



**Equatorial Energia S.A.  
Publicly-Held Company**

Tax ID (CNPJ/MF) No.: 03.220.438/0001-73

**Companhia Energética do Maranhão – CEMAR  
Publicly-Held Company**

Tax ID (CNPJ/MF) No.: 06.272.793/0001-84

**MATERIAL FACT**

Equatorial Energia S/A (“Equatorial”) and Companhia Energética do Maranhão – CEMAR (“CEMAR”), in compliance with the provisions of Law No. 6,404/76 (“Brazilian Corporations Law”) and CVM’s Normative Ruling No. 358/2002, hereby informs the *Comissão de Valores Mobiliários* (the “CVM”) and the general public, the following:

**1. Increase in the Controlling Interest of Equatorial and CEMAR**

On 11/05/07, GP Energia Brasil LP (“GP Energia”) and PCP Latin America Power Fund Ltd. (“Fundo PCP”) entered into an agreement pursuant to which Fundo PCP shall purchase the total ownership interest held by GP Energia in Equatorial Energia Holdings, LLC, a company that indirectly controls Equatorial and CEMAR, upon the payment of an amount in US Dollars equivalent to two hundred and three million, eight hundred and twenty one thousand, six hundred and fifty nine reais (R\$203,821,659) (the “Transaction”).

The Transaction is conditioned upon the previous consent by the Brazilian Electricity Regulatory Agency (“ANEEL”) and shall only be implemented if and when this consent is obtained.

Upon the conclusion of the Transaction, the corporate control of Equatorial and CEMAR, which is currently shared in equal voting conditions by GP Energia and Fundo PCP, shall be solely held by Fundo PCP, which will become their sole controlling shareholder.

**2. Merger of PCP Energia Participações S/A by Equatorial**

Upon completion of the Transaction, Fundo PCP and Equatorial intend to consolidate their remaining investments in the electricity sector in Equatorial, through the merger of PCP Energia Participações (“PCP Energia”) S/A by Equatorial. PCP Energia indirectly holds 13.06% of the capital stock of Light S/A (“Light”) through RME – Rio Minas Energia Participações S/A (“RME”) and shares its corporate control by means of a shareholders’ agreement (the “Merger”).

On 11/05/07, the Board of Directors of Equatorial approved the execution of the Protocol and Justification of Merger (the “Protocol”), entered into by and between Equatorial and PCP Energia on the same date, which establishes the following terms and conditions to the Merger:

Purposes of the Merger. The Merger will result in the concentration in Equatorial of investments in the Brazilian electricity sector as a single vehicle to expand its market share in the described sector by means of new investments and acquisitions, in addition to the value-added from the exchange of investment management practices, generating benefits to Equatorial and, consequently, to its shareholders.

Exchange Ratio and Criteria for the Appraisal of the Companies. Each PCP Energia shareholder will receive 0.3197 Equatorial common share and 0.3197 Equatorial preferred share in substitution to each of their PCP Energia's common share to be cancelled as a result of the Merger. This exchange ratio is equivalent to 0.6934 Equatorial Unit per thousand Light common shares.

The exchange ratio described above was based (i) on the weighted average of the quoted value of Equatorial Units (each Unit consists of 1 common share and 2 preferred shares, and the common and preferred shares shall have the same market value) and Light common shares (considering that the Light shares are indirectly the only asset of PCP Energia) in the São Paulo Stock Exchange (the "Bovespa"), during the last ninety (90) trading sessions until today; and (ii) on the premise that the adopted criterion reflects the fair value of the shares issued by the companies involved in the Merger and will be subject to the approval by shareholders which hold Equatorial common and preferred shares.

For purposes of providing the shareholders of PCP Energia and Equatorial with additional information on the appraisal of the companies and establishing the reimbursement amount to be paid to PCP Energia's dissenting shareholders as a result of the Merger, Equatorial will hire an independent specialized company to prepare an appraisal report of Equatorial and PCP Energia based on the discounted cash flow method, through the perspective of future profitability, on the base date of 09/30/07 (the "Additional Appraisal Report").

