



Equatorial Energia S.A.
Publicly-Held Company
Corporate Taxpayer's ID (CNPJ/MF) no. 03.220.438/0001-73

M A T E R I A L F A C T

1. In compliance with the provisions in Law no. 6,404, as of 12.15.1976 ("Brazilian Corporation Law"), in Rule CVM 358, as of 01.03.2002, and other applicable provisions, Equatorial Energia S.A. ("EQUATORIAL ENERGIA"), informs to the Securities and Exchange Commission of Brazil ("CVM") and to the market in general that, on 07.10.2007, a request for prior consent for the amendments to its Bylaws was filed at the National Electric Energy Agency ("ANEEL"), in view of the adhesion of the Company and listing of its shares in the segment called *Novo Mercado* (New Market) of the São Paulo Stock Exchange ("Bovespa").
2. Said proposed statutory amendment, approved at the Board of Directors Meeting held on 07.10.2007 shall only be implemented if and after having obtained prior consent of ANEEL in that sense.
3. EQUATORIAL ENERGIA believes that the amendment to its Bylaws, contemplated in its request to ANEEL is necessary because, in addition to allowing its listing in the Bovespa *Novo Mercado*, it shall strengthen even more the Company's corporate governance mechanisms and the defense of shareholders in general. Particularly, the proposed amendment submitted herein to the ANEEL includes the adoption of rules aimed at stimulating a greater share dilution and shareholding dispersion, thus contributing for the strengthening and appreciation of the Company and of its shares.
4. In order to be listed in the *Novo Mercado*, EQUATORIAL ENERGIA must have its capital stock exclusively represented by common shares, in view of which the conversion of preferred shares into common shares is necessary, which the Company proposes to perform at the ratio of one (1) preferred share to one (1) common share. If the conversion of shares is approved on these grounds, EQUATORIAL ENERGIA will not have more than 50% of its voting capital held by one sole shareholder.
5. Currently, the shares of EQUATORIAL ENERGIA are traded as Units, represented by one (1) common share and two (2) preferred shares. Once the conversion of preferred shares into common shares is approved, EQUATORIAL ENERGIA will submit to its shareholders the reverse split of shares representing its capital stock, at the ratio of one (1) share to three

(3) common shares. Although this reverse split is not a legal requirement to be listed in the *Novo Mercado*, the Company believes that its adoption will lead to a greater adequacy between the Unit pricing value and the perception of the investing market.

6. If the reverse split is approved, the current majority shareholder of EQUATORIAL ENERGIA intends to ensure to the Company shareholders the ability to remain as part of the Company's shareholding structure with, at least, one new capital unit, provided that they manifest such intention within the term to be established by the General Meeting resolving on this matter.
7. Thus, if and following the approval of the amendment to the Bylaws of EQUATORIAL ENERGIA by ANEEL, the management of the Company shall take measures in order to:
 - (i) the shareholder assemble at the Extraordinary General Meeting to resolve on (a) the conversion of all preferred shares into common shares, at the ratio of one (1) preferred share to one (1) common share; (b) reverse split of the shares at the ratio of one (1) common share to three (3) common shares; (c) adherence to the rules of the *Bovespa Novo Mercado* and listing of shares issued by EQUATORIAL ENERGIA in the *Bovespa Novo Mercado*; and (d) amendment to the Bylaws, ensuring superior standards of corporate governance in the Company.
 - (ii) to the preferred shareholders to meet in the Special Meeting, pursuant to the Brazilian Corporation Law, in order to resolve on the conversion of all the preferred shares into common shares and regarding the respective statutory amendments arising from the proposed amendment. Should the conversion be approved, shareholders of preferred shares will be entitled to the right of withdrawal, pursuant to the Brazilian Corporation Law and the refund amount shall be appraised pursuant to Article 8 of the Bylaws of EQUATORIAL ENERGIA.
8. EQUATORIAL ENERGIA shall maintain CVM, its shareholders and the market in general informed about the outcome of the requested filed with the ANEEL and other material aspects contemplated by this Material Fact.

São Luís, July 10, 2007.

Leonardo Dias
Chief Financial Officer and
Investor Relations Officer

Equatorial Energia S.A.