

(A free translation of the original in Portuguese)

**ISA Capital do Brasil S.A.**  
**Quarterly Information (ITR) at**  
**March 31, 2008 and**  
**Report of Independent Accountants**  
**on Limited Review**

(A free translation of the original in Portuguese)

## **Report of Independent Accountants on Limited Review**

To the Board of Directors and Shareholders  
ISA Capital do Brasil S.A.

- 1 We have reviewed the accounting information included in the Quarterly Information (ITR - individual and consolidated) of ISA Capital do Brasil S.A., for the quarter ended March 31, 2008, comprising the balance sheet, the statement of income, the performance report and the explanatory notes. This Quarterly Information is the responsibility of the Company's management.
- 2 Our review was carried out in conformity with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON) in conjunction with the Federal Accounting Council (CFC) and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information and (b) a review of the significant information and of the subsequent events which have, or could have, significant effects on the financial position and operations of the Company.
- 3 Based on our review, we are not aware of any material modifications that should be made to the Quarterly Information referred to above in order that it be stated in accordance with the rules issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information, including Instruction 469 of May 2, 2008.
- 4 As mentioned in Note 2, Law No. 11638 was enacted on December 28, 2007 and is effective as from January 1, 2008. This law amended, revoked and introduced new provisions to Law No. 6404/76 (Brazilian Corporation Law) and changed the accounting practices adopted in Brazil. Although the mentioned law is already effective, the main changes introduced by it depend on regulations to be issued by the regulatory agencies for them to be implemented by the companies. Accordingly, during this phase of transition, the CVM, through its Instruction 469/08, did not require the implementation of all the provisions of Law 11638/07 in the

ISA Capital do Brasil S.A.

preparation of the Quarterly Information. As a result, the accounting information included in the Quarterly Information for the quarter ended March 31, 2008 was prepared in accordance with specific CVM instructions and does not contemplate all the changes in accounting practices introduced by Law 11638/07.

- 5 As described in Note 31, in accordance with the decision of the 49th Labor Court of the State of São Paulo, as from September 2005, Fundação CESP started to process the complementary pension plan beneficiary's payroll ruled by Law 4819/58, with funds transferred by CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in the same manner as carried out until December 2003. In January 2006, the Attorney-General of the State of São Paulo started to understand that the responsibility of the State Government is restricted to the state legal limits determined for retirement benefit payments. From this date onwards, The State Government started to disallow a portion of the funds transferred to the Company. The Company's management, supported by its legal advisors, understands the responsibility for the payment of benefits related to this complementary pension plan is the full responsibility of the State Government; accordingly, it does not record in the Company's financial statements any liability referring to this plan.
- 6 The Quarterly Information mentioned in the first paragraph also includes comparative accounting information referring to the result for the quarter ended March 31, 2007. The limited review of the Quarterly Information for the first quarter of 2007 was conducted under the responsibility of other independent accountants, who issued an unqualified report on April 20, 2007, with matter of emphasis paragraphs related to (i) the decision of the 49<sup>th</sup> Labor Court about the pension plan payroll processing ruled by Law 4819/58; (ii) the provisional readjustment of the Allowed Annual Revenue (RAP) for the tariff cycles of July 2005 to June 2006 and from July 2006 to June 2007; and (iii) the voluntary restatement of the Quarterly Information related to the quarter ended March 31, 2007 with the objective of adapting the accounting practices used for the evaluation of financial instruments.

São Paulo, May 15, 2008

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Sérgio Eduardo Zamora  
Contador CRC 1SP168728/O-4

REGISTRATION WITH THE CVM DOES NOT IMPLY ANY ANALYSIS OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.

**01.01 - IDENTIFICATION**

<b>1 - CVM CODE</b> 02042-7	<b>2 - COMPANY NAME</b> ISA CAPITAL DO BRASIL S.A.	<b>3 - National Corporate Taxpayers' Registration Number - CNPJ</b> 08.075.006/0001-30
<b>4 - State Registration Number - NIRE</b> 35.220.674.671		

**01.02 - HEAD OFFICE**

<b>1 - ADDRESS</b> Rua Casa do Ator, 1155 8o. andar			<b>2 - SUBURB OR DISTRICT</b> Vila Olímpia		
<b>3 - POSTAL CODE</b> 04546-004		<b>4 - MUNICIPALITY</b> São Paulo		<b>5 - STATE</b> SP	
<b>6 - AREA CODE</b> 11	<b>7 - TELEPHONE</b> 3138-7673	<b>8 - TELEPHONE</b> 3138-7680	<b>9 - TELEPHONE</b> 3138-7619	<b>10 - TELEX</b>	
<b>11 - AREA CODE</b> 11	<b>12 - FAX</b> 3138-7047	<b>13 - FAX</b> -	<b>14 - FAX</b> -		
<b>15 - E-MAIL</b> crestrepo@isacapital.com.br					

**01.03 - INVESTOR RELATIONS OFFICER (Company Mail Address)**

<b>1 - NAME</b> Cristian Restrepo Hernandez					
<b>2 - ADDRESS</b> Rua Casa do Ator, 1155 - 8o. andar			<b>3 - SUBURB OR DISTRICT</b> Vila Olímpia		
<b>4 - POSTAL CODE</b> 04546-004		<b>5 - MUNICIPALITY</b> São Paulo		<b>6 - STATE</b> SP	
<b>7 - AREA CODE</b> 11	<b>8 - TELEPHONE</b> 3138-7673	<b>9 - TELEPHONE</b> -	<b>10 - TELEPHONE</b> -	<b>11 - TELEX</b>	
<b>12 - AREA CODE</b> 11	<b>13 - FAX</b> 3138-7047	<b>14 - FAX</b> -	<b>15 - FAX</b> -		
<b>16 - E-MAIL</b> crestrepo@isacapital.com.br					

**01.04 - GENERAL INFORMATION/INDEPENDENT ACCOUNTANT**

CURRENT YEAR		CURRENT QUARTER			PRIOR QUARTER		
1 - BEGINNING	2 - END	3 - QUARTER	4 - BEGINNING	5 - END	6 - QUARTER	7 - BEGINNING	8 - END
1/1/2008	12/31/2008	1	1/1/2008	3/31/2008	4	10/1/2007	12/31/2007
<b>9 - INDEPENDENT ACCOUNTANT</b> PricewaterhouseCoopers Auditores Independentes						<b>10 - CVM CODE</b> 00287-9	
<b>11 - PARTNER RESPONSIBLE</b> Sérgio Eduardo Zamora					<b>12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE</b> 107.092.038-02		

(A free translation of the original in Portuguese)

Unaudited

Corporate Legislation  
March 31, 2008

**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**01.01 - IDENTIFICATION**

<b>1 - CVM CODE</b> 02042-7	<b>2 - COMPANY NAME</b> ISA CAPITAL DO BRASIL S.A.	<b>3 - National Corporate Taxpayers' Registration Number - CNPJ</b> 08.075.006/0001-30
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**01.05 - CAPITAL COMPOSITION**

Number of shares (thousand)	Current Quarter 3/31/2008	Prior quarter 12/31/2007	Same quarter in prior year 3/31/2007
<b>PAID-UP CAPITAL</b>			
1 - Common	828,267,200	828,267,200	828,267,200
2 - Preferred	0	0	0
3 - Total	828,267,200	828,267,200	828,267,200
<b>TREASURY STOCK</b>			
4 - Common	0	0	0
5 - Preferred	0	0	0
6 - Total	0	0	0

**01.06 - CHARACTERISTICS OF THE COMPANY**

<b>1 - TYPE OF COMPANY</b> Commercial, Industrial and Other
<b>2 - SITUATION</b> Operating
<b>3 - NATURE OF OWNERSHIP</b> Foreign
<b>4 - ACTIVITY CODE</b> 3120 - Administration and Investment - Eletric Energy
<b>5 - MAIN ACTIVITY</b> Investments in the capital of other companies.
<b>6 - TYPE OF CONSOLIDATION</b> Total
<b>7 - TYPE OF REPORT OF THE INDEPENDENT ACCOUNTANT</b> Without exceptions

**01.07 - COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS**

<b>1 - ITEM</b>	<b>2 - CNPJ</b>	<b>3 - NAME</b>
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**01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER**

<b>1 - ITEM</b>	<b>2 - EVENT</b>	<b>3 - DATE APPROVED</b>	<b>4 - AMOUNT</b>	<b>5 - DATE OF PAYMENT</b>	<b>6 - TYPE OF SHARE</b>	<b>7 - AMOUNT PER SHARE</b>
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**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**Unaudited**

**Corporate Legislation  
March 31, 2008**

**01.01 - IDENTIFICATION**

<b>1 - CVM CODE</b> 02042-7	<b>2 - COMPANY NAME</b> ISA CAPITAL DO BRASIL S.A.	<b>3 - National Corporate Taxpayers' Registration Number - CNPJ</b> 08.075.006/0001-30
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**01.09 - SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR**

<b>1 - ITEM</b>	<b>2 - DATE OF ALTERATION</b>	<b>3 - CAPITAL (IN THOUSANDS OF REAIS)</b>	<b>4 - AMOUNT OF THE ALTERATION (IN THOUSANDS OF REAIS)</b>	<b>5 -NATURE OF ALTERATION</b>	<b>7 - NUMBER OF SHARES ISSUED (Thousands)</b>	<b>8 - SHARE PRICE ON ISSUE DATE (IN REAIS)</b>
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**01.10 - INVESTOR RELATIONS OFFICER**

<b>1 - DATE</b> 5/15/2008	<b>2 - SIGNATURE</b>
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01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**02.01 - Balance Sheet - Assets (R\$ thousand)**

Code	Description	3/31/2008	12/31/2007
1	Total assets	2,250,443	2,365,037
1.01	Current assets	40,382	134,899
1.01.01	Cash and cash equivalents	7	64,253
1.01.02	Receivables	19,593	12,458
1.01.02.01	Customers	0	0
1.01.02.02	Sundry receivables	19,593	12,458
1.01.02.02.01	Dividends receivable - CTEEP	19,593	12,458
1.01.03	Inventories	0	0
1.01.04	Other	20,782	58,188
1.01.04.01	Taxes and contributions to be offset	17,291	13,482
1.01.04.02	Pledges and restricted deposits	524	41,767
1.01.04.03	Prepaid expenses	2,871	2,831
1.01.04.04	Other	96	108
1.02	Non-current assets	2,210,061	2,230,138
1.02.01	Long-term receivables	60,860	61,368
1.02.01.01	Sundry receivables	0	0
1.02.01.02	Related parties	0	0
1.02.01.02.01	Associated and similar companies	0	0
1.02.01.02.02	Subsidiaries	0	0
1.02.01.02.03	Other related parties	0	0
1.02.01.03	Other	60,860	61,368
1.02.01.03.01	Loan receivable - ISA's parent company	45,955	45,705
1.02.01.03.02	Prepaid expenses	14,905	15,663
1.02.02	Permanent assets	2,149,201	2,168,770
1.02.02.01	Investments	2,149,145	2,168,717
1.02.02.01.01	In associated and similar companies	0	0
1.02.02.01.02	In associated and similar companies - goodwill	0	0
1.02.02.01.03	In subsidiaries	2,149,145	1,479,282
1.02.02.01.04	In subsidiaries - goodwill	0	689,435
1.02.02.01.05	Other investments	0	0
1.02.02.02	Property, plant and equipment	54	51
1.02.02.03	Intangible assets	0	0
1.02.02.04	Deferred charges	2	2

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

## 02.02 - Balance Sheet - Liabilities and Shareholders' Equity (R\$ thousand)

Code	Description	3/31/2008	12/31/2007
2	Total liabilities and shareholders' equity	2,250,443	2,365,037
2.01	Current liabilities	64,292	71,312
2.01.01	Loans and financing	50,366	55,249
2.01.02	Debentures	0	0
2.01.03	Suppliers	182	193
2.01.04	Taxes, charges and contributions	4,226	6,352
2.01.04.01	Taxes payable	4,226	6,352
2.01.05	Dividends payable	0	0
2.01.06	Provisions	0	0
2.01.07	Payables to related parties	0	0
2.01.08	Other	9,518	9,518
2.01.08.01	Amounts payable - Law 4819/58 - São Paulo State Finance Department	5,838	5,838
2.01.08.02	Amounts payable - Law 4819/58 - São Paulo State Finance Department - Public Share Offering (OPA)	3,680	3,680
2.02	Non-current liabilities	1,459,656	1,570,869
2.02.01	Long-term liabilities	1,459,656	1,570,869
2.02.01.01	Loans and financing	1,140,555	1,257,433
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	0	0
2.02.01.04	Payables to related parties	0	0
2.02.01.05	Advance for future capital increase	0	0
2.02.01.06	Other	319,101	313,436
2.02.01.06.01	Amounts payable - Law 4819/58 - São Paulo State Finance Department	196,139	192,657
2.02.01.06.02	Amounts payable - Law 4819/58 - Public share offering	122,962	120,779
2.02.02	Deferred income	0	0
2.04	Shareholders' equity	726,495	722,856
2.04.01	Paid-up capital	828,267	828,267
2.04.02	Capital reserves	0	0
2.04.03	Revaluation reserves	0	0
2.04.03.01	Own assets	0	0
2.04.03.02	Subsidiary, associated and similar companies	0	0
2.04.04	Revenue reserves	0	0
2.04.04.01	Legal	0	0
2.04.04.02	Statutory	0	0
2.04.04.03	Contingencies	0	0
2.04.04.04	Unrealized profits	0	0
2.04.04.05	Retention of profits	0	0
2.04.04.06	Special for undistributed dividends	0	0
2.04.04.07	Other revenue reserves	0	0
2.04.05	Retained earnings/accumulated deficit	(101,772)	(105,411)
2.04.06	Advance for future capital increase	0	0

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**03.01 - Statement of Operations (R\$ thousand)**

1 - Code	2 - Description	3 - 1/1/2008 to 3/31/2008	4 - 1/1/2008 to 3/31/2008	5 - 1/1/2007 to 3/31/2007	6 - 1/1/2007 to 3/31/2007
3.01	Gross sales and/or service revenues	0	0	0	0
3.02	Deductions from gross revenue	0	0	0	0
3.03	Net sales and/or service revenues	0	0	0	0
3.04	Cost of sales and/or services	0	0	0	0
3.05	Gross profit	0	0	0	0
3.06	Operating expenses/ income	26,689	26,689	21,698	21,698
3.06.01	Selling	0	0	0	0
3.06.02	General and administrative	(1,756)	(1,756)	(2,129)	(2,129)
3.06.02.01	Management fees	(363)	(363)	(158)	(158)
3.06.02.02	Other General and Administrative Expenses	(1,393)	(1,393)	(1,971)	(1,971)
3.06.03	Financial	(48,046)	(48,046)	(61,385)	(61,385)
3.06.03.01	Financial income	76,638	76,638	74,930	74,930
3.06.03.02	Financial expenses	(124,684)	(124,684)	(136,315)	(136,315)
3.06.04	Other operating income	0	0	0	0
3.06.05	Other operating expenses	0	0	0	0
3.06.06	Equity in the results of subsidiary	76,491	76,491	85,212	85,212
3.07	Operating results	26,689	26,689	21,698	21,698
3.08	Non-operating results	0	0	0	0
3.08.01	Income	0	0	0	0
3.08.02	Expenses	0	0	0	0
3.09	Results before taxation/ profit sharing	26,689	26,689	21,698	21,698
3.10	Provision for income tax and social contribution	0	0	0	0
3.11	Deferred income tax (IR)	0	0	0	0
3.12	Statutory profit sharing and contributions	0	0	0	0
3.12.01	Profit sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on own capital	(23,050)	(23,050)	0	0
3.15	Net income (loss) for the period	3,639	3,639	21,698	21,698
	NUMBER OF SHARES, EXCLUDING TREASURY STOCK (Units)	828,267,200	828,267,200	828,267,200	828,267,200
	NET INCOME PER SHARE (Reais)	0.00000	0.00000	0.00003	0.00003
	LOSS PER SHARE (Reais)				

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

## **1 Operations**

### **1.1. Objective**

The objective of ISA Capital do Brasil S.A. ("ISA Capital" or "Company") includes holding equity interests in other companies or ventures, as a partner or shareholder, joint-venture partner or consortium member, or any other type of business cooperation.

