	3,445	3,213	3,445

Other operating income are comprised by sale of fixed assets, sales of public notices, as well as indemnifications and reimbursement of expenses, lease of real estate, water for reuse, Pura and Aqua log's projects and services.

Other operating expenses are substantially comprised by write-off of fixed assets due to obsolescence, discontinued works, non productive wells, economic unviable projects and loss of fixed assets.

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ITR - Quarterly Information 03/31/2011 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO**21. BUSINESS SEGMENT INFORMATION**

The Company's management has defined operating segments based on account balances in Brazilian GAAP, used for making strategic decisions.

The Company's management considers the deal as providing water and sewer service. No operating segment was added.

Information by business segment for the period ended March 31, 2011 are as follows:

				1st Qtr/11
	Water	Sewer	Reconciliation to Financial Statements	Balance according to the Financial Statements
Gross revenue from sales and services - from external customers	1,107,103	883,773	450,188	2,441,064
Deductions	<u>(80,840)</u>	<u>(64,534)</u>	=	<u>(145,374)</u>
Net sales and services - from external customers	1,026,263	819,239	450,188	2,295,690
Costs and expenses Selling and administrative	<u>(915,806)</u>	<u>(514,289)</u>	<u>(439,429)</u>	<u>(1,869,524)</u>
Operating profit before other expenses	<u>110,457</u>	<u>304,950</u>	<u>10,759</u>	<u>426,166</u>
Net operating				

Explanation of Responses:

Other operating expenses

3,213

Profit from operations before financial and tax

429,379

Depreciation and amortization

131,918

96,182

-

228,100

Information by business segment for the period ended March 31, 2010 are as follows:

				1st Qtr/10
	Water	Sewer	Reconciliation to Financial Statements	Balance according to the Financial Statements
Gross revenue from sales and services - from external customers	1,072,891	812,717	411,132	2,296,740
Deductions	<u>(76,020)</u>	<u>(57,585)</u>	=	<u>(133,605)</u>
Net sales and services - from external customers	<u>996,871</u>	<u>755,132</u>	<u>411,132</u>	<u>2,163,135</u>
Costs and expenses Selling and administrative	<u>(679,612)</u>	<u>(353,955)</u>	<u>(434,751)</u>	<u>(1,468,318)</u>
Operating profit before other expenses				
Net operating	<u>317,259</u>	<u>401,177</u>	<u>(23,619)</u>	<u>694,817</u>
Other operating expenses				<u>3,445</u>
Profit from operations before financial and tax				<u>698,262</u>
Depreciation and amortization	78,118	65,730	(820)	143,028

Explanation of Responses:

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Operating profit of the parent totals the amount of R\$ 431,216 (Mar/2010 - R\$ 698,286), being the difference of R\$ 18 (Mar/2010 - R\$ 24) represented by the financial results and income tax and social contribution of controlled together.

The adjustments in gross revenue from sales and services are as follows:

	1° Quarter	
	2011	2010
Reclassification of revenue with not are considered virtually certain (a)	-	(41.101)
Gross sales of construction related to the ICPC 1 (b)	450.188	452.233
	450.188	411.132

Adjustments to cost, selling expenses and administrative expenses are as follows:

	1° Quarter	
	2011	2010
Reclassification of allowance for losses (a)	-	41.101
Construction cost related to the ICPC 1 (b)	(439.429)	(441.618)
Other adjustments (c)	-	(34.234)
	(439.429)	(434.751)

(a) Reclassification for services rendered at wholesale to municipalities in the metropolitan region of Sao Paulo, whose receipt is virtually certain and that should not be recognized as revenue for CPC / IFRS.

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(b) the revenue of construction is recognized as CPC 17, "Construction Contracts (IAS 11) using the percentage method of execution.

(c) Other adjustments relate primarily to pension plans, taxes, depreciation, amortization, capitalization of borrowing costs and donations.

22. EQUITY

(a) Authorized capital

The Company is authorized to increase its capital up to the limit of R\$ 10,000,000 (Dec/10 - R\$ 10,000,000) by the Board of Directors and Audit Committee heard

(b) Capital subscribed and paid

The subscribed and paid-up consists of 227,836,623 ordinary shares (Dec/10 - 227,836,623), book entry shares, without par value, as follows:

	Number of <u>shares</u>	<u>%</u>
Department of Finance	114,508,085	50.26
Brazilian Clearing and Depository	50,492,658	22.16
The Bank Of New York ADR Department (equivalent in shares) (*)	62,195,352	27.30
Other	<u>640,528</u>	<u>0.28</u>
	<u>227,836,623</u>	<u>100.00</u>

(*) each ADR equals two shares

Further information on equity, such as remuneration to shareholders, object and purpose of reserves are found in footnote 18 of the Annual Financial Statements December 31, 2010.

23. EARNINGS PER SHARE

(a) Basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares issued during the.

	1st Qtr/2011	1st Qtr/2010
Profit attributable to shareholders	182,793	299,045
Weighted average number of common shares issued	227,836,623	227,836,623
Basic and diluted earnings per share (dollars per share)	0.80230	1.31254

The Company had no potential common shares outstanding, such as debt convertible into common shares. Thus, the basic and diluted earnings per share are the same.