Conditions Precedent and Approval of the Merger. The Merger will be implemented upon the satisfaction of the following conditions precedent:

- (i) completion of the Transaction, which is subject to the previous approval by ANEEL, as described in item 1 above; and
- (ii) approval in general shareholders' meetings of PCP Energia and Equatorial, upon the fulfillment of the condition set forth in item (i) above, of the following subjects: (a) ratification of the appointment of specialized companies to prepare the Additional Appraisal Report and the appraisal report of PCP Energia's net equity to be transferred to Equatorial as a result of the Merger, by means of a capital increase, based on the audited balance sheet on the base date of 09/30/07; (b) ratification of the appraisal criteria to be adopted in the appraisal reports mentioned above; (c) approval of the exchange ratio of Equatorial shares in substitution to PCP Energia shares; (d) approval of the Protocol entered into by and between PCP Energia and Equatorial on 11/05/07 and of the appraisal reports mentioned above; (e) approval of the Merger; and (f) approval of the capital increase of Equatorial as a result of the Merger.

Quorum and Voting Right of the Preferred Shares in Equatorial's Special Shareholders' Meeting. The Merger shall be approved by the voting of the majority of shareholders present at the respective special shareholders' meeting and, for purposes of approving the Merger and the exchange ratio of Equatorial shares in substitution to PCP Energia shares, the holders of preferred shares shall have the same voting right as the holders of common shares, in accordance with Paragraph Four of Article 5 of Equatorial bylaws.

Upon the completion of the appraisal reports described above, a new material information press release shall be published in compliance with CVM's Normative Ruling No. 319/1999.

### **3. Corporate Reorganization and Migration of Equatorial to the *Novo Mercado***

Upon the satisfaction of the conditions precedent to the Merger described in item 2 above, the Equatorial shareholders shall resolve upon the approval, in accordance with the Material Information Press Releases published on 07/10/07 and 09/24/07 and with the Market Notifications published on 07/11/07 and 09/25/07, of the following subjects: (a) conversion of all preferred shares into common shares in the proportion of 1 common share for each preferred share; (b) stock

reverse split in the proportion of 1 common share for each 3 common shares; (iii) migration to the Bovespa's *Novo Mercado* and listing of Equatorial shares in the Bovespa's *Novo Mercado*; and (iv) amendment to the bylaws in order to comply with the highest corporate governance standards.

For purposes of approving the conversion of all Equatorial preferred shares into common shares, the holders of preferred shares shall meet in a special meeting, according to the Brazilian Corporations Law.

The shareholders of Equatorial which dissent or abstain from resolving upon the conversion of preferred shares into common shares may withdraw from the Equatorial and be reimbursed by the value of their shares to be determined in accordance with Article 8 of the bylaws.

Whereas the conversion of Equatorial preferred shares into Equatorial common shares shall occur upon the completion of the Merger, a reason why we correct the Material Information Press Release published on 07/10/07, the conversion shall not generate the dilution of shares which represent more than 50% of the voting capital of Equatorial. These shares shall continue to be held by one single shareholder.

#### **4. Availability of Documents and Additional Information**

The Protocol was delivered to the CVM and to Bovespa and is available as from today in Equatorial headquarters at Avenida Colares Moreira, n. 477, Renascença II, CEP: 65.075-02, in the City of São Luís, State of Maranhão. The remaining documents in connection with the transactions described in this material information press release, including the appraisal reports and the draft of the bylaws adjusted to the Bovespa's *Novo Mercado*, shall be available as these transactions progress.

Equatorial and CEMAR shall maintain the CVM, their shareholders and the general market informed about the satisfaction of the conditions precedent to the implementation of the transactions described in this material information press release and the progress of these transactions by means of publishing additional material information press releases.

São Luís, November 5, 2007.

**Equatorial Energia S.A.**

**Companhia Energética do Maranhão –  
CEMAR**

**Leonardo Duarte Dias**  
- Investor Relations Officer -