In a privatization auction held on June 28, 2006, on the São Paulo Stock Exchange (BOVESPA), pursuant to Notice SF/001/2006, the State Government of São Paulo, which was up to then the majority shareholder of Companhia de Transmissão de Energia Elétrica Paulista ("CTEEP" or "Subsidiary"), sold 31,341,890,064 of its common shares, which account for 50.10% of the total common shares issued by CTEEP.

The winner of the auction was Interconexión Eléctrica S.A. E.S.P., with a bid of R\$38.09 per thousand shares, representing a premium of 58% on the minimum amount established in the Notice, of R\$24.11.

Interconexión Eléctrica S.A. E.S.P. is a company headquartered in Colombia, controlled by the Federal Government of that country, which holds 52.94% of its total capital. In addition to holding investments in electric power transmission in Colombia, the company also invests in Venezuela, Ecuador, Peru and Bolivia.

The financial settlement of the transaction took place on July 26, 2006, with the subsequent transfer of the ownership of the aforementioned shares to ISA Capital do Brasil S.A., a Brazilian company controlled by Interconexión Eléctrica S.A. E.S.P., which was established to operate in Brazil, thus becoming CTEEP's parent company. This transaction was approved by the National Electric Power Agency (ANEEL) on July 25, 2006, pursuant to Authorizing Resolution No. 642, published in the Official Gazette on July 26, 2006.

On September 12, 2006, the Company purchased another 10,021,687 common shares issued by CTEEP, held by the State Government of São Paulo, and became the holder of 31,351,911,751 common shares.

On January 9, 2007, ISA Capital do Brasil S.A. purchased, through a public offering auction for acquisition of shares (OPA) held on BOVESPA, 24,572,554,070 common shares issued by CTEEP, which account for 39.28% of the total of this type of shares, pursuant to the public offering notice published on December 4, 2006.

<b>01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - National Corporate Taxpayers' Registry (CNPJ)</b>
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

As a result of this acquisition, ISA Capital do Brasil S.A. started to hold 89.40% of the voting capital and 37.46% of the total capital of CTEEP. Accordingly, of a total of 62,558,662,803 common shares issued by CTEEP, 55,924,465,821 are held by ISA Capital do Brasil S.A. After the reverse stock split carried out by CTEEP in August 2007, the number of common shares owned by the Company changed to 55,924,465.

CTEEP is a publicly-traded company authorized to operate as an electric power public service concessionaire, the main activities of which are the planning, construction and operation of electric power transmission systems, as well as research and development programs related to energy transportation and activities related to available technology. Its activities are regulated and inspected by ANEEL.

**1.2. Concessions**

Through Ordinance 185, of June 6, 2001, of the Ministry of Mines and Energy (MME), as from July 8, 1995, the concession held by CTEEP to explore public service of electric energy transmission, including basic network and Other Transmission Facilities (DIT) was extended for 20 years.

As a result, on June 20, 2001, the Contract of Concession of Public Service for the Transmission of Electric Energy 59 was signed between CTEEP and the Conceding Power, through ANEEL.

The mentioned concession contract was amended on December 14, 2001, due to the merger of EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A. by CTEEP. The initially negotiated conditions were maintained, except for the maintenance of the level of the Allowed Annual Revenue (RAP), that has been reduced by approximately 0.58%, in July 2002, and by 3.56%, in July 2003, equivalent to 50% of the efficiency gains expected with the merger, the effects of which have been recognized in ANEEL Resolutions, for those dates.

Due to the acquisition of the shareholding control of CTEEP by ISA Capital do Brasil S.A., on July 26, 2006, the Second Amendment Term to the Concession Contract 059/2001 - ANEEL of CTEEP was signed, on January 29, 2007, in order to reflect this reality of the new controlling shareholder of CTEEP. In this amendment, the conditions initially negotiated were maintained and a clause added defining that the goodwill paid in the auction, as well as the special liabilities and the amounts arising from the State Law No. 4819/58 determined in the Sale

01 - IDENTIFICATION		
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02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

Notice SF/001/2006, will not be considered by ANEEL for evaluation of the financial and economic balance of the concession.

With an offer of R\$ 28.9 million, CTEEP bought Batch A of the ANEEL auction 004/2007. This batch comprises the transmission lines Colinas - Ribeiro Gonçalves C2 and Ribeiro Gonçalves - São João do Piauí C2, both of 500 KV, totaling about 720 km of extension, and will be operated by Interligação Elétrica Norte e Nordeste S.A. ("IENE"), company formed on December 3, 2007.

**1.3. Corporate restructuring**

As widely disclosed to the market through Significant Event Notices of July 23, 2007 and February 12, 2008, on February 28, 2008, the corporate restructuring involving the Company, ISA Participações do Brasil Ltda. and CTEEP was concluded. The objective of the corporate restructuring, which was previously approved by ANEEL through its Resolution No. 1164 of December 18, 2007, is to improve capitalization and cash flow conditions by using the tax benefit in CTEEP to amortize the goodwill arising from the Company's acquisition of CTEEP share control, as provided for in CVM Instruction No. 319/99 and later amendments. The main events of the restructuring process are as follows:

- a) On January 30, 2008, the Company made a capital contribution to ISA Participações with the conveyance of shares held in CTEEP's capital.
- b) On February 11, 2008, ISA Participações recorded a provision of R\$ 450,363, corresponding to 66% of the goodwill balance at January 31, 2008, of R\$ 682,368, resulting in the net value of R\$ 232,005 denominated tax benefit.
- c) On February 28, 2008, the net assets of ISA Participações, amounting to R\$ 232,005, was merged into CTEEP. This amount represented the said tax benefit value, which, in accordance with CVM Instruction No. 319/99, was recorded by CTEEP in the "Deferred income tax and social contribution" account as a corresponding entry to the Goodwill Special Reserve account in Shareholders' equity.

**1.4. Risk factors and risk management**

Due to the activities of its subsidiary, the Company's Management assumes risks inherent to its operations related to the market, current legislation, reputation, operating and management systems, solvency, credit, liquidity, currency fluctuations, use of collateral operations,

01 - IDENTIFICATION		
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02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

guarantees, etc., besides the risks outside its control such as moratorium, partial or total closing of markets, change in the monetary policy and sovereign risk of the country.

The monitoring of the mentioned risks is the responsibility of the entity managers of CTEEP, using techniques, analyses and controls to minimize their effects, which, however, does not guarantee the full elimination of the inherent risk factors to which the subsidiary is subject.

## **2 Presentation of the Quarterly Information**

The Quarterly Information (ITR) was prepared in accordance with accounting practices adopted in Brazil, taking the following into consideration:

- Law No. 6404/76, amended by Law No. 9457/97 and Law No. 10303/01.
- The standards and regulations of the Brazilian Securities Commission ("CVM").
- The accounting practices issued by the Institute of Independent Auditors of Brazil ("IBRACON").
- The standards of specific legislation issued by the National Electric Power Agency (ANEEL) applicable to electric power public service concessionaires, including SFF/ANEEL Official Letters No. 2409 of November 14, 2007, 2396 of December 28, 2006, and 059 of January 11, 2007.

ANEEL published Order 3073 of December 28, 2006, that changed the standard in the accounting manual of the public service of electric energy, effective as from January 1, 2007, establishing the reclassification of the consumer charges: Program of Energy Efficiency, Energy Development Account (CDE), Fuel Consumption Account (CCC), Program for the Incentive of the Alternative Sources of Electric Energy (PROINFA) and Research and Development from Operating Expenses to Deductions from Operating Revenues. In addition to these, certain balances were reclassified in the financial statements for the year ended December 31, 2006 for better comparison with the Quarterly Information of the current year.

Law No. 11638 was enacted on December 28, 2007, amending the Brazilian Corporation Law in relation to certain accounting practices as from the year starting January 1, 2008. The objective of this Law is mainly to update the Brazilian Corporation Law to allow convergence of

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

accounting practices adopted in Brazil with international accounting standards, permitting new accounting rules and procedures to be issued by the Brazilian Securities Commission (CVM) in accordance with these international standards.

Although the mentioned law is already effective, the main changes introduced by it depend on regulations to be issued by the regulatory agencies for them to be implemented by the companies. Accordingly, during this phase of transition, the CVM, through its Instruction 469 of May 2, 2008, did not require the implementation of all the provisions of Law 11638/07 in the preparation of the Quarterly Information. As a result, the Company decided to apply all the provisions of the mentioned Law only to the financial statements for the year ending December 31, 2008.

Accordingly, the accounting information for this quarter was prepared in accordance with specific CVM instructions and does not contemplate all the changes in accounting practices introduced by Law 11638/07.

The main changes introduced by the law that may impact the annual financial statements of the Company include:

- The issue of accounting standards by the Brazilian Securities Commission (CVM) for publicly-held companies subject to its regulation should be consistent with international standards.
- The Statement of Changes in Financial Position is replaced by the Statement of Cash Flows and the Statement of Added Value is included in the required set of financial statements.
- In permanent assets, the new law (i) creates the subgroup "Intangible Assets"; (ii) restricts the use of deferred charges to pre-operating expenses and additional restructuring costs; (iii) segregates intangible rights, including acquired goodwill in Intangible assets; and (iv) includes assets arising from transactions which transfer to the company the benefits, control and risk thereof, regardless of whether there is a transfer of ownership.
- Creates, in shareholders' equity, the subgroup "Asset Valuation Adjustments", whose main purpose will be to record certain adjustments of assets to market value, particularly relating to the valuation of certain financial instruments, as well as the translation adjustments relating to foreign exchange rate changes on corporate investments abroad.

<b>01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - National Corporate Taxpayers' Registry (CNPJ)</b>
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

- Establishes new criteria for the classification and valuation of investments in financial instruments, including derivatives, and credit rights and notes, aligned with the international standard, which classifies these financial instruments into three categories, namely: Trading Securities, Securities Held for Sale and Securities to be Held to Maturity. The two first categories are valued at their market price and the last one at cost plus accrued income.
- Introduces the concept of Adjustment to Present Value for long-term asset and liability transactions and for significant short-term ones.
- Establishes that the company must periodically analyze the extent to which the amounts recorded in property, plant and equipment, intangible assets and deferred charges are recoverable. The CVM has already regulated this subject for publicly-held companies through the issue of CVM Resolution No. 527/07, which approved Statement 1 of the Brazilian Accounting Pronouncements Committee (CPC 1), which is in accordance with international accounting standards.
- Eliminates the possibility of carrying out spontaneous revaluations of property, plant and equipment. According to the new law, companies may choose to keep the existing balances, which should be realized in accordance with the current rules, or reverse these balances up to the end of 2008.
- Establishes that the company must record employee and management remuneration, even when it is in the form of financial instruments, such as shares or share purchase options.
- Changes commercial and tax accounting, establishing the possibility of companies adopting the provisions of the tax law for the commercial accounting, and subsequently making the necessary adjustments to comply with the corporate law.

In view of the extent and complexity of the alterations introduced by the new Law, management is analyzing its effects on the Company, emphasizing that the Company: (i) segregates Intangible Assets in the financial statements, (ii) does not have significant amounts in the Quarterly Information to be adjusted to present value, and (iii) does not have assets arising from transactions which transfer to the Company the benefits, control and risk thereof, regardless of whether there is a transfer of ownership.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

In September 2002, CTEEP adopted the Level-1 Corporate Governance Practices of BOVESPA. Accordingly, CTEEP, whose preferred shares are included in the BOVESPA index (IBOVESPA), was also included in the Corporate Governance Index (IGC).

The commitments assumed in the adoption of these corporate governance practices ensure greater transparency of the Company for the market, investors and shareholders, thus facilitating their monitoring of management actions.

**2.1 Consolidated Quarterly Information**

The consolidated quarterly information include the financial statements of the Company and those of its subsidiary CTEEP, and were prepared as follows:

- a) The rights and obligations, revenues, costs and expenses arising from transactions carried out between the companies included in the consolidated financial statements have been eliminated;
- b) The investment in the parent company was eliminated against the net equity of the subsidiary; and
- c) Minority interest in the subsidiary's net equity and net results for the period is shown separately in the balance sheet and statement of income, respectively.

The balance of unamortized goodwill is stated as an intangible asset in the Consolidated Balance Sheet less the portion of tax benefit obtained by CTEEP up to date.

**3 Significant Accounting Practices**

**a) Determination of results of operations**

Results of operations are determined on the accrual basis of accounting.

**b) Accounting estimates**

The preparation of the quarterly information in accordance with accounting practices adopted in Brazil requires management to use estimates to account for certain transactions affecting the Company's assets and liabilities, revenues and expenses, as well as the disclosure of

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

information about the quarterly information data. The final results of these transactions and information, upon their actual realization in subsequent periods, may differ from the estimates. The principal estimates related to the quarterly information refer to the allowance for doubtful accounts, the provisions for contingencies and the Voluntary Termination Program (PDV).

**c) Financial charges and monetary/foreign exchange variations**

Based on the provisions of Accounting Instruction 6.3.10, item 4, of the Accounting Manual for the Electric Energy Public Service, the interest and other financial charges, as well as monetary/foreign exchange variations, relating to financing obtained from third parties, effectively applied in property, plant and equipment in progress, comprise the costs recorded in this subgroup.

**d) Current and non-current assets**

• **Financial Investments**

Financial investments are stated at cost plus accrued income up to the balance sheet date (Note 5).

• **Trade accounts receivable**

Includes the amounts billed relating to the use of the basic network systems and other transmission facilities (DIT) by the electric power public service concessionaires and companies connected to these systems (Note 6).

• **Allowance for doubtful accounts**

Comprises amounts whose realization is considered improbable at the balance sheet date.

• **Inventories**

The materials in stock are valued and recorded at average cost of purchase, which does not exceed the replacement value.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

- **Investment**

The investment in the subsidiary CTEEP is recorded on the equity method of accounting, based on the quarterly information of the Subsidiary, prepared on the same date as the quarterly information of the Company. The goodwill recorded on the acquisition of the subsidiary is amortized over the contractual term for operating the concessions.

In CTEEP the investment is represented by the participation in Interligação Elétrica Norte e Nordeste S.A. ('IENE'), formed in December 2007, accounted for at cost.

- **Property, plant and equipment**

The items that comprise property, plant and equipment are stated at cost of acquisition and/or construction, plus price-level restatements up to December 31, 1995, the Complementary Monetary Adjustment (CMC), introduced by Law No. 8200, of June 28, 1991, interest on shareholders' equity up to December 31, 1998, financial charges, monetary and foreign exchange variations on loans and financing linked to property, plant and equipment in progress; net of the accumulated depreciation and amortization.

Depreciation is computed on the straight-line basis, at annual rates that range from 2% to 8.3% for the assets of the transmission system, 10% for furniture and fixtures and 20% for vehicles, under the terms of ANEEL's Resolution No. 002, of December 24, 1997, amended by ANEEL's Resolution No. 44, of March 17, 1999. As from 2007, depreciation is computed pursuant to ANEEL's Normative Resolution No. 240, of December 5, 2006.

- **Other current and non-current assets**

Stated at net realizable value.

