

**BRASCAN RESIDENTIAL
PROPERTIES S.A.**

Authorized Capital Publicly-Held Company
Corporate Taxpayer's ID (CNPJ/MF) no.
07.700.557/0001-84
Corporate Registry ID (NIRE)
33.300.277.153

COMPANY S.A.

Authorized Capital Publicly-Held Company
Corporate Taxpayer's ID (CNPJ/MF) no.
58.877.812/0001-08
Corporate Registry ID (NIRE)
35.300.175.891

MATERIAL FACT

The managements of BRASCAN RESIDENTIAL PROPERTIES S.A. ("BRP") and of COMPANY S.A. ("Company") (BRP and Company jointly referred to as "Companies"), in compliance with the provisions in CVM Instructions nos. 358/02 and 319/99, as amended, publicly inform that the Boards of Directors of both Companies approved, on September 8, 2008, to submit to their respective shareholders, at extraordinary general meetings to be held on October 22, 2008, a corporate restructuring proposal of both Companies ("Corporate Restructuring or Operation"), by means of (i) a merger of Company's shares into BRASCAN SPE SP-3 S.A. ("Subsidiary"), a subsidiary of BRP; and, subsequently (ii) a merger of the Subsidiary into BRP, so that the share base of Company is unified to the share base of BRP.

1. Purposes and Summary of the Operation Structure:

1.1. The main terms and conditions of the proposal to be submitted to the Extraordinary General Meetings of the Companies are described below.

- (i) Merger of Company's shares into the Subsidiary ("Merger of Shares"), so that the first one is converted into a wholly-owned subsidiary of the second one, at book value, pursuant to the respective Instrument of Justification and Protocol of Merger of Shares entered into on this date ("Protocol of Merger of Shares"), resulting in the issuance, by the Subsidiary, of common shares and redeemable preferred shares, in favor of Company's shareholders on the date of the respective resolution, in the proportion of sixteen (16) common shares and three (3) redeemable preferred shares by each share issued by Company;
- (ii) In the same act of the Merger of Shares, resolution of the redemption of redeemable preferred shares issued by the Subsidiary and attributed to Company's former shareholders, with the payment of the total amount of two hundred million reais (R\$200,000,000.00), less the amount of any distribution of dividends to be declared by Company between the present date and the resolution date of the redemption of

the referred shares, and such payment must be made in up to five (5) business days counted from the date of the end of the term for the exercise of the right to withdraw mentioned in item 7 below;

- (iii) Also, in the same act, in a distinct and subsequent resolution, merger of the Subsidiary into BRP ("Merger"), pursuant to the respective Instrument of Justification and Protocol of Merger ("Protocol of Merger" and, jointly with the "Protocol of Merger of Shares, the "Protocols"), with the absorption of the net assets of the Subsidiary, evaluated at book value, considering the effects of the Merger of Shares and of the redemption, and the extinguishment of the Subsidiary. As a result, common shares of BRP will be issued in favor of the Subsidiary's shareholders after the Merger of Shares, in the proportion of 1.0690 common shares for each 16 common shares issued by the Subsidiary received by virtue of the Merger of Shares;
- (iv) As a result of the Corporate Restructuring, the set of Company's former shareholders (a) will be the holder of seventy six million, nine hundred seventy eight thousand (76,978,000) common shares issued by BRP and (b) will receive, in up to five (5) business days counted from the end of the term for the exercise of the right to withdraw mentioned in item 7 below, the total amount of two hundred million (R\$200,000,000.00) in cash, less the amount of any distribution of dividends to be declared by Company between the present date and the resolution date of the redemption of redeemable preferred shares issued by the Subsidiary, corresponding to the payment for the referred redemption.

1.2. Considering that Company and BRP are publicly-held companies and share the same core business, integrating Bovespa's Novo Mercado, the Corporate Restructuring is justified by the potential gained in economies of scale, in addition to the strengthening of the position of BRP and of Company in the market.

1.3. The Corporate Restructuring will consolidate the position of BRP and of Company as leaders in the residential and commercial real estate development sector, with operations in the largest and most attractive segments and geographic regions of the country, as well as will strengthen the operation of both companies in their main markets and will integrate the best practices of each which are complementary, maximizing market presence of the combined entity and the consequent economic return.