ITR - Quarterly Information 03/31/2011 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO**24. COMMITMENTS**

(i) operational Rentals

On March 31, 2011, rents have contracted operational require minimum payments as follows:

2011	48,361
2012	59,138
2013	45,040
2014	7,298
Total	159,837

The rental expenses for the periods ended March 31, 2011 and 2010 were R\$ 7,322 and R \$ 6,765, respectively. The figures refer to the following accounts: real estate rentals, rental of machinery and equipment, rental of computer equipment, car rentals, automotive equipment rental and leasing of copying machines. The contracts of lease operating close in 2014.

(ii) Electricity

The Company has long-term contracts for firm commitments with suppliers of electricity for own use. On December 31, 2010 the main values of contracts of this type are as follows

2011	266,966
2012	132,269
2013	88,224
2014	84,749
2015	80,674
Total	652,882

The cost of electricity for the periods ended March 31, 2011 and 2010 were R\$ 141,358 and R\$ 130,339 respectively. The agreements contain strong demand in 2015.

25. CONTRACTING WITH THE MUNICIPALITY OF SÃO PAULO

No change or relevant information, according to note 26 of the Annual Financial Statements December 31, 2010.

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OTHER INFORMATION CONSIDERED MATERIAL BY THE COMPANY

1. EVOLUTION OF THE INVOLVEMENT OF DRIVER, DIRECTORS AND OFFICERS

**CONSOLIDATED SHAREHOLDING POSITION OF CONTROLLING
SHAREHOLDER, DIRECTORS AND OFFICERS AND OUTSTANDING
SHARES**

Shareholder	Position at March 31, 2011		Total	
	Number of Common Shares	%	Number	%
	(In units)		of Shares	
			(In units)	
Controlling Shareholder				
State Finance Department	114,508,085	50.3%	114,508,085	50.3%
Management				
Board of Directors	2,008	0	2,008	0
Executive Board	603	0	603	0
Supervisory Board	-	-	-	-
Treasury Shares	-	-	-	-
Other Shareholders				
Total	114.510.696	50.3%	114.510.696	50.3%
Outstanding Shares	113.325.927	49.7%	113.325.927	49.7%

**CONSOLIDATED SHAREHOLDING POSITION OF CONTROLLING SHAREHOLDER, DIRECTORS
AND OFFICERS AND OUTSTANDING SHARES**

Shareholder	Position at March 31, 2010		Total Number of Shares (In units)	%
	Number of Common Shares (In units)	%		
Controlling Shareholder				
State Finance Department	114,508,083	50.3%	114,508,083	50.3%
Management				
Board of Directors	5,212	0	5,212	0
Executive Board	-	-	-	-
Supervisory Board	-	-	-	-
Treasury Shares	-	-	-	-
Other Shareholders				
Total	114,513,295	50.3%	114,513,295	50.3%
Outstanding Shares	113,323,328	49.7%	113,323,328	49.7%

ITR - Quarterly Information 03/31/2011 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO**2. SHAREHOLDING POSITION****SHAREHOLDING POSITION OF HOLDERS OF MORE THAN 5% OF SHARES OF EACH CATEGORY AND CLASS OF SHARES OF THE COMPANY, UP TO THE LEVEL OF INDIVIDUAL**

Company:

Position at March 31, 2011

(In Shares)

CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Shareholder	Common Shares		Total	
	Number	%	Number	%
State Finance Department	114,508,085	50.3	114,508,085	50.3

3. ARBITRATION COMMITMENT CLAUSE

The Company, its shareholders, Managers and member of the fiscal council undertake to resolve, by arbitration, any and all dispute or controversy that may arise between them, related to or arising from, specially, the application, effectiveness, interpretation, violation and its effects, of the provisions included in Law 6404/76, in its by-laws, in the norms issued by the National Monetary Council, by the Central Bank of Brazil and by the Brazilian Securities and Exchange Commission, as well as in other norms applicable to the operation of the capital markets in general, in addition to those contained in the Listing Regulation of the New Market, the Contract of Participation in the New Market and the Arbitration Regulation of the Arbitration Chamber of the Market, to be conducted with the Arbitration Chamber of the Market organized by BM&FBOVESPA in accordance with the Regulation of such Chamber, observed the exception applicable to the unavailable rights.

ITR - Quarterly Information 03/31/2011 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Report on Review of Quarterly Information

To the Board of Directors and Stockholders

Companhia de Saneamento Básico do

Estado de São Paulo – SABESP

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Companhia de Saneamento Básico do Estado de São Paulo – SABESP, included in the Quarterly Information (ITR) Form for the quarter ended March 31, 2011, comprising the balance sheet and the statements of income, changes in equity and cash flows, for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with accounting standard CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed 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 inquiries, 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 Brazilian and 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 parent company

interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in

accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

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Conclusion on the consolidated
interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Other matters

Interim statements of
value added

We have also reviewed the parent company and consolidated interim statements of value added for the quarter ended March 31, 2011, which are required to be presented in accordance with standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

São Paulo, May 12, 2011

PricewaterhouseCoopers

Auditores Independentes

CRC 2SP000160/O-5

Valdir Renato Coscodai

Accountant CRC 1SP165875/O-6

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