**e) Current and non-current liabilities**

Stated at known or estimated amounts, including, when applicable, related charges and monetary and/or exchange rate variations incurred up to the balance sheet date.

- **Provisions**

Provisions are recorded based on an evaluation of the probability of loss of the ongoing lawsuits, supported by reports prepared by the legal counsel engaged by the Company.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

- ***Income tax and social contribution***

These are calculated in compliance with the provisions of applicable legislation, based on net income, adjusted by the inclusion of non-deductible expenses and the exclusion of non-taxable revenues and the inclusion and/or exclusion of temporary differences.

- ***Deferred income***

Refers to the negative goodwill recorded on the purchase of 49% of the common shares of Empresa Paulista de Transmissão de Energia Elétrica S.A. (EPTE) by CTEEP. These shares were held by the São Paulo State Finance Department and Companhia Paulista de Administração de Ativos (CPA) and were purchased on March 26, 1999 by Companhia Energética de São Paulo (CESP). Upon the partial spin-off of CESP, these shares and the negative goodwill were transferred to CTEEP. EPTE was merged into CTEEP on November 10, 2001.

This negative goodwill is being amortized monthly, on the straight-line basis, over the concession period of EPTE, the maturity of which is December 2012.

- ***Employee benefits***

CTEEP sponsors pension and health care plans for its employees, which are managed by Fundação CESP. The actuarial liabilities were calculated on the projected unit credit method, as set forth by CVM's Resolution No. 371, of December 13, 2000.

#### **4 Payables for the Acquisition of the Subsidiary CTEEP**

Pursuant to the Share Purchase and Sale Agreement, subject matter of the privatization auction described in Note 1, the Company agrees to supplement the payment of the CTEEP share purchase price should CTEEP be released from the encumbrances related to the supplementary payments to the pension plan set forth by Law No. 4819/58, currently challenged in courts, as described in Note 31.

At March 31, 2008, the supplementary purchase price comprises two different transactions, as detailed below:

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

- a) The amount of R\$ 201,977 (12.31.2007 - R\$ 198,495), resulting from the acquisition of the first equity investment, at the privatization auction held on June 28, 2006, recorded under "Amounts payable - Law No. 4819/58 - São Paulo State Finance Department", R\$5,838 (12.31.2007 - R\$ 5,838) of which in current liabilities and R\$ 196,139 (12.31.2007 - R\$ 192,657) in non-current liabilities, with a corresponding entry in the amount of R\$188,895 to the caption "Investments - goodwill on acquisition of subsidiary" (Note 13). The difference of R\$ 13,082 recognized in results is due to the monetary adjustment of the obligation based on the Amplified Consumer Price Index (IPC-A), as from December 31, 2005.
- b) The amount of R\$ 126,642 (12.31.2007 - R\$ 124,459), resulting from the acquisition of the third equity investment, at the public offering auction held on January 9, 2007, recorded under "Amounts payable - Law No. 4819/59 - Public Share Offering", R\$ 3,680 (12.31.2007 - R\$ 3,680) of which in current liabilities and R\$ 122,962 (12.31.2007 - R\$120,779) in non-current liabilities, with a corresponding entry in the amount of R\$120,306 to the caption "Investments - goodwill on acquisition of subsidiary" (Note 13). The difference of R\$ 6,336 recognized in results is due to the monetary adjustment of the obligation based on the Amplified Consumer Price Index (IPC-A), as from December 31, 2005.

**5 Cash and Cash Equivalents**

	<u>3.31.2008</u>		<u>12.31.2007</u>	
	<u>Parent company</u>	<u>Consolidated</u>	<u>Parent company</u>	<u>Consolidated</u>
Cash and banks	7	744	21	12,718
Financial investments	-	199,569	64,232	242,112
<b>Total</b>	<b>7</b>	<b>200,313</b>	<b>64,253</b>	<b>254,830</b>

Financial investments refer to Bank Deposit Certificates and Debentures, whose yield is linked to the variation of the Interbank Deposit Certificate (CDI) and have daily liquidity.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**6 Trade Accounts Receivable - Consolidated**

CTEEP's customers are concessionaires of public service of electric energy and free consumers, connected to CTEEP's facilities.

			<u>3.31.2008</u>	<u>12.31.2007</u>
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>	<u>Total</u>
Basic network	238,797	39,212	278,009	241,289
Other Transmission Facilities (DIT)	<u>23,986</u>	<u>1,750</u>	<u>25,736</u>	<u>27,540</u>
<b>Total</b>	<b><u>262,783</u></b>	<b><u>40,962</u></b>	<b><u>303,745</u></b>	<b><u>268,829</u></b>

Trade accounts receivable fall due as follows:

	<u>3.31.2008</u>	<u>12.31.2007</u>
<b>Not yet due</b>	<u>291,593</u>	<u>256,607</u>
<b>Overdue</b>		
Up to 30 days	14	46
From 31 to 60 days	5	12
Over 61 days	<u>12,133</u>	<u>12,164</u>
	<u>12,152</u>	<u>12,222</u>
	<b><u>303,745</u></b>	<b><u>268,829</u></b>

**7 Amounts Receivable from the São Paulo State Finance Department - Consolidated**

**(i) Agreement for the acknowledgment and consolidation of liabilities**

On May 2, 2002, an Agreement for the Acknowledgement and Consolidation of Liabilities was entered into with the State Finance Department, in which the State acknowledges a debt to CTEEP corresponding to the disbursements originally made by CESP, from 1990 to 1999, for payment of pension benefits under State Law No. 4819/58. The acknowledged amount has been adjusted up to January 2002 based on the variation of the Fiscal Unit of the São Paulo State Government (UFESP), and, as from February 2002, by the monthly variation of the

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

General Market Price Index (IGP-M), plus 6% per annum. The reimbursement will be made in 120 monthly installments, as from August 1, 2002, and with final settlement on July 1, 2012.

	<u>Current</u>	<u>Long-term</u>	<u>3.31.2008 Total</u>	<u>12.31.2007 Total</u>
Agreement for the acknowledgment and consolidation of:				
Liabilities (i)	13,787	45,956	59,743	60,829
Processing of the payroll- Law 4819/58 (ii)		216,214	216,214	193,101
Sale of property (iii)	2,865	9,552	12,417	12,643
Labor proceedings - Law 4819/58 (iv)	-	73,087	73,087	71,410
Family allowance - Law 4819/58 (v)	-	2,218	2,218	2,218
Allowance for doubtful accounts	-	(2,218)	(2,218)	(2,218)
	<u>16,652</u>	<u>344,809</u>	<u>361,461</u>	<u>337,983</u>

**(ii) Processing of the payroll - Law No. 4819/58**

The amount of R\$ 216,214 (12.31.2007 - R\$ 193,101) refers to the remaining balance of the processing of the payroll of the supplemental pension plan regulated by State Law No. 4819/58, R\$ 1,426 (12.31.2007 - R\$ 1,426) of which through individual injunctions from January to August 2005 and R\$ 214,788 (12.31.2007 - R\$ 191,675) from September 2005 to December 2007 as a result of a court decision by the 49<sup>th</sup> Labor Court of São Paulo, whose payments are made by Fundação CESP, using resources received from the State Government and passed on by CTEEP (Note 31(c)). This balance will not be monetarily adjusted and no earnings will be recorded until the State Government approves its actual payment to CTEEP.

**(iii) Sale of property**

On July 31, 2002, a Private Transaction Agreement was signed, providing for the sale of a property, the recognition of liabilities and payment commitment, with the State Finance Department, in which the State Government acknowledges and admits that it owes to CTEEP an amount corresponding to the market value of the total area of the property occupied by the State Government which is being partially used for the construction of prison units.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

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Therefore, the State Government committed to reimburse CTEEP of said amount in 120 monthly installments, the first of which on August 1, 2002 and final settlement on July 1, 2012, adjusted by the monthly variation of the General Market Price Index (IGP-M) plus interest of 6% per annum.

**(iv) Labor proceedings - Law No. 4819/58**

These refer to certain labor proceedings settled by CTEEP relating to employees who retired supported by State Law No. 4819/58, which are the responsibility of the State Government. This balance is not monetarily adjusted and no earnings will be recorded until the State Government approves its actual payment to CTEEP.

**(v) Family allowance - Law No. 4819/58**

CESP - Companhia Energética de São Paulo made advances for the payment of monthly expenses related to family allowances arising from the benefits of State Law No. 4819/58, which were transferred to CTEEP upon the partial spin-off of CESP.

Considering the expectation of loss, management recorded an allowance for doubtful accounts, in non-current assets, in the amount of R\$ 2,218 (12.31.2007 - R\$ 2,218).

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**8 Taxes and Contribution to be Offset**

	<u>3.31.2008</u>		<u>12.31.2007</u>	
	<u>Parent company</u>	<u>Consolidated</u>	<u>Parent company</u>	<u>Consolidated</u>
Income tax	17,291	14,994	13,482	51,994
Social contribution	-	468	-	14,862
Social Contribution on Revenues (COFINS)	-	1,060	-	1,091
Social Integration Program (PIS)	-	229	-	353
Other	-	817	-	801
<b>Total</b>	<b><u>17,291</u></b>	<b><u>17,568</u></b>	<b><u>13,482</u></b>	<b><u>69,101</u></b>

**9 Deferred Income Tax and Social Contribution**

These refer to tax credits on the temporary differences in the determination of taxable income, as follows:

These credits, both current and long-term, will be realized as the contingencies and other related events are resolved.

	<u>3.31.2008</u>			<u>12.31.2007</u>
	<u>Income tax</u>	<u>Social contribution</u>	<u>Total</u>	<u>Total</u>
Provision for contingencies	39,765	14,315	54,080	54,457
Voluntary Termination Program (PDV)	7,665	2,760	10,425	13,822
Negative goodwill	19,816	7,134	26,950	-
Other	270	97	367	750
	<b><u>67,516</u></b>	<b><u>24,306</u></b>	<b><u>91,822</u></b>	<b><u>69,029</u></b>
<b>Current</b>			<b><u>6,263</u></b>	<b><u>8,224</u></b>
<b>Long-term receivables</b>			<b><u>85,559</u></b>	<b><u>60,805</u></b>

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**10 Pledges and Restricted Deposits - Consolidated**

In January 2007, the Company obtained an amount of US\$554 million as issue of bonus, with a demand for US\$4.6 billion.

The issue had as agents JP Morgan and ABN AMRO Bank, and was divided into two tranches: the first one in the amount of US\$200 million, with 5 year term and call option in 2010 and 2011; the second tranche, of US\$354 million, with 10 year term (Note 16).

As determined in contract, the Company made two deposits in the Bank of New York, in the amount of US\$7,875 and US\$15,576, as guarantee of the interest that will be paid semi-annually, related to the two tranches described above, respectively. At December 31, 2007, these deposits, recorded in current assets, amount to R\$41,767 and, as permitted by the contract, these funds were used to pay interest, which was due in January 2008. Accordingly, the remaining account balance, at March 31, 2008, is R\$ 524.

Within the legal term defined in the contract, the Company, in April 2008, made new deposits to bring the account balances up to the amount of the interest, respectively US\$ 7,875 and US\$ 15,576.

In the consolidated long-term receivables, in view of the uncertainties about the outcome of the lawsuits object of deposits, CTEEP's procedure is to maintain them at their nominal value, not recording any type of monetary restatement or earnings. The balance is composed as follows:

	<u>3.31.2008</u>	<u>12.31.2007</u>
Judicial deposits (Note 19 (b))	44,062	43,278
Assessments - ANEEL (a)	6,317	6,317
Tax on Bank Accounts Outflow (CPMF)	199	199
	<u><b>50,578</b></u>	<u><b>49,794</b></u>

- a) Refer to two deposits in connection with lawsuits to annul ANEEL assessment notices issued because of disturbances in the transmission system in February 1999 and January 2002. The first one, deposited on January 17, 2000, in the amount of R\$ 3,040, was required in an annulment action filed by CTEEP against ANEEL, arising from the assessment notice 001/1999-SFE which fined CTEEP under allegation of practice of violations for obstructing the inspection related to the disturbances arising from the interruption of the transmission and distribution of electric energy in most of Southeast, South and Middle West regions;

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

non-compliance with the determinations of the "inspection report"; and non-compliance with the legal duty of rendering proper service. The second one, deposited on June 17, 2003, in the amount of R\$ 3,277, relates to the issue of assessment notice 005/2002-SFE, on May 7, 2002, as a consequence of punitive administrative process brought by ANEEL, for the breakage, on January 21, 2002, of one sub conductor of transmission line of 440 kV between the sub stations of the Company in the Power Plant of Ilha Solteira and Araraquara. CTEEP's legal advisors understand that it is not practicable to determine whether its position in both cases will prevail.

**11 Prepaid Expenses - Parent Company**

During the bond issuance process concluded in January 2007 (Notes 10 and 16), the Company incurred expenses and commission. These expenses were fully capitalized and are being amortized over the term of the original agreements, as shown in the table below:

	<u>Value - US\$</u>	<u>Maturity</u>	<u>3.31.2008</u>	<u>12.31.2007</u>
Bond agreement (Tranche 1)	200.0	5 years	7,713	7,713
Bond agreement (Tranche 2)	354.0	10 years	13,652	13,652
<b>Subtotal</b>			<u>21,365</u>	<u>21,365</u>
Accumulated amortization			<u>(3,589)</u>	<u>(2,871)</u>
<b>Total</b>			<u><b>17,776</b></u>	<u><b>18,494</b></u>
<b>Current</b>			<u><b>(2,871)</b></u>	<u><b>(2,831)</b></u>
<b>Non-current</b>			<u><b>14,905</b></u>	<u><b>15,663</b></u>

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**12 Accounts Receivable - Parent Company**

	<u>3.31.2008</u>	<u>12.31.2007</u>
	Non-current	Non-current
Principal	54,676	54,676
Interest	833	18
Foreign exchange variation	<u>(9,554)</u>	<u>(8,989)</u>
	<b><u>45,955</u></b>	<b><u>45,705</u></b>

This loan refers to the onlending of the total loan obtained from ABN AMRO BANK, denominated in U.S. dollars, in the amount of US\$ 23,800 thousand, payable in a lump sum on July 19, 2007 and bearing interest calculated based on the LIBOR rate plus 3% per annum. The Company maintained the same bases of adjustment for this transaction. However, its maturity was agreed for an eight-year period, in a lump sum. Since the contract determines the capitalization of interest accrued in each year, at December 28, 2007 the interest in the amount of R\$3,530 and the related negative exchange rate variation of R\$320 were capitalized.