1.4. The migration of Company's current shareholders to BRP's share base will increase the dispersal of BRP's shares in the market, increasing share liquidity.

1.5. The Corporate Restructuring will also simplify Company's share structure and consequently reduce costs, bringing administrative, economic and financial benefits, through lower combined operating expenses.

1.6. Finally, the Corporate Restructuring will enable value creation by means of the exchange of the best practices, implying significant improvements for productivity and profitability of Company and of BRP.

2. Steps Preceding the Operation:

2.1. As a preliminary step to the Operation implementation, the Boards of Directors of BRP and of Company approved the Protocols, as well as the operations purpose of the referred documents and called the Extraordinary General Meetings of the Companies to vote on matters related to the Operations, with the Protocols entered into by the managements of the Companies and of the Subsidiary.

3. Audit and Condition Precedent

3.1. From 09.15.2008 to 10.15.2008, BRP's management will carry out a legal and accounting audit of Company, whose management, in its turn, will carry out, in the same period, a legal and accounting audit of BRP (jointly, the "Audits").

3.2. The efficiency of all acts related to the Corporate Restructuring is subject to the non-identification, as a result of the Audits, (a) of contingent liabilities of Company, not reflected in its Financial Statements as of 06.30.2008, in an amount higher than thirty-nine million, five hundred eleven thousand, seven hundred fifty reais (R\$39,511,750.00), corresponding to five percent (5%) of the total amount of its assets and (b) of contingent liabilities of BRP, not reflected in its Financial Statements as of 06.30.2008, in an amount higher than one hundred forty-five million, thirty-five thousand, five hundred fifty reais (R\$145,035,550.00), corresponding to five percent (5%) of the total amount of its assets.

4. Evaluation Criteria of Company's Shares and of the Subsidiary's Shareholders' Equity.

Merger of Company's Shares

4.1. The amount of Company's shares to be merged into the Subsidiary, considering Company's Shareholders' Equity evaluated based on the elements in the Audited Financial Statements as of 12/31/2007 ("Reference Date"), is three hundred thirty-three million, five hundred eleven thousand, one hundred fourteen reais and ten centavos (R\$333,511,114.10), amount supported by an appraisal report referred to in item 4.7 below. Out of this amount,

it is proposed that two hundred million (R\$200,000,000.00) is allocated to the constitution of the Subsidiary's legal reserve, which will be used to make viable the redemption of redeemable preferred shares issued as a result of the Merger of Shares, and three hundred thirty-three million, five hundred eleven thousand, one hundred fourteen reais and ten centavos (R\$333,511,114.10) to its capital increase, with the issuance of one billion, three hundred sixty-eight million, one hundred fifteen thousand, one hundred forty (1,368,115,140) shares, out of which one billion, one hundred fifty-two million, ninety-six thousand, nine hundred and sixty (1,152,096,960) are common shares and two hundred sixteen million, eighteen thousand, one hundred and eighty (216,018,180) are redeemable preferred shares, all non-par registered shares, to be subscribed by Company's managers, by account and order of its shareholders, pursuant to article 252, paragraph 2, of Law no. 6,404/76, and paid-up upon the version of the shares issued by Company to the Subsidiary's shareholders' equity.

4.2. The Subsidiary's capital stock, immediately after the Merger of Shares and considering the one thousand (1,000) already existing common shares, will be one hundred thirty-three million, five hundred twelve thousand, one hundred fourteen reais and ten centavos (R\$133,512,114.10), dividend into one billion, three hundred sixty-eight million, one hundred sixteen thousand, one hundred and forty (1,368,116,140) shares, with one billion, one hundred fifty-two million, ninety-seven thousand, nine hundred sixty (1,152,097,960) common shares and two hundred sixteen million, eighteen thousand, one hundred eighty (216,018,180) redeemable preferred shares and the total shares issued by Company will be owned by the Subsidiary, and Company will become its wholly-owned subsidiary. Upon the following resolution and upon the approval of the redemption of the redeemable preferred shares, the Subsidiary's capital stock will be composed solely of one billion, one hundred fifty-two million, ninety-seven thousand, nine hundred sixty (1,152,097,960) common shares, with their amount unchanged.

4.3. The share composition referred to above, however, will be immediately changed in view of the Subsidiary Merger, as per the provisions in item 5.9 below.

