

ISA Capital do Brasil S.A.
CNPJ/MF no. 08.075.006/0001-30

**CTEEP – Companhia de Transmissão
de Energia Elétrica Paulista
(Paulista Electrical Power Transmission
Company)**
Open Capital Company
CNPJ/MF no. 02.998.611/0001-04

ISA Participações do Brasil Ltda.
in phase of incorporation

MATERIAL FACT

The administrations of ISA Capital do Brasil S.A. (“ISA Brasil”), ISA Participações do Brasil Ltda. (“ISA Shares”) and CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in meeting the provision in Instruction CVM no. 358 of January 3, 2002, as it had been altered by Instruction CVM no. 449 of March 15, 2007, comes to the public to announce that they will submit for the consideration, deliberation and approval, according to the case, of the Agência Nacional de Energia Elétrica -“ANEEL” (National Electrical Power Agency), and at a later date to their shareholders and quota holders, the following process of corporate restructuring:

- (i) ISA Brasil is the current controlling shareholder of CTEEP and holder of the premium paid in the process of acquiring share control of the aforementioned corporation (“Premium”). ISA Brasil is also the controller of ISA Participações (ISA Shares);
- (ii) The process of restructuring includes the conveyance, by ISA Brasil, of shares detained in the share capital of CTEEP to the share capital of ISA Shares. Thereon, ISA Participações (ISA Shares) will be incorporated by CTEEP, and as a result of this operation, the Premium will be transferred to CTEEP.
- (iii) There will be no transference of control from CTEEP because of the intended corporate restructuring.
- (iv) The administrations of the corporations involved understand that this corporate restructuring will allow an improvement in the conditions of capitalization and cash flow of CTEEP, because of the tax savings generated by the amortization of the Premium; and
- (v) The operation will be implemented in a manner so as not to occasion the transfer of any debts or liabilities, as well as any negative impact on the future flows of dividends to shareholders of CTEEP. The tax benefit quota will be the object of capitalization to the benefit of ISA Brasil, under the terms of art. 7 of CVM Instruction no. 319 of 12/03/1999.

The operation is expected to be concluded during the second half of 2007. The proposed operation is subject to prior approval by ANEEL. As soon as this approval is obtained, the other legal proceedings will be observed, and the material fact of Instruction CVM no. 319 will also be published.

São Paulo, July 23, 2007

ISA Capital do Brasil S.A.
Cláudio Sanches
Director of Investor Relations

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