**13 Investment in Subsidiary**

	<u>3.31.2008</u>	<u>12.31.2007</u>
<b>Cost</b>		
Total shareholders' equity - Parent company	4,172,330	3,948,807
( - ) Goodwill special reserve	<u>(232,005)</u>	-
Shareholders' equity balance for calculation purposes	3,940,325	3,948,807
Percentage holding (a)	<u>37.4615%</u>	<u>37.4615%</u>
<b>Investment - cost adjusted by equity in the earnings</b>	<b><u>1,476,105</u></b>	<b><u>1,479,282</u></b>
<b>Goodwill</b>		
Goodwill on acquisition of shares up to December 31, 2006 (b)	-	380,484
Goodwill - Law No. 4819/58 - State Finance Department - supplement (e)	-	188,895
Goodwill on acquisition of shares up to January 9, 2007 - Public Share Offering - OPA (c)	-	115,143
Goodwill - Law No. 4819/58 - Public Share Offering - supplement (d)	-	120,306
Goodwill - other OPA costs	-	1,882
Goodwill after the corporate restructuring concluded on February 28, 2008 (f):		-

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

	<u>3.31.2008</u>	<u>12.31.2007</u>
Goodwill - Special reserve CTEEP	232,005	-
Goodwill	450,363	-
<b>Subtotal</b>	<b><u>682,368</u></b>	<b><u>806,710</u></b>
Accumulated amortization	(9,328)	(117,275)
<b>Goodwill balance - net (g)</b>	<b><u>673,040</u></b>	<b><u>689,435</u></b>
<b>Total investment</b>	<b><u>2,149,145</u></b>	<b><u>2,168,717</u></b>

**Changes in investment and goodwill in subsidiary:**

**Investment**

<b>Opening balance of investment</b>	<b>1,479,282</b>	<b>786,608</b>
Acquisition of shares OPA on January 9, 2007	-	640,482
Equity in the results for January - ISA Participações	19,260	-
Portion of goodwill amortized in January by ISA Participações	7,067	-
Equity in the earnings for the period	57,231	320,595
Dividends received in the period	(63,685)	(178,968)
Interest on own capital received in the period	(23,050)	(89,435)

<b>Closing balance of investment</b>	<b><u>1,476,105</u></b>	<b><u>1,479,282</u></b>
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**Goodwill:**

<b>Opening balance of goodwill</b>	<b>689,435</b>	<b>540,312</b>
Amortization of the January 2008 installment by ISA Participações	(7,067)	-
Balance	682,368	540,312
Goodwill on the acquisition of shares on January 9, 2007 - OPA	-	115,143
Goodwill - Law 4819/58 - OPA - supplement	-	120,306
Goodwill - other costs	-	1,882
Goodwill - Law 4819/58 - State Finance Department - supplement	-	2,880
Amortization of goodwill in the period	(9,328)	(91,088)
<b>Closing balance of goodwill (f)</b>	<b><u>673,040</u></b>	<b><u>689,435</u></b>

- a) As a result of this acquisition, the Company started to hold 89.40% of the voting capital and 37.46% of the total capital of CTEEP. Accordingly, of a total of 62,558,662,803 common shares issued by CTEEP, 55,924,465,821 are held by the Company.

After the reverse stock split carried out by CTEEP in August 2007, the number of common shares held by the Company was 55,924,465.

- b) On June 28, 2006, Interconexión Eléctrica S.A. E.S.P. (a company headquartered in Colombia) made the winning bid at the auction for the sale of CTEEP's shares, held on the

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

São Paulo Stock Exchange pursuant to Notice SF/001/2006, and purchased 31,341,890,064 common shares issued by CTEEP which were directly or indirectly held by the State Government of São Paulo, corresponding to 50.10% of the total common shares of CTEEP, having offered R\$ 1,193,813 for the total common shares auctioned corresponding to R\$ 38.09 per thousand shares. The agreement for the purchase of CTEEP's shares was signed by the Company, as it is a subsidiary of Interconexión Eléctrica S.A. E.S.P.

On July 25, 2006, ANEEL approved this acquisition and, on July 26, 2006, the Company performed the financial settlement of the auction and, with its shareholders as guarantors of the obligations assumed by the Company, signed the corresponding Share Purchase and Sale Agreement with the State Government of São Paulo in the total amount of R\$1,213,170, corresponding to the sum of the auction's final price, R\$1,193,813, and the amount of R\$19,357 paid by the Company to the State Government of São Paulo as an additional price for the shares acquired at the auction, registering the acquisition of said shares and the transfer of ownership control of CTEEP to the Company.

On September 12, 2006, the Company acquired an additional 10,021,687 common shares issued by CTEEP, held by the State Government of São Paulo, for the total price of R\$229, and became the holder of 31,351,911,751 common shares issued by CTEEP, which account for 50.1% of its voting capital.

- c) On January 9, 2007, ISA Capital do Brasil S.A. acquired, through a public offering auction for the acquisition of shares held on BOVESPA, 24,572,554,070 common shares issued by CTEEP, corresponding to 39.28% of the total of this type of shares, pursuant to the public share offering notice published on December 4, 2006. For this acquisition the Company paid the amount of R\$ 755,360 corresponding to R\$ 30.74 per thousand shares.
- d) Note 4.b.
- e) Note 4.a.
- f) Note 1.3.
- g) The balance of unamortized goodwill is classified as intangible assets in the consolidated balance sheet less the tax benefit portion obtained by CTEEP up to the date.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**14 Property, Plant and Equipment**

			<u>3.31.2008</u>	<u>12.31.2007</u>	
	<u>Restated cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>	<u>Annual average depreciation rates (%)</u>
<b>Subsidiary</b>					
<b>In use</b>					
Land	44,402	-	44,402	44,538	
Buildings, civil construction and improvements	584,143	(376,506)	207,637	212,733	3.64
Machinery and equipment	5,353,009	(2,477,286)	2,875,723	2,859,243	2.96
Vehicles	14,068	(13,361)	707	879	20.00
Furniture and fixtures	24,290	(14,808)	9,482	9,824	10.00
	<u>6,019,912</u>	<u>(2,881,961)</u>	<u>3,137,951</u>	<u>3,127,217</u>	
<b>In progress</b>	<u>990,966</u>	<u>-</u>	<u>990,966</u>	<u>967,998</u>	
<b>Special liabilities (a)</b>	<u>(25,964)</u>	<u>-</u>	<u>(25,964)</u>	<u>(16,068)</u>	
	<u>6,984,914</u>	<u>(2,881,961)</u>	<u>4,102,953</u>	<u>4,079,147</u>	
<b>Parent company</b>	<u>60</u>	<u>(6)</u>	<u>54</u>	<u>51</u>	
<b>Total - Consolidated</b>	<u><b>6,984,974</b></u>	<u><b>(2,881,967)</b></u>	<u><b>4,103,007</b></u>	<u><b>4,079,198</b></u>	

In accordance with articles 63 and 64 of Decree No. 41,019, of February 26, 1957, assets and installations used in the transmission of electric power are linked to these services and cannot be retired, sold or pledged as mortgage guarantees without the prior and express authorization of the regulatory body. ANEEL Resolution No. 20, of February 3, 1999, regulates the electric power utility concession assets, giving prior authorization for not restricting assets no longer serviceable to the concession, when intended for sale, and determining that the proceeds from the sale be deposited in a restricted bank account and invested in the concession.

- a) Represented by assets received from electricity concessionaires and customers for purposes of investments in the concession.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**15 Intangible Assets - Consolidated**

	<u>3.31.2008</u>	<u>12.31.2007</u>
Goodwill	668,233	689,435
Rights of way	57,449	57,449
Other	151	151
	<u><b>725,833</b></u>	<u><b>747,035</b></u>

**16 Loans and Financing**

	<u>3.31.2008</u>				<u>12.31.2007</u>			
	<u>Parent company</u>		<u>Consolidated</u>		<u>Parent company</u>		<u>Consolidated</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
<b>Foreign currency</b>								
Issue of bonds (a)	18,272	1,140,555	18,272	1,140,555	55,249	1,257,433	55,249	1,257,433
	18,272	1,140,555	18,272	1,140,555	55,249	1,257,433	55,249	1,257,433
<b>Local currency</b>								
ABN Amro Bank (b)	32,094	-	32,094	-	-	-	-	-
Eletrobrás (c)	-	-	31	548	-	-	56	536
Banco Safra (d)	-	-	50,194	-	-	-	50,172	-
Banco Alfa (e)	-	-	70,000	-	-	-	70,000	-
Banco do Brasil (f)	-	-	10,000	-	-	-	10,082	-
BNDES (g)	-	-	22,377	500,427	-	-	1,881	400,177
	32,094	-	184,696	500,975	-	-	132,191	400,713
	<u>50,366</u>	<u>1,140,555</u>	<u>202,968</u>	<u>1,641,530</u>	<u>55,249</u>	<u>1,257,433</u>	<u>187,440</u>	<u>1,658,146</u>

- a) Issue of bonds on January 29, 2007 in the amount of US\$554 million. The agents of the issue were JP Morgan and ABN Amro Bank, and it was divided into two tranches: the first one, in the amount of US\$200 million, maturing in five years, with an interest rate of 7.875% p.a., and call option in 2010 and 2011; the second tranche, of US\$354 million maturing in ten years and interest rate of 8.8% p.a. Of the total bonds issued, 60% was placed in the United States, 36% in Europe, 2% in Latin America and 2% in Asia.

The Company management signed specific hedge contracts, to cover the exchange rate risks in connection with the issue of the bonds described above. This operation is segregated in two parts, as follows:

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

- Hedge of principal - Contracts with ABN Amro Bank and JP Morgan relating to the hedge of the two tranches. The first tranche, in the amount of US\$200 million and with a five-year term, was subject to an exchange rate of R\$2.1170 and commitment to pay IGP-M plus 2.12% per annum. The second tranche, in the amount of US\$ 354 million and with a ten-year term, was also subject to an exchange rate of R\$2.1170 and commitment to pay IGP-M plus 1.68% per annum.

Both contracts had a Recouping partial payment clause, with maturity on February 12, 2008. Accordingly, the Company paid to the banks the amount of R\$ 155 million on the date of maturity. As a result of the Recouping payment and in accordance with the rules established for derivative transactions, these contracts were replaced by new ones containing new rates and conditions, as follows:

**i) IBN Amro Bank: ABN Amro Bank** - hedge of 50% of the two tranches. The first tranche, in the amount of US\$100 million and with a five-year term, was subject to an exchange rate of R\$ 1.7573 and commitment to pay IGP-M plus 5.0709% per annum. The second tranche, in the amount of US\$ 177 million and with a ten-year term, was also subject to an exchange rate of R\$1.7573, and commitment to pay IGP-M plus 3.0203% per annum. The Recouping partial payment clause was excluded.

**ii) JP Morgan** - hedge of 50% of the two tranches. The first tranche, in the amount of US\$100 million and with a five-year term, was subject to an exchange rate of R\$ 1.7573 and commitment to pay IGP-M plus 4.8709% per annum. The second tranche, in the amount of US\$ 177 million and with a ten-year term, was also subject to an exchange rate of R\$1.7573, and commitment to pay IGP-M plus 2.7003% per annum. The Recouping partial payment clause was maintained at the same conditions of the previous contract.

- Hedge of interest - Currency forward contract without Physical Delivery with JP Morgan related to the hedge of semiannual interest, payable in July 2007 and January 2008, referring to the two tranches. This hedge was contracted at an exchange rate of R\$2.1190 for payment in July 2007 and at an exchange rate of R\$2.1765 for payment in January 2008. Due to the current economic environment, the Company's management opted for not contracting coverage for the next semi-annual interest. This situation is being constantly evaluated within the defined strategies and taking into consideration the economic and financial aspects and exposure limits.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

At March 31, 2008, the Company obtained the following results from this transaction:

	<u>3.31.2008</u>	<u>12.31.2007</u>
<b>Current liabilities</b>		
Bond issuance - interest	13,673	34,616
Result of hedge transaction - interest exchange risk	-	9,217
Result of hedge transaction - principal exchange risk	<u>4,599</u>	<u>11,416</u>
<b>Total</b>	<u>18,272</u>	<u>55,249</u>
<b>Non-current liabilities</b>		
Bond issuance - principal	969,001	981,300
Result of hedge transaction - principal exchange risk	<u>171,554</u>	<u>276,133</u>
<b>Total</b>	<u>1,140,555</u>	<u>1,257,433</u>

- b) Bank credit note - overdraft account with ABN Amro Bank, whose funding limit was US\$55 million at the time, with revolving maturity every six months and interest calculated based on 100% of the Interbank Deposit Certificate (CDI) rate, plus 1.75% per year.
- c) Refers to two contracts originally signed with Eletropaulo - Eletricidade de São Paulo S.A., which, on account of its partial spin-off, were transferred to EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A., which was merged into CTEEP, scheduled to expire in 2021, and whose principal is repaid in the amount of R\$50 per annum.
- d) Refers to a loan contract with Banco Safra, entered into on June 28, 2007, in the amount of R\$ 50,000, effective up to May 18, 2008. This loan bears monthly charges at the rate of 103.0% of the daily average of the Interbank Deposit Certificate (CDI) falling due on the first business day of each month.
- e) Refers to loan contracts with Banco Alfa, entered into on July 20, 2007 and October 17, 2007 in the amount of R\$ 50,000 and R\$ 20,000, respectively, effective up to May 26, 2008. This loan bears monthly charges at the rate of 103.85% of the daily average of the CDI falling due on the last business day of each month.
- f) Refers to a loan contract with Banco do Brasil, entered into on September 28, 2007, in the amount of R\$ 10,000, effective up to May 28, 2008. This loan bears monthly charges at the rate of 103.0% of the daily average of CDI falling due on the last business day of each month.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

- g) Refers to a loan contract signed on September 17, 2007, with the National Bank for Economic and Social Development (BNDES), in the amount of R\$ 764.2 million. This amount accounts for 70% of the total investment, which includes construction aimed at system improvements, reinforcements, modernization of the current transmission system and new projects, and is part of the 2006/2008 Pluriannual Investment Plan. On October 25, 2007, R\$ 400 million was released, on February 25, 2008 R\$ 120 million and the remaining R\$ 244.2 million should be released by October 2008. This loan bears monthly charges of 2.3% p.a. above the Long-term Interest Rate (TJLP). Repayment will be in 78 monthly installments from January 2009. Up to the beginning of repayment, interest is paid quarterly. As guarantee, the subsidiary CTEEP has given bank sureties contracted on October 10, 2007, effective up to December 15, 2015, from the banks Bradesco and Santander, at the cost of 0.70% p.a. with quarterly maturities.

The balances described in items (e), (f) and (g) above may be partially or fully repaid at any time throughout the terms of the agreements.

**17 Taxes and Social Charges Payable**

	3.31.2008		12.31.2007	
	Parent company	Consolidated	Parent company	Consolidated Reclassified
Income tax	1,975	15,631	4,969	38,389
Social contribution	-	3,880	-	10,820
Social Contribution on Revenues (COFINS)	1,753	8,356	1,123	6,698
Scholarship program(a)	-	3,047	-	3,241
National Institute of Social Security (INSS)	18	2,096	18	2,437
Social Integration Program (PIS)	380	1,812	242	1,569
Government Severance Indemnity Fund for Employees (FGTS)	-	580	-	882
Other	100	2,211	-	1,022
<b>Total</b>	<b>4,226</b>	<b>37,613</b>	<b>6,352</b>	<b>65,058</b>

- a) Refers to obligations assumed by CTEEP under an agreement with the labor unions for reimbursing its employees for costs of elementary, high school and college education.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**18 Regulatory Charges Payable - Consolidated**

	<u>3.31.2008</u>	<u>3.31.2007</u>
Research and Development (P&D)	15,124	14,367
Energy Development Account (CDE)	5,641	6,026
Fuel Consumption Account (CCC)	5,140	5,490
Global Reversion Reserve (RGR)	4,891	4,600
Program for the Incentive to the Alternative Sources of Electric Energy (PROINFA)	1,680	2,091
Inspection fee - ANEEL	619	548
<b>Total</b>	<b><u>33,095</u></b>	<b><u>33,122</u></b>

**19 Provisions - Consolidated**

	<u>3.31.2008</u>			<u>12.31.2007</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Vacation pay and payroll charges	10,986	-	10,986	8,606	-	8,606
Profit sharing - PLR	2,610	-	2,610	9,290	-	9,290
Voluntary Termination Program - PDV (a)	16,265	13,321	29,586	24,187	16,464	40,651
Sundry indemnities	1,075	-	1,075	4,544	-	4,544
Contingencies (b)	-	161,926	161,926	-	165,149	165,149
	<b><u>30,936</u></b>	<b><u>175,247</u></b>	<b><u>206,183</u></b>	<b><u>46,627</u></b>	<b><u>181,613</u></b>	<b><u>228,240</u></b>

**a) Voluntary Termination Program (PDV)**

CTEEP, which had 2,737 employees as of October 31, 2006, approved a Voluntary Termination Program, with an adhesion period from November 21 to November 30, 2006 obtaining 1,534 adhesions.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

Due to this fact, there were 1,516 employee terminations, 323 of which in 2006, 1,163 in 2007 and 30 in 2008, which represented expenses of R\$ 78,979, R\$ 356,000 and R\$ 11,065, respectively. The expenses with the PDV include financial incentives, Government Severance Indemnity Fund for Employees (FGTS) fine, prior notice and health care assistance, among others.