4.4. Company's equity variations occurred between December 31, 2007 and the date of approval of the Merger of Shares by the Extraordinary General Meetings of Company and of the Subsidiary will be maintained in Company, but the effects on the book value of the merged shares will be reflected in the Subsidiary as equity in the earnings of subsidiaries and affiliated companies.

Subsidiary Merger

4.5. Upon the approval of the share redemption, the equity book value of the Subsidiary's net assets, to be merged into BRP, will be one hundred thirty-three million,

five hundred twelve thousand, one hundred fourteen reais and ten centavos (R\$133,512,114.10), amount based on the equity book value of the Subsidiary's net assets, calculated by the Appraiser based on the Subsidiary's audited Financial Statements as of 06.30.2008, adjusted to reflect the effects of the Merger of Shares and the resolution of the redemption of the Subsidiary's shares. Considering the interest of BRP in the Subsidiary's capital stock, the Subsidiary Merger will result in an equity increase in BRP in the total amount of one hundred thirty-three million, five hundred twelve thousand, one hundred fourteen reais and ten centavos (R\$133,512,114.10), resulting in an increase in BRP's capital stock in the amount of one hundred thirty-three million, five hundred twelve thousand, one hundred fourteen reais and ten centavos (R\$133,512,114.10), with the issuance of seventy six million, nine hundred seventy-eight thousand (76,978,000) common shares, to be subscribed by the Subsidiary's managers, by account and order of its shareholders after the Merger of Shares, pursuant to article 227, paragraph 2, of Law no. 6,404/76, and paid-up upon the version of the Subsidiary's shareholders' equity to BRP's shareholders' equity.

4.6. The Subsidiary's equity variations occurred between June 30, 2008 and the date of approval of the Merger by the Extraordinary General Meetings of BRP and of the Subsidiary will be fully absorbed by BRP.

Appraiser

4.7. The Merger of Shares, as well the Subsidiary Merger, at book value, will be supported by appraisal reports prepared by Acal Consultoria e Auditoria S/S, with headquarters in the Municipality of São Paulo, State of São Paulo, at Rua Bela Cintra, n° 1.149 - 5° andar - conj. 52, with Corporate Taxpayer's ID (CNPJ/MF) no. 28.005.734/0003-44 ("Appraiser"), whose appointment shall be ratified by the Extraordinary General Meetings of the Companies and of the Subsidiary that resolve on the Corporate Restructuring, pursuant to the applicable legislation. The Appraiser declared that there is no conflict or communion of interests, current or potential, with the controlling shareholders of BRP, of Company or of the Subsidiary or in view of their minority shareholder(s) and other companies of their respective groups, concerning the Corporate Restructuring as a whole.

5. Swap ratios, number and type of shares to be assigned to the Company's and the Subsidiary's shareholders, share rights, increase in the Subsidiary's and BRP's shareholders' equity and capital.

5.1. The swap ratios referred to herein, taking into consideration the Merger of Shares, the Merger and the redemption of redeemable preferred shares issued by the Subsidiary, have been traded independently between Company's and BRP's managements and are deemed equitable for the shareholders of both Companies.

Merger of Company's Shares

5.2. Company's shareholders shall receive sixteen (16) common shares and three (3) redeemable preferred shares of the Subsidiary for each of Company's shares held thereby, which shall result in the Subsidiary issuing a total of one billion, three hundred and sixty-eight million, one hundred and fifteen thousand, one hundred and forty (1,368,115,140) shares, of which one billion, one hundred and fifty-two million, ninety-six thousand, nine hundred and sixty (1,152,096,960) are common shares, and two hundred and sixteen million, eighteen thousand, one hundred and eighty (216,018,180) are redeemable preferred shares, all registered and with no par value ("New Subsidiary Shares").

