

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: July 3, 2007

**Re: Telecommunicacoes Brasileiras SA (TBH) - Stock Distribution**

Telecommunicacoes Brasileiras SA (TBH) has declared a distribution of ADS of Tele Norte Leste Participacoes S.A. (TNE) to TBH shareholders of record, July 5, 2007. The distribution will be one (1) ADS of Tele Norte Leste Participacoes S.A. per share of Telecommunicacoes Brasileiras SA held. Distribution will be Tuesday, July 10, 2007. **The NYSE has set the ex-distribution date as Wednesday, July 11, 2007.**

Accordingly, pursuant to OCC By-Laws, all TBH options on the ex-distribution date must be adjusted as follows:

Adjustment Date: **Effective Wednesday, July 11, 2007.**  
 Symbol(s): **TBH becomes TBW**  
 Strike Price: Unchanged  
 Multiplier: 100 (e.g., Premium of 1.00 = \$100)  
 New Deliverable: **1) 100 Telecommunicacoes Brasileiras SA ADS's (TBH)**  
**2) 100 Tele Norte Leste Participacoes S.A. ADS's (TNE)**

## GOOD-TILL-CANCELLED (GTC) ORDERS

Customers should be advised that all Good-til-Cancelled (GTC) orders not on AUTOM must be cancelled and re-entered prior to the ex-distribution or effective date. GTC AUTOM orders will be deleted by PHLX Service Desk/AUTOM personnel.

Telecommunicacoes Brasileiras SA (TBH) (Before 7/11/2007) (100 shrs TBH)					Telecommunicacoes Brasileiras SA (TBW) (Beginning 7/11/2007) (See new deliverable above)				
			Calls	Puts				Calls	Puts
TBH	JUL	17 1/2	GW	SW	TBW	JUL	17 1/2	GW	SW
TBH	JUL	20	GD	SD	TBW	JUL	20	GD	SD
TBH	JUL	22 1/2	GX	SX	TBW	JUL	22 1/2	GX	SX
TBH	JUL	25	GE	SE	TBW	JUL	25	GE	SE
TBH	JUL	30	GF	SF	TBW	JUL	30	GF	SF
TBH	JUL	35	GG	SG	TBW	JUL	35	GG	SG
TBH	JUL	40	GH	SH	TBW	JUL	40	GH	SH
TBH	JUL	45	GI	SI	TBW	JUL	45	GI	SI
TBH	JUL	50	GJ	SJ	TBW	JUL	50	GJ	SJ
TBH	AUG	22 1/2	HX	TX	TBW	AUG	22 1/2	HX	TX
TBH	AUG	25	HE	TE	TBW	AUG	25	HE	TE
TBH	AUG	30	HF	TF	TBW	AUG	30	HF	TF
TBH	AUG	35	HG	TG	TBW	AUG	35	HG	TG
TBH	AUG	40	HH	TH	TBW	AUG	40	HH	TH
TBH	AUG	45	HI	TI	TBW	AUG	45	HI	TI
TBH	AUG	50	HJ	TJ	TBW	AUG	50	HJ	TJ
TBH	AUG	55	HK	TK	TBW	AUG	55	HK	TK
TBH	AUG	60	HL	TL	TBW	AUG	60	HL	TL

Telecomunicacoes Brasileiras SA (TBH)  
 (Before 7/11/2007)  
 (100 shrs TBH)

			Calls	Puts
TBH	OCT	17 1/2	JW	VW
TBH	OCT	20	JD	VD
TBH	OCT	22 1/2	JX	VX
TBH	OCT	25	JE	VE
TBH	OCT	30	JF	VF
TBH	OCT	35	JG	VG
TBH	OCT	40	JH	VH
TBH	OCT	45	JI	VI
TBH	OCT	50	JJ	VJ
TBH	JAN	20	AD	MD
TBH	JAN	22 1/2	AX	MX
TBH	JAN	25	AE	ME
TBH	JAN	30	AF	MF
TBH	JAN	35	AG	MG
TBH	JAN	40	AH	MH
TBH	JAN	45	AI	MI
TBH	JAN	50	AJ	MJ
TBH	JAN	55	AK	MK

Telecomunicacoes Brasileiras SA (TBW)  
 (Beginning 7/11/2007)  
 (See new deliverable above)

			Calls	Puts
TBW	OCT	17 1/2	JW	VW
TBW	OCT	20	JD	VD
TBW	OCT	22 1/2	JX	VX
TBW	OCT	25	JE	VE
TBW	OCT	30	JF	VF
TBW	OCT	35	JG	VG
TBW	OCT	40	JH	VH
TBW	OCT	45	JI	VI
TBW	OCT	50	JJ	VJ
TBW	JAN	20	AD	MD
TBW	JAN	22 1/2	AX	MX
TBW	JAN	25	AE	ME
TBW	JAN	30	AF	MF
TBW	JAN	35	AG	MG
TBW	JAN	40	AH	MH
TBW	JAN	45	AI	MI
TBW	JAN	50	AJ	MJ
TBW	JAN	55	AK	MK

**Any additional TBH series that are added prior to the ex-date will also be adjusted in the manner described above.**

The new TBH option contracts representing 100 shares of TBH, will be admitted to trading on Thursday, July 12, 2007. Strike prices and expiration months will be announced on a separate release prior to that date.

Questions regarding this release may be directed to Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-5380.