**b) Provision for Contingencies - Consolidated**

On a quarterly basis, the contingencies are assessed and classified as regards the probability of an unfavorable outcome, as follows:

Type	3.31.2008			12.31.2007		
	Provision	Judicial deposits	Net	Provision	Judicial deposits	Net
Labor (i)	135,366	(16,912)	118,454	139,079	(16,302)	122,777
Civil	2,984	-	2,984	4,926	-	4,926
Tax - IPTU (ii)	12,466	-	12,466	11,094	-	11,094
Tax - COFINS (iii)	-	(18,907)	(18,907)	-	(18,907)	(18,907)
Social security - INSS (iv)	8,243	(8,243)	-	8,069	(8,069)	-
ANEEL (v)	2,867	-	2,867	1,981	-	1,981
<b>Total</b>	<b>161,926</b>	<b>(44,062)</b>	<b>117,864</b>	<b>165,149</b>	<b>(43,278)</b>	<b>121,871</b>

Judicial deposits are recorded in current and non-current assets under "Pledges and restricted deposits".

CTEEP is a party to tax, labor and civil lawsuits, whose unfavorable outcomes are regarded as possible by management, based on the assessment of its legal counsel, in the estimated amount of R\$ 32,280 (R\$ 31,282 - 12.31.2007), mainly labor lawsuits, for which no provisions have been recorded.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**(i) Labor**

CTEEP assumed responsibility for certain lawsuits at different courts, mainly arising from CESP's partial spin-off and the merger of EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A.

**(ii) Tax - Municipal Real Estate Tax (IPTU)**

CTEEP recognizes a provision to cover debts with the municipal government of São Paulo, related to administrative processes for the rectification of areas, in the amount of R\$ 12,466 (12.31.2007 - R\$ 11,094).

**(iii) COFINS**

CTEEP is challenging in court the constitutionality of the increase in the COFINS rate and calculation basis, in the amounts of R\$ 27,392 and R\$ 11,132, respectively.

CTEEP obtained a favorable outcome as regards the increase in the calculation basis and an unfavorable outcome in relation to the increase in the rate. Accordingly, in the third quarter of 2007, it reversed the portion of the provision related to the increase in the calculation basis against results and that referring to the increase in the COFINS rate against the related judicial deposit. CTEEP has started a process to release the judicial deposit which, as adjusted, corresponds to R\$ 18,907.

**(iv) Social security - INSS**

On August 10, 2001, CTEEP received from the National Institute of Social Security (INSS) a delinquency notice for nonpayment of social security contribution on compensation paid to its employees in the form of meal tickets, morning snack and basket of food staples for the period from April 1999 to July 2001. Accordingly, management decided to establish a provision and made a judicial deposit in the amount of R\$ 8,243, recorded in non-current assets, under "Pledges and restricted deposits".

**(v) ANEEL**

CTEEP received a notification from ANEEL for not complying with the date defined for the installation of the 3<sup>rd</sup> transformer bank 345/88 Kv of the SE Baixada Santista, authorized by ANEEL Resolution No. 197 of May 4, 2004, with a fine of R\$ 1,981, and for not complying with

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

the date defined for the start of operations of the Transmission Lines, in 345 Kv, Guarulhos - Anhanguera, authorized by the Authorizing Resolution No. 064 of January 31, 2005, with a fine of R\$ 886.

**20 Amounts Payable - Fundação CESP**

Amounts payable represent the restated liability of CTEEP referring to supplementary retirement and pension plans, as well as the medical assistance plan maintained by Fundação CESP.

Based on appraisal prepared by independent actuaries to calculate the actuarial liability, CTEEP recorded in the result for the quarter a gain in the amount of R\$ 15,368.

**a) Plan "A" - Supplementary pension plan**

Regulated by State Law 4819/58, applied to employees hired up to May 13, 1974, determines supplementary pension plan benefits, additional leave entitlements and family allowance. The resources necessary to cover the charges assumed in this plan are total responsibility of the applicable authorities of the State of São Paulo Government, and therefore, with no risk and additional cost to CTEEP (Note 31).

**b) Plan "B" and "B1" - Supplementary pension plan**

Plans "B" and "B1", regulated by Law 6435/77 and managed by Fundação CESP, are sponsored by CTEEP, providing supplementary pension plan benefits, the reserves of which are determined by the financial system of capitalization.

The Plan "B" refers to Benefício Suplementar Proporcional Saldado - BSPS, calculated on December 31, 1997 (CTEEP) and March 31, 1998 (EPTE), in accordance with current regulation, and its actuarial financial and economic balance was determined at the time. The annual actuarial technical result of this plan (deficit or surplus) is the full responsibility of CTEEP.

On January 1, 1998 (CTEEP) and on April 1, 1998 (EPTE), CTEEP implemented Plan "B1", which defines contributions and parity responsibilities between CTEEP and the participants, to maintain the actuarial financial and economic balance of the plan. This plan provides pension benefits to its employees, former employees and related beneficiaries, in order to supplement

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

the benefits provided by the official Social Security system. The main characteristic is the mixed model, composed of 70% as Defined Benefit (BD) and 30% as Defined Contribution (CD). At the date of retirement the Benefit Plan of Defined Contribution (CD) becomes Defined Benefit (BD).

**(c) Plan PSAP - Transmissão Paulista**

On January 1, 2004, the plans sponsored by CTEEP, as well as those of the extinguished EPTE, were merged financially, and the individual characteristics of the related plans maintained, thus constituting the PSAP Plan - Transmissão Paulista.

**21 Special Liabilities - Reversal/Amortization - Consolidated**

Refer to the resources arising from the reversion reserve, amortization and portion held at CTEEP, of the monthly quotas of the Global Reversion Reserve (RGR), related to investments of resources for expansion of the public service of electric energy and amortization of loans obtained for the same purpose, occurred up to December 31, 1971. The manner for the settlement of these liabilities is not defined by the Concession Authority.

**22 Shareholders' Equity**

**a) Capital**

The Company was established on April 28, 2006, as a limited liability partnership, according to its articles of association filed with the Board of Trade of the State of São Paulo. On September 19, 2006, the Company was transformed into a corporation and its subscribed and fully paid-up capital is R\$ 828,267 (12.31.2007 - R\$ 828,267).

At March 31, 2008 capital comprises 828,267,200 (12.31.2007 - 828,267,200) common shares, with no par value, distributed as follows:

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

<u>Shareholder</u>	<u>Number of shares</u>	
	<u>3.31.2008</u>	<u>12.31.2007</u>
Interconexión Eléctrica S.A. E S P	828,267,196	828,267,196
Luis Fernando Alarcón Mantilla	1	1
Fernando Augusto Rojas Pinto	1	1
Guido Alberto Nule Amin	1	1
César Augusto Ramirez Rojas	1	1
<b>Total</b>	<b><u>828,268,200</u></b>	<b><u>828,268,200</u></b>

Shareholders are entitled to annual dividends calculated at 25% of net income, after deduction of 5% for transfer to the legal reserve until it reaches 20% of capital, as required by Brazilian Corporate Law.

**b) Changes in shareholders' equity**

	<u><b>3.31.2008</b></u>
Balance at the beginning of the period	722,856
Net income for the period	<u>3,639</u>
<b>Balance at the end of the period</b>	<b><u><u>726,495</u></u></b>

**23 Revenues from Electricity Network Usage - Consolidated**

Revenues from CTEEP electricity network usage, for the quarter ended March 31, 2008, amounted to R\$ 408,839 (3.31.2007 - R\$ 357,400). These revenues comprise the following:

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

	<u>3.31.2008</u>	<u>3.31.2007</u>
<b>Basic network</b>		
Existing assets	297,851	264,618
New investments	71,334	39,849
Surplus	7,554	2,413
	<u>376,739</u>	<u>306,880</u>
<b>Other Transmission Facilities - DIT</b>		
Existing assets	21,871	17,275
New investments	7,391	3,906
	<u>29,262</u>	<u>21,181</u>
<b>Charges:</b>		
Fuel Consumption Account (CCC)	8,802	18,661
Energy Development Account (CDE)	9,660	11,253
Alternative Source Incentive Program (PROINFA)	2,877	2,559
	<u>21,339</u>	<u>32,473</u>
<b>Adjustments</b>	<u>-</u>	<u>(3,134)</u>
<b>Total</b>	<u><b>427,340</b></u>	<u><b>357,400</b></u>

**a) Allowed Annual Revenue (RAP) of Miguel Reale Substation**

In December 2002, ANEEL authorized CTEEP to implement the Miguel Reale Substation Expansion project, whose investment value used to calculate the RAP was R\$ 323,236.

In September 2004, ANEEL performed an inspection in order to validate the investments made in said project and concluded that the investment amounts should be reduced, for purposes of setting a new amount of the RAP, retroactively to July 2004, by R\$ 232,164.

Due to the reduction in the investments in said project, the related annual amount of the RAP beginning July 2005 was then reduced by R\$32,251. CTEEP considers this reduction invalid and filed Official Letter OF/F/2,828, of July 8, 2005, with ANEEL requesting its restoration.

On March 2, 2006, through Official Letter No. 321/2006, the Financial and Economic Oversight Board (SFF) of ANEEL submitted an Inspection Follow-up Report (RAF) that analyzed CTEEP's request and upheld the SFF's initial position.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

On March 23, 2006, through Official Letter OF/F/1372/2006, CTEEP filed an Administrative Appeal with ANEEL, requesting a review of the SFF's position.

**b) Periodic Review of Allowed Annual Revenue (RAP)**

In accordance with Concession Agreement No. 59, signed with the Federal Government on June 20, 2001, through the intermediation of ANEEL, every four years as from the date on which this agreement was signed, ANEEL will make a periodic review of the Allowed Annual Revenue (RAP) of electric energy transmission related to the facilities of authorized projects whose business operations commenced after December 31, 1999, for the purpose of promoting efficiency and low rates, in accordance with the methodology approved by Normative Resolution No. 257, of March 6, 2007.

Through Resolution No. 488, of June 26, 2007, the result of the first periodic rate review of Companhia de Transmissão de Energia Elétrica Paulista - CTEEP was approved, reducing the new Allowed Annual Revenue (RAP) by 26.15%, to be applied to the Basic Network - New Facilities (RBNI) and Other Facilities - New Investments (RCDM) portions effective on July 1, 2005.

The effects of this rate recomposition were backdated to July 1, 2005. The difference in the amounts charged from July 2005 to June 30, 2007, amounting to R\$ 66,688, will be offset in 24 (twenty-four) months by means of the contractual mechanism for an adjustment portion. The effects referring to the period from July 1, 2007 to June 30, 2008 are considered in Authorizing Resolution No. 496.

**c) Annual Revenue Adjustment**

On June 29, 2007, Authorizing Resolution No. 496 was issued, establishing CTEEP's annual allowed revenues for making available the transmission facilities that comprise the Basic Network and Other Transmission Facilities, for a twelve-month cycle from July 1, 2007 to June 30, 2008.

According to the mentioned Resolution, the Allowed Annual Revenue (RAP) of CTEEP, which was R\$ 1,314,400 on July 1, 2006, increased to R\$ 1,478,456 on July 1, 2007, representing an increment of R\$ 164,056 or 12.5%.

The analysis of the revenue effective from July 1, 2007 to June 30, 2008 is as follows:

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

<b>Basic network</b>		
Existing assets		940,542
New investments		174,618
		<u>1,115,160</u>
<b>Other Transmission Facilities (DIT)</b>		
Existing assets		270,584
New investments		20,060
		<u>290,644</u>
<b>LT Chavantes Botucatu</b>		12,047
<b>Adjustment portion</b>		<u>60,605</u>
<b>Total</b>		<u><b>1,478,456</b></u>

**24 Cost of Services and General and Administrative Expenses**

	<u>3.31.2008</u>		<u>3.31.2007</u>	
	<u>Parent company</u>	<u>Consolidated</u>	<u>Parent company</u>	<u>Consolidated</u>
Personnel	(363)	(19,764)	(158)	(58,897)
Material	-	(1,486)	-	(7,984)
Services	(622)	(16,147)	(862)	(20,260)
Depreciation	(2)	(44,186)	(3)	(42,512)
Amortization of expenses - bonds	(718)	(718)	(697)	(697)
Other	(51)	(6,082)	(409)	(2,077)
<b>Total</b>	<u><b>(1,756)</b></u>	<u><b>(88,383)</b></u>	<u><b>(2,129)</b></u>	<u><b>(132,427)</b></u>

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**25 Financial Result**

	3.31.2008		3.31.2007	
	Parent company	Consolidated	Parent company	Consolidated
<b>Financial income</b>				
Income from financial investments	771	5,100	3,731	13,975
Monetary and foreign exchange variation	51,024	52,724	69,922	126,328
Interest on assets	1,059	2,120	1,021	2,145
Hedge transactions	733	733	-	-
Amortization of negative goodwill	-	4,246	-	4,246
Interest on own capital	23,050	-	-	-
Other	1	1,396	256	435
	<b>76,638</b>	<b>66,319</b>	<b>74,930</b>	<b>147,129</b>
<b>Financial expenses</b>				
Monetary and foreign exchange variation	(45,205)	(45,205)	(30,355)	(30,355)
Interest on liabilities	(20,834)	(34,695)	(33,359)	(34,628)
Hedge transactions	(43,520)	(43,520)	(44,210)	(44,210)
Amortization of goodwill	(9,328)	(14,134)	(22,900)	(22,900)
Interest on own capital	-	(38,481)	-	-
Charges on RGR	-	(279)	-	(279)
IRRF on remittance of interest	(3,052)	(3,052)	-	-
PIS on interest on own capital	(380)	(380)	-	-
COFINS on interest on own capital	(1,752)	(1,752)	-	-
Other	(613)	(2,666)	(5,491)	(7,916)
	<b>(124,684)</b>	<b>(184,164)</b>	<b>(136,315)</b>	<b>(140,288)</b>
<b>Financial result</b>	<b>(48,046)</b>	<b>(117,845)</b>	<b>(61,385)</b>	<b>6,841</b>

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**26 Income Tax and Social Contribution on Net Income - Consolidated**

CTEEP records monthly provisions for income tax and social contribution on the accrual basis, calculated based on monthly trial balances (for tax suspension and reduction purposes).

	<u>3.31.2008</u>	<u>3.31.2007</u>
Profit before income tax and social contribution	<b>172,252</b>	258,049
Rates - %	34%	34%
Expected income tax and social contribution expense	(58,565)	(87,737)
Income tax and social contribution on permanent additions	(1,971)	(6,361)
Income tax and social contribution effective expense	<b><u>(60,536)</u></b>	<b><u>(94,098)</u></b>
Income tax and social contribution		
Current	(83,328)	(1,663)
Deferred	<u>22,792</u>	<u>(92,435)</u>
	<b><u>(60,536)</u></b>	<b><u>(94,098)</u></b>

**27 Sale of the Technical Center for Equipment Maintenance - CETEMEQ**

On April 13, 1998, a Private Agreement for Assignment and Transfer of Rights and Obligations was signed by and between EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A., merged into CTEEP on November 10, 2001, and Eletropaulo Metropolitana Eletricidade de São Paulo S.A. ("Eletropaulo") relating to the real property located at Rua Lavapés, 463, Cambuci, São Paulo, whose market price is R\$ 70,496, payable in 21 equal and successive monthly installments, with maturity on the first business day of each month, beginning May 1998. In view of the contestation by Eletropaulo of the aforementioned amount and the fact that the installments had not been received, EPTE filed collection lawsuits on February 11, 1999 and October 18, 2000, with the 1<sup>st</sup> and 36<sup>th</sup> Civil District Courts of the Central Jurisdiction of São Paulo, respectively.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

In December 2000, the net book value of this asset, in the amount of R\$ 4,904, was written off from property, plant and equipment, and the related sale, deferred taxes on the gain resulting from the sale, allowance for doubtful accounts and tax credits were recorded.