5.3. Company and the Subsidiary do not own reciprocal corporate interests.

5.4. Company does not have, on the date of Merger of Company's Shares, any common shares issued by it held in treasury.

5.5. Immediately after the issue of New Subsidiary Shares, the Subsidiary shall resolve on the redemption of all the redeemable preferred shares issued thereby, which shall be paid by BRP as successor to the Subsidiary's obligations due to the Subsidiary Merger within five (5) business days of the end of the term for exercise of the right to withdraw referred to in item 7 below. Due to the redemption of all the redeemable preferred shares issued by the Subsidiary, Company's former shareholders shall be entitled to receive the overall amount of two hundred million reais (R\$200,000,000.00) in cash, minus the amount of any dividend distribution that shall be declared by Company between this date and the date when the Subsidiary resolves on the redemption of the redeemable preferred shares issued thereby. Once redeemed, said redeemable preferred shares shall be cancelled against capital reserve constituted pursuant to the provisions in item 3.1 above, without reducing the Subsidiary's capital stock.

5.6. The Subsidiary's common shares to be assigned to Company's former shareholders in replacement of Company's shares held thereby shall have the same rights conferred on the Subsidiary's common shares held by BRP.

Subsidiary Merger

5.7. The Subsidiary's shareholders shall receive 1.0690 of BRP's common shares for each 16 common shares issued by the Subsidiary held thereby, which shall result in BRP issuing a total of seventy six million, nine hundred and seventy-eight thousand (76,978,000) common shares ("New BRP Shares").

5.7.1. The swap ratio of shares issued by the Subsidiary for shares issued by BRP took into account the Merger of Shares and the redemption of all the redeemable preferred shares issued by the Subsidiary pursuant to the Merger of Shares Protocol.

5.7.2. The common share fractions resulting from the replacement of the position of each Subsidiary's shareholder shall be rounded down to the closest whole number, and the difference shall be paid in cash by BRP within five (5) business days as of the receipt of the proceeds resulting from the disposal of the shares corresponding to that group of fractions at Bolsa de Valores de São Paulo – BOVESPA, which shall take place within five (5) business days of the end of the term for exercise of the right to withdraw provided for in item 7 below.

5.8. On the date of the Subsidiary Merger, BRP shall have minority interest of nine hundred and ninety-nine (999) common shares issued by the Subsidiary, which shall be cancelled.

5.9. BRP's common shares to be assigned to Company's former shareholders in replacement of the Subsidiary's shares shall have the same rights conferred on the shares held by the other BRP shareholders, including the profit sharing related to the 2008 fiscal year.

6. Structure of BRP's Capital Stock after the Merger of Company's Shares and the Subsidiary Merger.

6.1. BRP's capital stock after the Merger of Company's Shares and the Subsidiary Merger shall be one billion, one hundred and ninety-nine million, seven hundred and ninety thousand, five hundred and eighty-eight reais and ten centavos (R\$1,199,790,588.10) divided into two hundred and sixty-two million, six thousand, four hundred and seventy-four (262,006,474) registered common shares with no par value, and all the shares issued

by Company shall then be owned by BRP, whereby Company shall be BRP's wholly-owned subsidiary.

7. Reimbursement to dissenting shareholders.

Merger of Company's Shares

7.1. Pursuant to article 252, paragraph 2 of Law no. 6,404/76, the right to withdraw shall be ensured to Company's shareholders who dissent or abstain from resolving on the Merger of Company's Shares, or who do not attend the General Meeting of shareholders that resolves on the matter, and who expressly manifest their intention to exercise their right to withdraw within thirty (30) days as of the date of publication of the minutes of the General Meeting of shareholders that approves the Merger of Company's Shares. The payment of said reimbursement shall depend on the accomplishment of the Operation, as provided for in article 230 of Law no. 6,404/76. The reimbursement of the value of shares shall only be ensured in relation to the shares proven to be owned by the shareholder on the date of publication of the first call to the General Meetings of Company's and the Subsidiary's shareholders that resolve on the Merger of Company's Shares or on the date of publication of the material fact that announces the Operation, whichever comes earlier, it being understood that Company's shares acquired as of and including said date shall not confer to their holders the right to withdraw mentioned herein, pursuant to article 137, paragraph 1 of Law no. 6,404/76.

7.2. Company's dissenting shareholders who comply with the provisions in the item above shall be entitled to reimbursement for their shares in the amount of R\$4.6317 per share, as per the Audited Financial Statements of 12.31.2007, approved by the Annual General Meeting held on March 24, 2008, with due regard for the right to prepare a special balance sheet.

7.3. As there are no non-controlling shareholders in the Subsidiary, the shareholders thereof shall not be entitled to exercise the right to withdraw.

