



BOVESPA HOLDING S.A.

(Incorporated in the Federative Republic of Brazil)

Brazilian Federal Taxpayer CNPJ No.08.695.953/0001/23

MATERIAL FACT

(CVM Instruction No. 358)

1. Further to the notice of material development dated October 30, 2007, BOVESPA HOLDING S.A. [BOVH3] hereby announces to the market that it has been made aware of the full text of Tax Ruling No. 10/07, issued in response to an inquiry by the Brazilian National Exchanges Commission (*Comissão Nacional de Bolsas*), or CNB, dated May 30, 2007, in connection with the tax treatment applicable to the demutualization of stock exchanges.
2. Accordingly, the Brazilian Federal Revenue Service (*Receita Federal do Brasil*), or RFB, adopted the understanding that the provision in article 61 of the 2002 Civil Code prevents the demutualization process on the terms pursuant to which it was approved by members of the association then operating the São Paulo Stock Exchange. This understanding was adopted notwithstanding the fact that article 61 of the 2002 Civil Code, which grounded that rationale specifically addresses the matter of *dissolutions* of civil associations. BOVESPA HOLDING believes that said provision of law is not applicable to the demutualization process because the association was not dissolved. In addition, the demutualization process had been previously submitted to the entity with regulatory authority over the Brazilian securities market, which permitted it without qualifications as to matters under its sphere of competence.
3. Moreover, the Brazilian Federal Revenue Service understood that a spin-off transaction would apply only to legal entities organized as companies, based on the argument that there is no legal provision specifically contemplating the spin-off of associations, such as the association that then operated the São Paulo Stock Exchange. However, article 2033 of the 2002 Civil Code expressly refers to spin-off transactions involving the legal entities listed in article 44 of the same Code, which specifically refers to associations, such as the São Paulo Stock Exchange.
4. BOVESPA HOLDING also believes that the Brazilian Federal Revenue Service adopted a mistaken position on the matter. Furthermore, based on the opinion of its legal counsels, BOVESPA HOLDING believes that (i) the understanding pursuant to which Brazilian legal order provides no legal grounds to support the demutualization process is entirely baseless; and (ii) the demutualization process should be afforded the same legal treatment adopted in respect of the 1997 spin-off transaction, when the association then operating the stock exchange was spun-off, with portions of its assets having been merged into two for-profit companies organized at the time, namely, the Brazilian Clearing and Depository Corporation (*Companhia Brasileira de Liquidação e Custódia*), or CBLC, and Bovespa Serviços e Participações S.A..

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5. Additionally, the Brazilian Federal Revenue Service expressed an opinion that member brokers and other holders of membership certificates representing their ownership interest in the association that then operated the São Paulo Stock Exchange (the “Original Members”) were required to register their interests at their cost of acquisition, and that, for purposes of determining the tax basis in respect of their investments, were not allowed to recognize the effects of increases in the shareholder’s equity of the stock exchange. BOVESPA HOLDING understands that there are no legal grounds to support this position, given that there are long-standing, fully effective and uncontested rules authorizing this recognition. These rules were established and conveyed by Ministerial Directive No. 785/77 of the Ministry of Finance, by Directive Release No. 325/79 issued by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, and by Circular Letter No. 1,273/87 issued by the Central Bank of Brazil.
6. In view of the foregoing, in order to determine actions to be taken in connection with this matter, BOVESPA HOLDING S.A., its counsels and consultants, are examining the effects of Tax Ruling No. 10/07, which effects in any event affect only the Original Members and any possible taxable capital gain they may have determined on selling of shares. Additionally, this Tax Ruling does not affect buyers of shares issued by BOVESPA HOLDING in its initial public offering or of shares traded on the over-the-counter market, nor has any impact on BOVESPA HOLDING or its subsidiaries and affiliates.
7. Finally, we hereby announce that on August 27, 2007, the São Paulo Stock Exchange filed its own inquiry with the Office of the Brazilian Federal Revenue Service, which detailed the acts and transactions involved in our corporate restructuring. Currently, this inquiry is pending issue of a tax ruling by that Office.

São Paulo, November 5, 2007

Gilberto Mifano
Investor Relations Officer



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