



## **BOVESPA HOLDING S.A.**

*(Incorporated in the Federative Republic of Brazil)*

Brazilian Federal Taxpayer CNPJ No.08.695.953/0001/23

### **MATERIAL EVENTS**

*(CVM Instruction No. 358)*

**BOVESPA HOLDING S.A.** ["BOVH3"] hereby announces to the market that the Brazilian Federal Official Gazette (*Diário Oficial da União*), in the issue dated as of the date hereof, published the abstract of Tax Ruling No. 10/07, in response to an inquiry on the tax treatment applicable to the demutualization of stock exchanges, which reads as follows:

“STOCK EXCHANGE DEMUTUALIZATION PROCESS. The established principle on spin-offs, as governed by article 229 et seq., of Law No. 6,404, of 1976, and by article 1,122 of Law No. 10,406, of 2002, applies only to private legal entities organized as companies. Stock exchanges organized as associations are governed by the legal regime set forth under articles 53 through 61 of Law No. 10,406, of 2002 (the 2002 Civil Code). Article 61 of Law No. 10,406, of 2002, prohibits the allocation of any portion of the assets of stock exchanges organized as associations to for-profit entities. Brokers should value their membership certificates or notional interests in stock exchanges at the cost of acquisition. The fact that the ‘demutualization’ of associations is not contemplated in the legal order is not preventive of the levy of income tax on the difference between the par value of the shares (of the company) received by the associate members (member brokers) and the cost of acquisition of the membership certificates or notional interests representing the segregated assets of stock exchanges.”

**BOVESPA HOLDING S.A.** has been informed that the full text of the Tax Ruling issued in response to the inquiry submitted to the tax authority, as discussed in the Brazilian Prospectus, in connection with its initial public offering, though still not currently available, is being forwarded from Brasília, Federal District, to the city of Rio de Janeiro, where the Brazilian National Exchanges Commission (*Comissão Nacional de Bolsas*), or CNB, which submitted the inquiry, is located.

On reviewing the said abstract at the request of BOVESPA HOLDING, the law consultants for the Company stated the following:

1. In its essence, the demutualization process of the São Paulo Stock Exchange, followed the same legal structured adopted in 1997, when 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., and;

2. Spin-offs of associations are expressly contemplated in the 2002 Civil Code. In addition, there has been no substantial change in the legal regime applying to spin-offs of associations that result in the formation of for-profit companies, which could elicit a different legal treatment than the one defined under the favorable Tax Ruling acknowledging the legality of the 1997 spin-off transaction, which also found that the said spin-off was not, in itself, a factor constituting a taxable event.



In view of the foregoing, as soon as BOVESPA HOLDING S.A. becomes aware of the full text of said Tax Ruling, another notice of material development shall be given to the market, to discuss the effects of the ruling on the Company and its shareholders, and announce the actions and measures it plans to adopt in this respect, as the case may be.

São Paulo, October 30, 2007

Gilberto Mifano  
Investor Relations Officer