On February 27, 2007, through a Private Transaction Agreement entered into by and between Eletropaulo and CTEEP, the parties amicably agreed to the following:

- a) The real property subject to the collection lawsuits was appraised at R\$ 125,265, and, accordingly, CTEEP recorded financial income due to monetary adjustment of R\$ 54,769.
- b) From the agreed-upon amount mentioned in the prior item, R\$ 35,562 was deducted as Municipal Real Estate Tax (IPTU) levied on real properties that, upon the partial spin-off of Eletropaulo, were transferred to EPTE, which was in turn merged into CTEEP. This amount was originally due by CTEEP to the São Paulo Municipal Government, and settled by Eletropaulo at the time it joined REFIS (Tax Debt Refinancing Program) of the Municipality of São Paulo, resulting in Eletropaulo's receivable from CTEEP.
- c) Accordingly, on March 6, 2007, Eletropaulo made a deposit in the amount of R\$ 89,703 in an account at Banco ABN AMRO REAL S.A., whose release to CTEEP was linked to the publication of the ratification decision by one of the courts involved in this settlement, which occurred on March 19, 2007.
- d) On March 27, 2007, through letter CT/P/918/2007, CTEEP requested from Banco ABN AMRO REAL S.A. the transfer of the total amount to its investment account, thus terminating the disposal process of CETEMEQ; and
- e) Eletropaulo assumes the commitment to provide for the regularization of the ownership status of the real properties transferred by it to EPTE/CTEEP, subject of the agreement in question, as well as any others that may be in its possession but belonging to CTEEP, as a result of the Memorandum for the Partial Spin-off of Eletropaulo, dated December 22, 1997.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

## 28 Financial Instruments

CTEEP's main source of revenues is the use of its electric power transmission system by other concessionaires and agents. Its annual revenue related to basic network and other transmission facilities is defined by ANEEL, pursuant to prevailing legislation.

The Company entered into certain financial instrument transactions to meet its operating needs of reducing the exposure to exchange risks. These risks are managed through the establishment of strategies, implementation of control systems, and determination of exposure limits. No financial instrument transactions for speculative purposes are carried out.

The main risk factors inherent to the operations of the Company and CTEEP may be identified as follows:

- **Credit risk** - CTEEP has agreements with the National Electric System Operator (ONS), concessionaires and other agents for regulating the provision of services related to the basic network for 215 users, with a bank guarantee clause. Likewise, CTEEP has agreements regulating the provision of services in other transmission facilities with 32 concessionaires and other agents, with a bank guarantee clause.

- **Price risk** - Pursuant to the Concession Agreement, CTEEP's revenues are annually adjusted by ANEEL based on the variation of the IGP-M and a portion of the revenues is subject to periodic review every four years (Note 23).

- **Interest rate risk** - The Company has a bank credit note - overdraft account with ABN Amro Bank, whose funding limit is US\$25 million (US\$55 million up to July 2007), with revolving maturity every six months and interest calculated based on 100% of the Interbank Deposit Certificate (CDI) rate, plus 1.75% per year (Note 16). This credit is available to the Company and may be accessed at any moment under the same conditions as those previously defined. No financial instruments were contracted to swap the variable interest rate on this transaction for a fixed interest rate. Additionally, the subsidiary CTEEP has financial contracts subject the variation of TJLP and CDI (Note 16).

- **Foreign exchange risk** - The Company has transactions involving financial instruments to hedge against the effects of exchange variations on its liabilities (bonds) with net exposure in U.S. dollars. Non-cash hedge transactions are used to swap the foreign exchange variations on liabilities for the General Market Price Index (IGP-M) plus spread from 2.7003% to 5.0709% p.a. for the principal amount of the bond issuance transaction.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

As described in Note 16, after the Recoupons partial payment, new contracts to cover the principals, replacing previous ones, were signed on February 12, 2008, namely:

- a) **ABN Amro Bank:** hedge of 50% of the two tranches. The first tranche, in the amount of US\$100 million and with a five-year term, was subject to an exchange rate of R\$ 1.7573 and commitment to pay IGP-M plus 5.0709% per annum. The second tranche, in the amount of US\$ 177 million and with a ten-year term, was also subject to an exchange rate of R\$1.7573, and commitment to pay IGP-M plus 3.0203% per annum. The Recoupons partial payment clause was excluded.
- b) **JP Morgan:** hedge of 50% of the two tranches. The first tranche, in the amount of US\$100 million and with a five-year term, was subject to an exchange rate of R\$ 1.7573 and commitment to pay IGP-M plus 4.8709% per annum. The second tranche, in the amount of US\$ 177 million and with a ten-year term, was also subject to an exchange rate of R\$1.7573, and commitment to pay IGP-M plus 2.7003% per annum. The Recoupons partial payment clause was maintained at the same conditions of the previous contract.

As regards interest paid semi-annually, a Futures Contract of Currency without Physical Delivery was signed with JP Morgan on the occasion, the maturity dates of which occurred in July 2007 and January 2008, corresponding to the two tranches. This coverage was contracted at the exchange rate of R\$ 2.1190 for payment in July 2007 and R\$ 2.1765 for payment in January 2008. Due to the current economic environment, the Company's management opted for not contracting coverage for the next semi-annual interest. This situation is being constantly monitored within the defined strategies and taking into consideration the economic and financial aspects and exposure limits.

The gains (losses) on these transactions are described in Note 16.

**Fair value** - At March 31, 2008, the fair values of financial investments approximate the carrying amounts recorded in the quarterly information due to their short-term nature. The fair values of loans and financing approximate their carrying amounts recorded in the quarterly information, since these financial instruments have variable interest rates.

The carrying amounts and fair values of the transactions involving financial instruments are as follows:

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

	<u>Carrying amount (*)</u>	<u>Fair value</u>
<b>Loans and financing (bond issuance) (Note 16 (a))</b>		
Swap transaction - Principal	1,145,154	1,095,064
Semi-annual interest	13,673	-
<b>Total</b>	<b><u>1,158,827</u></b>	<b><u>1,095,064</u></b>

(\*) The Company's quarterly information were prepared in accordance with Brazilian accounting practices, in particular the financial instruments, which were recorded on the accrual basis, based on the related contractual clauses effective at the balance sheet date.

**29 Insurance Coverage**

The specification by type of risk of CTEEP's insurance is as follows:

<u>Type</u>	<u>Coverage</u>	<u>Amount insured - R\$ thousand</u>	<u>Premium - R\$ thousand</u>
Assets	12/02/07 to 12/02/08	2,183,348	3,733
Civil liability	10/17/07 to 10/17/08	15,000	293
National transports	9/30/07 to 9/30/08	350,000	10
Collective personal accident	5/1/07 to 5/1/08	46,225	2
Vehicles	3/2/07 to 3/2/08	Market value	26
			<b><u>4,064</u></b>

**a) Assets**

Coverage against fire and electrical damage for equipment installed in the transmission sub stations, buildings and their related contents, warehouses and facilities.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**b) Civil liability**

Coverage of the repairs for involuntary damage, personal and/or material damage to third parties, as a consequence of the Company's operations.

**c) National transports**

Coverage of damages caused to CTEEP assets and equipment, transported within Brazil.

**d) Collective personal accidents**

Coverage against personal accidents to executives, interns and trainees.

**e) Vehicles**

Coverage against collision, fire, theft and third parties.

In addition, both the Company and CTEEP have a US\$ 10 million coverage for their directors (D&O - Directors and Office Insurance), whose policy belongs to the Company.

**30 Collection Lawsuit Filed by ELETROBRÁS against ELETROPAULO and EPTE**

In 1989, Centrais Elétricas Brasileiras S.A. - ELETROBRÁS filed a collection lawsuit against Eletropaulo - Eletricidade de São Paulo S.A. (currently Eletropaulo Metropolitana Eletricidade de São Paulo S.A. - "Eletropaulo") referring to the balance of a certain financing agreement. Eletropaulo did not agree with the criteria for monetarily adjusting said financing agreement and made escrow deposits for the amounts it understood to be due to ELETROBRÁS. In 1999, a judgment was issued on the aforementioned lawsuit, ordering Eletropaulo to pay the balance determined by ELETROBRÁS.

Under the partial spin-off protocol of Eletropaulo, made on December 31, 1997 and which resulted in the establishment of EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A. and other companies, Eletropaulo is solely liable for obligations of any kind referring to acts up to the spin-off date, except for contingent liabilities whose provisions had been allocated to the merging companies. In the case in question, at the time of the spin-off, there

<b>01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - National Corporate Taxpayers' Registry (CNPJ)</b>
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

was no allocation to EPTE of any provision for such purpose, leaving it clear that Eletropaulo was exclusively liable for said contingency. At the time of the spin-off there was only the transfer to EPTE assets of a judicial deposit in the historical amount of R\$4.00, made in 1988 by Eletropaulo, referring to the amount that it understood to be owed to ELETROBRÁS regarding the balance of the aforementioned financing agreement, and allocation to EPTE's liabilities of the same amount referring to this debt.

Therefore, under the partial spin-off protocol of Eletropaulo, EPTE would be the holder of the transferred asset, and Eletropaulo would be liable for the contingent liabilities referring to the amount demanded in court by ELETROBRÁS. In October 2001, ELETROBRÁS executed the sentence referring to the financing agreement, charging R\$429,000 to Eletropaulo and R\$49,000 to EPTE, understanding that EPTE would pay its part with the adjusted amounts of the judicial deposit. EPTE was merged into CTEEP on November 10, 2001, succeeding it in its obligations and rights.

On September 26, 2003, a decision of the Court of Justice of the State of Rio de Janeiro was published, excluding Eletropaulo from the execution of the aforementioned sentence. Due to these facts, ELETROBRÁS filed, on December 16, 2003, a Special Appeal in the Superior Court of Justice and an Extraordinary Appeal in the Federal Supreme Court to maintain the collection regarding Eletropaulo. Appeals similar to those of ELETROBRÁS were filed by CTEEP.

On June 29, 2006, the Superior Court of Justice accepted the special appeal filed by CTEEP, with respect to reversing the decision of the Court of Justice of the State of Rio de Janeiro that excluded Eletropaulo from the execution action filed by ELETROBRÁS. As a result, the execution action filed by ELETROBRÁS against Eletropaulo and EPTE will proceed, as per the lower court decision, ensuring CTEEP's right of defense as EPTE's successor.

Due to said acceptance by the Superior Court of Justice, on December 4, 2006 Eletropaulo filed a special appeal, which was rejected, according to the decision published on April 16, 2007. In light of the Superior Court of Justice's decision, understanding that the pre-execution exception offered by Eletropaulo is not suitable, unless the execution of the decision is amended or suspended, which is not probable, the Company believes that ELETROBRÁS will insist on execution of the decision, as described above.

With respect to that debt and in view of the formal documents of the partial spin-off of Eletropaulo, CTEEP, according to the understanding of its Management and legal counsel, is only liable for the payment equivalent to the adjusted amount of the judicial deposit made in

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

1988 for this purpose and which is currently part of its assets, and intends to proceed in the defense of such right. On the other hand, CTEEP has not recognized a reserve for the remaining contingency, which it understands as being the liability of Eletropaulo, from which the debt is being charged by ELETROBRÁS.

The total contingency is currently estimated at approximately R\$ 1,375,379.

**31 Supplementary Pension Plan Regulated by Law No. 4819/58**

**a) Significant events**

**(i) July 19, 2005**

*"In compliance with CVM Instruction No. 358/2002, CTEEP - Companhia de Transmissão de Energia Elétrica Paulista clarifies aspects related to the supplementary pension plan regulated by State Law No. 4,819/58. This plan applies to employees hired through May 13, 1974, as mentioned in Note 22.1 to the financial statements of the Company as of December 31, 2004. The necessary funds to cover the charges of the plan are the responsibility of the applicable agencies of the Government of the State of São Paulo; this was implemented according to an agreement made on December 10, 1999 between the São Paulo State Finance Department and the Company, effective until December 31, 2003. Such procedure was regularly performed until December 2003 by Fundação CESP, with funds from the State Finance Department, transferred by CTEEP. In January 2004, the Finance Department began to directly process those payments, without the participation of CTEEP and Fundação CESP.*

*The decision of the 49th Labor Court of São Paulo was communicated to CTEEP on July 11, 2005 (lawsuit No. 1339/2005-1), authorizing Fundação CESP to resume processing the payment of benefits established by State Law No. 4819/58, according to the respective regulation, in the same manner that had been made until December 2003, with funds transferred by CTEEP. On July 13, 2005, the 49th Labor Court of São Paulo gave 60 days for the fulfillment of this decision. There is also on the website of the Regional Labor Court of São Paulo a summary of a similar decision (lawsuit SDC No. 20058200400002000) of June 30, 2005, determining that Fundação CESP, using the funds transferred by CTEEP, may process again the beneficiaries' retirement and pension payments established by State Law No. 4819/58. Such decision has not yet been published nor has the Company been notified on this matter.*

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

*To comply with said judicial decisions, CTEEP must require on a monthly basis the necessary funds from the São Paulo State Finance Department, to be transferred to Fundação CESP, which must process the payments to the beneficiaries. Said decisions apply to about 6,500 beneficiaries, with a monthly expense in the amount of R\$ 23 million, which, in the understanding of CTEEP, is the responsibility of the State of São Paulo, as it was through December 2003. Consequently, CTEEP will contest said judicial decisions since it understands that the responsibility for the payment of the above-mentioned benefits is, under applicable legislation, of the State of São Paulo."*

**(ii) January 27, 2006**

*"CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in accordance with CVM Instruction No. 358/02, announces a change in procedure by the State Finance Department, due to a recent understanding of the State Attorney General regarding the transfer of funds to CTEEP for compliance with the decision of the 49th Labor Court of São Paulo, which authorized Fundação CESP to once again process the pension plan benefit payments established by State Law No. 4819/58 using funds received from the State of São Paulo and transferred by CTEEP. This matter has been previously addressed in Note 21 of the quarterly information of CTEEP as of September 30, 2005.*

*The State Finance Department transferred to CTEEP, on January 27, 2006, an amount lower than necessary to comply with the decision of the 49th Labor Court. The effective expenditure of CTEEP this month for purposes of said court decision was R\$ 19,725, transferred to Fundação CESP, having received R\$ 14,976 from the State Finance Department for this purpose. The State Finance Department informed that this month it disallowed certain expenses due to the recent understanding by the State Attorney General regarding the State's responsibility in this case. The decision of the 49th Labor Court currently applies to 5,528 beneficiaries. The State Finance Department continues directly paying 794 benefits established by State Law No. 4819/58.*

*CTEEP is still endeavoring to change the decision of the 49th Labor Court so as to return the responsibility for the pension plan benefit payments established by State Law No. 4,819/58 to the State Finance Department. CTEEP confirms its legal department's understanding that expenses derived from State Law No. 4,819/58 and respective regulations are the full responsibility of the State Finance Department, and is analyzing the applicable actions to protect the Company's interests."*

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**(iii) February 24, 2006**

*"CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in accordance with CVM Instruction No. 358/2002, announces, supplementing the information included in the Significant Event Notice of January 27, 2006, that the State Finance Department transferred to CTEEP in February 2006 the amount of R\$ 12,802 to comply with the decision of the 49th Labor Court of São Paulo, which ruled that Fundação CESP must process the pension plan benefit payments established by State Law No. 4819/58 using the funds received from the State of São Paulo and transferred by CTEEP. In February, CTEEP's total expenditure to comply with said court decision was R\$ 19,652.*

*CTEEP continues its efforts to change the decision of the 49th Labor Court so as to return the responsibility for the pension plan benefit payments established by State Law No. 4819/58 to the State Finance Department, and to adopt other actions to protect the Company's interests."*

**b) Decision of the 49th Labor Court of São Paulo**

On May 2, 2006, the 49th Labor Court of São Paulo rendered a decision on the above-mentioned lawsuit, considering valid, in part, the claim at issue and maintaining the effects of the early relief previously granted (Significant Event Notice of July 19, 2005), in addition to ordering the payment of amounts falling due. On May 8, 2006, CTEEP filed appeals requesting clarification of the decision and amendment of certain aspects thereof.