Subsidiary Merger

7.4. Pursuant to articles 136 item IV, 137 and 230 of Law no. 6,404/76, the right to withdraw shall be ensured to Subsidiary's shareholders who dissent or abstain from resolving on the Merger of Company's Shares, or who do not attend the General Meeting of shareholders that resolves on the matter, and who expressly manifest their intention to exercise their right to withdraw within thirty (30) days as of the date of publication of the minutes of the General Meeting of shareholders that approves the Subsidiary Merger. The payment of said reimbursement shall depend on the accomplishment of the Operation, as

provided for in article 230 of Law no. 6,404/76. The reimbursement of the value of shares shall only be ensured in relation to the shares proven to be owned by the shareholder on the date of publication of the first call notice to the General Meetings of BRP's and the Subsidiary's shareholders that resolve on the Subsidiary Merger or on the date of publication of the material fact that announces the Operation, whichever comes earlier, it being understood that Company's shares acquired as of and including said date shall not confer on their holders the right to withdraw mentioned herein, pursuant to article 137, paragraph 1 of Law no. 6,404/76.

7.5. The Subsidiary's dissenting shareholders who comply with the provisions in the item above shall be entitled to reimbursement for their shares in the amount of one real (R\$1.00) per share, corresponding to the equity value of the Subsidiary's share based on its Financial Statements of 06.30.2008, with due regard for the right to prepare a special balance sheet, in which case the effects of the redemption of the Subsidiary's redeemable preferred shares shall be taken into account.

8. Costs

8.1. Company's management estimates that the costs of carrying out the Corporate Restructuring shall be approximately six million, five hundred thousand reais (R\$6,500,000.00) including expenses for publications, auditors, attorneys and other technical professionals to be retained to assist in the Operation.

8.2. BRP's management estimates that the costs of carrying out the Corporate Restructuring shall be approximately eleven million, five hundred thousand reais (R\$11,500,000.00), including expenses for publications, auditors, attorneys and other technical professionals to be retained to assist in the Operation.

9. Amendments to the Bylaws

9.1. Article 4 of BRP's Bylaws shall be amended in order to reflect the capital increase resulting from the Merger.

9.2. Article 5 of the Subsidiary's Bylaws shall be amended in order to reflect the Subsidiary's ability to issue redeemable preferred shares regardless of their holders' manifestation, as well as the capital increase mentioned in item 5.3 above and the redemption of the redeemable preferred shares.

10. Other information on the Operation

Shareholders' Agreement

10.1. Company's and BRP's current controlling shareholders execute on this date a Shareholders' Agreement in order to govern their relationships as shareholders of the company resulting from the Corporate Restructuring, which shall become automatically effective upon approval of the Operation.

Succession

10.2. With the accomplishment of the Merger of Company's Shares the Subsidiary shall not absorb the assets, rights, obligations and responsibilities of the former, whose legal identity shall remain whole, and there shall be no succession.

10.3. The Subsidiary Merger, in turn, shall result in the Subsidiary's liquidation, and will be succeeded by BRP it in its assets, rights and obligations for all legal purposes.

Dependent Businesses

10.4. The events described herein, as well as the other matters submitted to the Companies' and the Subsidiary's shareholders at the General Meetings of shareholders that deliberate on the Operation are reciprocally dependent legal businesses, and it is assumed that one business can only be effective if the others are effective as well.

Submission to Authorities

10.5. The Operation shall, pursuant to the legislation in force, be submitted to the Brazilian antitrust authorities.

Financial Advisors

10.6. BRP has retained Citigroup Global Markets Inc. and Company has retained Banco UBS Pactual S.A. as advisors to the Operation ("Advisors").

Documents Available

10.7. The Protocols and Company's audited Financial Statements prepared on December 31, 2007, and the Subsidiary's Financial Statements prepared on June 30, 2008, the projects for amendment to BRP's and the Subsidiary's Bylaws, as well as the other documents referred to herein and in article 3 of CVM Instruction 319/99 shall be available at the Companies' headquarters and on their respective websites (www.companyri.com.br and www.brascanresidential.com.br/ri), and on the CVM (www.cvm.gov.br) and Bovespa (www.bovespa.com.br) websites.

São Paulo, September 10, 2008.

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