The decision of the Superior Court of Justice issued on June 19, 2006, declaring that the State Court System has authority to judge the labor claims filed with the Labor Court directly seeking the amounts established by State Law No. 4819/58, annulled the decision of the 49th Labor Court of São Paulo and ordered that the case be submitted to an administrative court of the State Finance Department. As a result of the decision of the Superior Court of Justice, the amounts established by State Law No. 4819/58 will once again be paid directly by the São Paulo State Finance Department and no longer by Fundação CESP through transfer from CTEEP as occurred in accordance with the decision of the 49th Labor Court of São Paulo, now annulled.

On June 28, 2006, the Superior Court of Justice granted an injunction to suspend the effects of the decision rendered by the same court on the conflict of jurisdiction on June 19, 2006. According to the notification received by CTEEP on June 30, 2006, the decision of the 49th Labor Court of São Paulo, which ordered the payment of pension plan benefits as per State

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

Law No. 4819/58 by Fundação CESP, using cash resources from the State of São Paulo transferred by CTEEP, shall prevail.

**c) Current situation**

As a result of the aforementioned facts and by force of said decision of the 49th Labor Court of São Paulo, as well as the decision of the Superior Court of Justice, CTEEP passed on to Fundação CESP, in the period of September 2005 to March 2008, the amount of R\$ 666,028 for payment of benefits under State Law No. 4819/58, having received from the State Finance Department the amount of R\$ 451,240 for that purpose. The difference between the amount passed on to Fundação CESP and the amount reimbursed by the State Finance Department, of R\$ 214,788, is being claimed by CTEEP at the administrative level (Note 7 (ii)).

On October 20, 2005, CTEEP received from the State Attorney General a copy of that agency's statement, dated October 6, 2005, regarding the consultation by the State Finance Department on the scope of said court decisions. In this statement, the State Attorney General concludes that the decision of the 49th Labor Court of São Paulo applies subjectively to the State Finance Department, which is the defendant in the claim. Accordingly, the State Attorney General concluded that "in the current scenario, the State Finance Department is liable for the full reimbursement of the amounts disbursed by CTEEP for compliance with the court decision regarding labor claim No. 1145/2005-6, in progress at the 49th Labor Court of São Paulo". On the other hand, in the same statement, the State Attorney General concludes that the decision issued by the Regional Labor Court, whose effects are suspended by the injunction obtained as a result of the Claim for Correction, does not fully apply to the State Finance Department, which was removed from the lawsuit at the plaintiff Union's request. In this case, the State Finance Department should, according to the State Attorney General, reimburse CTEEP, observing the strict limits of State Law No. 4819/58, excluding possible benefits, established by the related regulation, that surpass or that are in conflict with the specific legislation.

In view of the Significant Event Notices above, the State Attorney General, by Official Letter No. 01, dated February 10, 2006, and respective Technical Note No. 01/06, changed its prior understanding, which was in effect through December 2005 for purposes of transfer of funds to CTEEP to comply with the decision of the 49th Labor Court of São Paulo. According to the current understanding of the State Attorney General, the State Finance Department must disallow certain transfers to CTEEP for purposes of transfer to Fundação CESP to comply with said court decision.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

According to the Significant Event Notices mentioned above, CTEEP continues its efforts to change the decision of the 49th Labor Court of São Paulo so as to return the responsibility for the pension plan benefit payment established by State Law No. 4819/58 to the State Finance Department. CTEEP also confirms its legal department's understanding that the expenses arising from State Law No. 4819/58 and respective regulation are the full responsibility of the State Finance Department and is analyzing additional actions to protect the Company's interests. The Company records these disallowances as "Accounts receivable - São Paulo State Finance Department" (Note7).

## **32 Corporate Restructuring**

**During 2007 and first quarter of 2008, the Company and CTEEP issued the following significant notices:**

**(a) On May 14, 2007:**

"CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in compliance with the provisions of CVM Instruction 358/02 and with the provision of paragraph 4 of article 157, of Law 6404/76, communicates to its shareholders and investors in general that, on April 23, 2007, it entered into an Association Agreement the parties of which are, Interconexión Eléctrica S.A. E.S.P. (ISA), Interligação Elétrica de Minas Gerais S.A. (IEMG) and CTEEP, and, on the other hand Control y Montajes Industriales S.A. (CYMI) and Cymi Holding S.A. (CHSA) ("Association Agreement"). The Association Agreement objective is: (i) the transfer of IEMG control to CTEEP and to CHSA; and (ii) the participation of CTEEP and CYMI, as controlling shareholders of Albufera Projetos e Serviços Ltda. ("APS"), company that will carry out the construction of the transmission line object of the mentioned Concession Agreement. The validity of the Association Agreement is subject to the approval of the National Electric Energy Agency - ANEEL and to the conclusion of the negotiations related to the IEMG and APS shareholders agreement. IEMG, company controlled by ISA, is awardee of the Concession Contract for the exploitation of public service of transmission related to the Transmission Line Neves 1 - Mesquita, in 500 kV, located in the State of Minas Gerais, according to Auction 005/2006, promoted by ANEEL. On the other hand, ISA is the present controlling shareholder of CTEEP, through ISA Capital do Brasil S.A."

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**(b) On July 23, 2007:**

"The managements of ISA Capital do Brasil S.A. ("ISA Brasil"), ISA Participações do Brasil Ltda. ("ISA Participações") and CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in compliance with the provisions of CVM Instruction No. 358, of January 3, 2002, as amended by CVM Instruction No. 449, of March 15, 2007, publicly inform that they will submit to the appreciation, deliberation and approval, as applicable, of the National Electric Energy Agency ("ANEEL") and, subsequently, of their shareholders and quotaholders the following corporate restructuring process:

- (i) *ISA Brasil is the current controlling stockholder of CTEEP and the holder of the goodwill paid in the process for the acquisition of the share control in the mentioned company ("Goodwill"). ISA Brasil is also the controlling stockholder of ISA Participações.*
- (ii) *The restructuring process comprises the contribution, by ISA Brasil, of the shares held in the capital of CTEEP to the capital of ISA Participações. Subsequently, ISA Participações will be merged into CTEEP and, as a result of this transaction, the Goodwill will be transferred to CTEEP.*
- (iii) *There will be no transfer of the share control in CTEEP as a result of the intended restructuring.*
- (iv) *The managements of the companies involved understand that the current corporate restructuring will allow for better capitalization and cash flow conditions in CTEEP, as a result of the tax saving generated by the amortization of the Goodwill.*
- (v) *The transaction will be implemented in a manner not to cause the transfer of any debts or liabilities and to avoid any adverse impacts on future flows of dividends to the shareholders of CTEEP. The tax benefit portion will be capitalized in favor of ISA BRASIL, under the terms of Article 7 of CVM Instruction No. 319, of December 3, 1999.*

**(c) On February 12, 2008:**

"The managements of ISA Capital do Brasil S.A. ("ISA Brasil"), ISA Participações do Brasil Ltda. ("ISA Participações") and CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in compliance with the provisions of CVM Instruction No. 319 and subsequent amendments, publicly inform the justifications and the conditions of the corporate restructuring which will be implemented, as follows:

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

***The objectives of the restructuring:***

*The managements of the companies involved understand that the current corporate restructuring will allow for better capitalization and cash flow conditions in CTEEP, as a result of the tax saving generated by the amortization of the goodwill existing in ISA Participações.*

***The restructuring:***

*ISA Participações will be extinguished by merger. Once the merger is approved, the quotas of ISA Participações will be cancelled and, in return, ISA Brasil will receive CTEEP common shares in the same number and type of shares previously held by ISA Participações in CTEEP.*

*Net assets to be merged are comprised of 55,924,465 common shares of CTEEP, the goodwill paid upon the acquisition of these shares and the provision determined by Art. 6, Item 1 of CVM Instruction 319. Net assets to be merged, based on their book value on February 11, 2008, amount to approximately R\$ 1,674 million.*

*The merger of ISA Participações net assets into CTEEP will not result in capital increase. The goodwill and the corresponding provision will be recorded in the deferred charges account and the net value (goodwill less provision) recorded in a goodwill special reserve account, included in CTEEP's shareholders' equity.*

*Pursuant to the terms of Art. 7 of CVM Instruction 319, the merger protocol will establish the right of ISA Brasil to receive new CTEEP common shares, always observing the right of preference of the other shareholders. The new shares will be paid through the capitalization of portions of the goodwill special reserve, at the end of each year, to the extent by which CTEEP earns tax benefits corresponding to the amortization of deferred charges (goodwill).*

***Additional information:***

*Preceding Actions - the present restructuring was preceded by the transfer of shares and goodwill held by ISA Brasil in CTEEP to ISA Participações.*

*Previous Approval - the present restructuring was approved by ANNEL, pursuant to the terms of the Authorizing Resolution 1164/2007, as well as by the Board of Directors of ISA Brasil and the Board of Directors and the Fiscal Council of CTEEP.*

*Corporate approvals - the restructuring operation herein proposed is subject to the approval of CTEEP extraordinary shareholders meeting, as well as of the ISA Participações quotaholder.*

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

*Benefits - the goodwill to be transferred to CTEEP is based on expected future profitability and originates from the privatization of CTEEP, when ISA Brasil acquired the controlling common shares of this company from the State of São Paulo. Based on current tax law, and taking into consideration the overall remaining period up to the final concession term, the goodwill to be amortized and the tax benefit to be used in CTEEP are estimated at R\$ 682 million and R\$ 232 million, respectively.*

*Rights, Votes and Dividends - there will be no change in voting rights, dividends distribution, and ownership rights of CTEEP's shareholders, in comparison with the political and equity advantages of CTEEP shareholders existing before the corporate restructuring herein described.*

*Exchange Ratio and Appraisal Reports of Shareholders' Equity at Market Prices - not applicable. The current restructuring does not involve any other asset or liability other than those mentioned above; does not provide for capital reduction or increase; maintains the proportional investment of all shareholders and does not involve minority shareholders in the merger of ISA Participações (see CVM Processes RJ 2007-2920, 2007-3465, 2005/7838, 2005-7750, 2005-9849 and 2004-2040).*

*Right to Withdraw - the approval of the resolutions referring to the merger will not give to the dissident shareholders the right to withdraw, pursuant to the provisions of Article 137 of Law 6404 of December 15, 1976.*

*CTEEP capital - the fully subscribed and paid-up capital of CTEEP, before and after the current restructuring, is R\$ 462,000,000.00, divided into 149,285,034 shares, being 62,558,662 common shares and 86,726,372 preferred shares, all nominative, book-entry and with no par value.*

*Liabilities - no debt or liability will be transferred to CTEEP due to this restructuring. The only liability is the provision for the maintenance of the shareholders' equity integrity. The purpose of this provision is to preserve the dividend flow of the non-controlling stockholders of CTEEP, in accordance with the provisions of Article 16 of CVM Instruction 319.*

*Changes in Assets - the changes in assets between the base date and the corresponding corporate actions resolution dates will be reflected in CTEEP's accounting books, in accordance with the transferred net assets.*

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

*Appraisers - the specialist companies PricewaterhouseCoopers Auditores Independentes and Deloitte, Touche, Tohmatsu Consultores S/C Ltda. are responsible for the accounting appraisal report of ISA Participações and the economic report of CTEEP, respectively, to support the goodwill for tax purposes. The companies contracted are independent in relation to the companies which are the object of the restructuring, in accordance with the independent audit standards of the National Accounting Council (CFC). The contracting of PricewaterhouseCoopers Auditores Independentes is subject to the approval of the CTEEP Shareholders General Meeting, as well as of the ISA Participações quotaholder.*

*Costs - the estimated cost of the current restructuring, which will be covered by ISA Brasil, is approximately R\$ 660 thousand and comprises, mainly, expenses related to the rendering of financial, accounting and legal advisory services.*

*Information - all information used by the companies for the planning, evaluation, promotion and execution of the corporate restructuring will be made available to the shareholders from this date onwards, over 15 days, at the headquarters of CTEEP, located at Rua Casa do Ator, 1155, 12<sup>th</sup> floor, Vila Olímpia, CEP 04546-004, City of São Paulo, State of São Paulo, from Monday to Friday, from 9:00 to 12:00 am and 2:00 to 5:00 pm. Access to documents and information will be allowed to the CTEEP shareholders who present a statement containing the corresponding shareholding, issued 2 days earlier, at most."*

**33 Subsequent Event**

At the Extraordinary General Meeting held on April 9, 2008, CTEEP Board of Directors decided on the distribution of dividends to the shareholders in the amount of R\$ 67,000, corresponding to R\$ 0.448806 per share, the payment of which will be on April 18, 2008. Of this total the Company was entitled to the amount of R\$ 25,099.

<b>01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - National Corporate Taxpayers' Registry (CNPJ)</b>
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

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**EXECUTIVE DIRECTORS**

FERNANDO AUGUSTO ROJAS PINTO  
President

CRISTIAN RESTREPO HERNANDEZ  
Finance and Investor Relations Officer

**BOARD OF DIRECTORS**

LUÍS FERNANDO ALARCÓN MANTILLA  
President

FERNANDO AUGUSTO ROJAS PINTO  
Vice-President

GUIDO ALBERTO NULE AMIN

CÉSAR AUGUSTO RAMIREZ ROJAS

**ACCOUNTANT**

MANOEL CARLOS V. CORONADO  
CRC - 1SP139250/O-1

\* \* \*

<b>01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - National Corporate Taxpayers' Registry (CNPJ)</b>
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**05.01 - Comments on Company Performance During the Quarter**  
**(In thousands of reais unless otherwise indicated)**

The objective of the Company includes holding equity interests in other companies or ventures, as a partner or shareholder, joint-venture partner or consortium member, or any other type of business cooperation.

In the first quarter of 2008, the Company incurred Operating Expenses of R\$ 1,756, a reduction of 17.52% in relation to the amount incurred in the same period of the prior year.

The revenue from Equity in the Earnings of investees in the quarter was R\$ 76,491 arising from the investment of 37.45% in the capital of the subsidiary CTEEP.

The negative Financial Result was R\$ 48,046 and, during the same period of the prior year, the negative result was R\$ 61,385.

Accordingly, the Operating Result obtained in the first quarter of 2008 was R\$ 26,689. As there were no non-operating transactions and the Company did not incur Income Tax and Social Contribution payable, and also considering the reversal of interest on own capital of R\$ 23,050, the net income for the first quarter of 2008 is R\$ 3,639.

Also during the first quarter, the Company was credited with R\$ 87 million as profits distributed by its subsidiary CTEEP, of which R\$ 64 million was distributed in January, as dividends, and R\$ 23 million in March, as interest on own capital.

On February 12, the Company paid to JP Morgan and ABN Amro Bank R\$ 155 million, pursuant to the clause of Recouping Partial Payment provided for in the Hedge contracts. Due to this payment and in accordance with the rules established for derivative transactions, these contracts were replaced by new contracts containing new rates and conditions, as described in Note 16 (a).

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

### 06.01 - Consolidated Balance Sheet - Assets (R\$ thousand)

Code	Description	3/31/2008	12/31/2007
1	Total assets	5,989,658	6,051,181
1.01	Current assets	563,940	662,940
1.01.01	Available funds	200,313	254,830
1.01.02	Receivables	262,783	216,399
1.01.02.01	Trade accounts receivable	262,783	216,399
1.01.02.02	Sundry receivables	0	0
1.01.03	Inventories	32,759	31,881
1.01.04	Other	68,085	159,830
1.01.04.01	Amounts receivable - São Paulo State Finance Department	16,652	16,030
1.01.04.02	Deferred income tax and social contribution	6,263	8,224
1.01.04.03	Taxes and contributions to be offset	17,568	69,101
1.01.04.04	Pledges and restricted deposits	524	41,767
1.01.04.05	Prepaid expenses	12,335	6,644
1.01.04.06	Other	14,743	18,064
1.02	Non-current assets	5,425,718	5,388,241
1.02.01	Long-term receivables	594,292	558,750
1.02.01.01	Sundry receivables	40,962	52,430
1.02.01.01.01	Customers	40,962	52,430
1.02.01.02	Related parties	45,955	45,705
1.02.01.02.01	Associated and similar companies	0	0
1.02.01.02.02	Subsidiaries	45,955	45,705
1.02.01.02.03	Other related parties	0	0
1.02.01.03	Other	507,375	460,615
1.02.01.03.01	Taxes recoverable	0	0
1.02.01.03.02	Amounts receivable - São Paulo State Finance Department	344,809	321,953
1.02.01.03.03	Deferred income tax and social contribution	85,559	60,805
1.02.01.03.04	Pledges and restricted deposits	50,578	49,794
1.02.01.03.05	Prepaid expenses	19,749	20,507
1.02.01.03.06	Other	6,680	7,556
1.02.02	Permanent assets	4,831,426	4,829,491
1.02.02.01	Investments	1	1
1.02.02.01.01	In associated and similar companies	0	0
1.02.02.01.02	In associated and similar companies - goodwill	0	0
1.02.02.01.03	In subsidiaries	0	0
1.02.02.01.04	In subsidiaries - goodwill	0	0
1.02.02.01.05	Other investments	1	1
1.02.02.02	Property, plant and equipment	4,103,007	4,079,198
1.02.02.03	Intangible assets	725,833	747,035
1.02.02.04	Deferred charges	2,585	3,257

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

### 06.02 - Consolidated Balance Sheet - Liabilities and Shareholders' Equity (R\$ thousand)

Code	Description	3/31/2008	12/31/2007
2	Total liabilities and shareholders' equity	5,989,658	6,051,181
2.01	Current liabilities	437,768	452,355
2.01.01	Loans and financing	202,968	187,440
2.01.02	Debentures	0	0
2.01.03	Suppliers	32,631	29,318
2.01.04	Taxes, charges and contributions	70,708	98,180
2.01.04.01	Taxes and social charges payable	37,613	65,058
2.01.04.02	Regulatory charges payable	33,095	33,122
2.01.05	Dividends payable	42,386	27,757
2.01.05.01	Interest on own capital/dividends payable	42,386	27,757
2.01.06	Provisions	30,936	46,627
2.01.07	Payables to related parties	0	0
2.01.08	Other	58,139	63,033
2.01.08.01	Amounts payable - Law 4819/58 - São Paulo State Finance Department	5,838	5,838
2.01.08.02	Amounts payable - Law 4819/58 - Public share offering	3,680	3,680
2.01.08.03	Amounts payable - Private pension - Fundação Cesp	5,382	13,529
2.01.08.04	Insurance payable	1,900	4,401
2.01.08.05	Other	41,339	35,585
2.02	Non-current liabilities	2,361,177	2,406,445
2.02.01	Long-term liabilities	2,281,913	2,322,935
2.02.01.01	Loans and financing	1,641,530	1,658,146
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	175,247	181,613
2.02.01.04	Payables to related parties	0	0
2.02.01.05	Advance for future capital increase	0	0
2.02.01.06	Other	465,136	483,176
2.02.01.06.01	Amounts payable - Law 4819/58 - São Paulo State Finance Department	196,139	192,657
2.02.01.06.02	Amounts payable - Law 4819/58 - Public share offering	122,962	120,779
2.02.01.06.03	Amounts payable - Private pension - Fundação Cesp	113,654	129,022
2.02.01.06.04	Special liabilities - reversal/ amortization	24,053	24,053
2.02.01.06.05	Other	8,328	16,665
2.02.02	Deferred income	79,264	83,510
2.03	Minority interest	2,464,218	2,469,525
2.04	Shareholders' equity	726,495	722,856
2.04.01	Paid-up capital	828,267	828,267
2.04.02	Capital reserves	0	0
2.04.03	Revaluation reserves	0	0
2.04.03.01	Own assets	0	0
2.04.03.02	Subsidiary, associated and similar companies	0	0
2.04.04	Revenue reserves	0	0
2.04.04.01	Legal	0	0
2.04.04.02	Statutory	0	0
2.04.04.03	Contingencies	0	0
2.04.04.04	Unrealized profits	0	0
2.04.04.05	Retention of profits	0	0
2.04.04.06	Special for undistributed dividends	0	0
2.04.04.07	Other revenue reserves	0	0
2.04.05	Retained earnings/accumulated deficit	(101,772)	(105,411)
2.04.06	Advance for future capital increase	0	0

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075.006/0001-30

**07.01 - Consolidated Statement of Operations (R\$ thousand)**

Code	Description	01/01/2008 to 3/31/2008	01/01/2008 to 3/31/2008	01/01/2007 to 3/31/2007	01/01/2007 to 3/31/2007
3.01	Gross sales and/or service revenues	431,048	431,048	361,043	361,043
3.01.01	Revenues from electricity network usage	427,340	427,340	357,400	357,400
3.01.02	Other revenues	3,708	3,708	3,643	3,643
3.02	Deductions from gross revenues	(55,432)	(55,432)	(58,666)	(58,666)
3.02.01	COFINS	(17,056)	(17,056)	(14,833)	(14,833)
3.02.02	PIS	(3,698)	(3,698)	(3,217)	(3,217)
3.02.03	Fuel Consumption Account (CCC)	(8,042)	(8,042)	(17,683)	(17,683)
3.02.04	Energy Development Account (CDE)	(8,826)	(8,826)	(10,662)	(10,662)
3.02.05	Global Reversion Reserve (RGR)	(10,833)	(10,833)	(8,926)	(8,926)
3.02.06	Research and Development (P&D)	(3,594)	(3,594)	(2,757)	(2,757)
3.02.07	Program for the Incentive of the Alternative Sources of Electric Energy (PROINFA)	(2,611)	(2,611)	(3)	(3)
3.02.08	Other charges	(716)	(716)	2,463	2,463
3.02.09	Services Tax (ISSQN)	(56)	(56)	(51)	(51)
3.03	Net sales and/or service revenues	375,616	375,616	302,377	302,377
3.04	Cost of sales and/or services	(68,125)	(68,125)	(96,348)	(96,348)
3.05	Gross profit	307,491	307,491	206,029	206,029
3.06	Operating income/ expenses	(138,103)	(138,103)	(29,238)	(29,238)
3.06.01	Selling	0	0	0	0
3.06.02	General and administrative	(20,258)	(20,258)	(36,079)	(36,079)
3.06.02.01	Management fees	(408)	(408)	(211)	(211)
3.06.02.02	Other general and administrative expenses	(19,850)	(19,850)	(35,868)	(35,868)
3.06.03	Financial	(117,845)	(117,845)	6,841	6,841
3.06.03.01	Financial income	66,319	66,319	147,129	147,129
3.06.03.02	Financial expenses	(184,164)	(184,164)	(140,288)	(140,288)
3.06.04	Other operating income	0	0	0	0
3.06.05	Other operating expenses	0	0	0	0
3.06.06	Equity in the results of subsidiary	0	0	0	0
3.07	Operating results	169,388	169,388	176,791	176,791
3.08	Non-operating results	2,864	2,864	81,258	81,258
3.08.01	Income	2,791	2,791	10,966	10,966
3.08.02	Expenses	73	73	70,292	70,292
3.09	Result before taxation/ profit sharing	172,252	172,252	258,049	258,049

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075.006/0001-30

Code	Description	01/01/2008 to 3/31/2008	01/01/2008 to 3/31/2008	01/01/2007 to 3/31/2007	01/01/2007 to 3/31/2007
3.10	Provision for income tax and social contribution	(83,328)	(83,328)	(1,663)	(1,663)
3.11	Deferred income tax	22,792	22,792	(92,435)	(92,435)
3.12	Statutory profit sharing/ contributions	(146,558)	(146,558)	(142,253)	(142,253)
3.12.01	Profit sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on own capital	38,481	38,481	0	0
3.14	Minority interest	0	0	0	0
3.15	Net income (loss) for the period	3,639	3,639	21,698	21,698
	NUMBER OF SHARES, EXCLUDING TREASURY STOCK (Units)	828,267,200	828,267,200	828,267,200	828,267,200
	NET INCOME PER SHARE (Reais)	0.00000	0.00000	0.00003	0.00003
	LOSS PER SHARE (Reais)				

<b>01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - National Corporate Taxpayers' Registry (CNPJ)</b>
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**08.01 - Comments on Consolidated Performance During the Quarter**  
**(In thousands of reais unless otherwise indicated)**

The subsidiary CTEEP's main source of revenues is the use of its transmission system by the electric power public service concessionaires and agents of the sector, whose annual tariffs were adjusted through Authorizing Resolution RH/ANEEL 496/07, effective up to June 30, 2008, and linked to the facilities of the Basic Network and Other Transmission Facilities.

In this first quarter, the Gross Operating Revenue totaled R\$ 431,048, which, after the deductions of direct taxes and charges, resulted in a Net Operating Revenue of R\$ 375,616. In comparison with the same period of the prior year, it increased 24.22%

The Gross Profit for the quarter was R\$ 307,491, or 81.86% of Net Operating Revenue. In comparison with the same period of the prior year, there was an increase of 49.25%.

The EBITDA in this first quarter was R\$ 331,419, a margin of 88.23% on Net Operating Revenue. In the same period of the previous year, the EBITDA accounted for 70.26% of the Net Operating Revenue.

The Financial Result was negative by R\$ 117,845 in the quarter. Therefore, the Operating Profit obtained was R\$ 169,388.

Taking into consideration the positive Non-Operating Result of R\$ 2,864, the net Provision for Income Tax and Social Contribution of R\$ 60,536, a Profit of R\$ 111,716 was recorded before the minority interest.

After the deduction of minority interest, amounting to R\$ 146,558, which accounts for 62.54% of the total capital of the subsidiary CTEEP, and the reversal of Interest on Own Capital amounting to R\$ 38,481, Net Income for the first quarter was R\$ 3,639.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**09.01 - Investments in Subsidiary and/or Associated Companies**

1 - ITEM	2 - NAME OF THE SUBSIDIARY/ASSOCIATED COMPANY	3 - National Corporate Taxpayers' Registry (CNPJ)	4 - CLASSIFICATION	5 - % HOLDING IN THE CAPITAL OF THE INVESTEE	6 - % OF THE EQUITY OF THE INVESTOR
7 - TYPE OF COMPANY		8 - NUMBER OF SHARES HELD IN THE CURRENT QUARTER (thousands)	9 - NUMBER OF SHARES HELD IN THE PREVIOUS QUARTER (thousands)		
02	CTEEP - CIA. TRANS. E ELÉTRICA PAULISTA	02.998.611/0001-04	PUBLIC SUBSIDIARY	37.46	0.00
COMMERCIAL, INDUSTRIAL AND OTHER			55,924,465		55,924,465

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

### 16.01 - Other Information the Company Considers Relevant

1) Shareholdings, by type and class, of all those who hold, directly or indirectly, more than 5% of each type and class of the Company's shares, down to the level of individuals:

<b>Shareholders</b>	<b>March 31, 2008</b>					
	<b>Common</b>		<b>Preferred</b>		<b>Total</b>	
	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>
<b>ISA Interconexión Eléctrica S.A.</b>						
Ministério de Hacienda Y						
Crédito Público	569,472,561	52.08			569,472,561	52.08
Empresa Pública de Medellín	109,350,775	10.00			109,350,775	10.00
Empresa Colombiana de						
Petróleos - ECOPETROL	58,925,480	5.39			58,925,480	5.39
Treasury	17,820,122	1.63			17,820,122	1.63
Other	337,912,558	30.90			337,912,558	30.90
	<b>1,093,481,496</b>	<b>100.00</b>			<b>1,093,481,496</b>	<b>100.00</b>
<b>Empresa Pública de Medellín</b>						
Municipality of Medellín	4,223,308	100.00			4,223,308	100.00
Other	4	0.00			4	0.00
	<b>4,223,312</b>	<b>100.00</b>			<b>4,223,312</b>	<b>100.00</b>
<b>Empresa Colombiana de</b>						
<b>    Petróleos - ECOPETROL</b>						
Ministério da Hacienda Y						
Crédito Público	3,008,720	100.00			3,008,720	100.00
Other	8	0.00			8	0.00
	<b>3,008,728</b>	<b>100.00</b>			<b>3,008,728</b>	<b>100.00</b>

### 2) Corporate restructuring

As widely disclosed to the market through Significant Event Notices of July 23, 2007 and February 12, 2008, on February 28, 2008 (Note 32 (b) and (c)), the corporate restructuring involving the Company, ISA Participações do Brasil Ltda. and CTEEP was concluded. The objective of the corporate restructuring, which was previously approved by ANEEL through its Resolution No. 1164 of December 18, 2007, is to improve capitalization and cash flow conditions by using the tax benefit in CTEEP to amortize the goodwill arising from the Company acquisition of CTEEP share control, as provided for in CVM Instruction No. 319/99 and later amendments. The main events of the restructuring process are as follows:

- a) On January 30, 2008, the Company made a capital contribution to ISA Participações with the conveyance of shares held in CTEEP's capital;
- b) On February 11, 2008, ISA Participações recorded a provision of R\$ 450,363, corresponding to 66% of the goodwill balance at January 31, 2008, of R\$ 682,368, resulting in the net value of R\$ 232,005 denominated tax benefit; and

<b>01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - National Corporate Taxpayers' Registry (CNPJ)</b>
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

### **16.01 - Other Information the Company Considers Relevant**

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- c) On February 28, 2008, the net assets of ISA Participações, amounting to R\$ 232,005, was merged into CTEEP. This amount represented the said tax benefit value, which, in accordance with CVM Instruction No. 319/99, was recorded by CTEEP in the "Deferred income tax and social contribution" account as a corresponding entry to the Goodwill Special Reserve account in Shareholders' equity.

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

### **17.01 - Report on the Special Review - Without Exceptions**

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To the Board of Directors and Shareholders  
ISA Capital do Brasil S.A.

- 1 We have reviewed the accounting information included in the Quarterly Information (ITR - individual and consolidated) of ISA Capital do Brasil S.A., for the quarter ended March 31, 2008, comprising the balance sheet, the statement of income, the performance report and the explanatory notes. This Quarterly Information is the responsibility of the Company's management.
- 2 Our review was carried out in conformity with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON) in conjunction with the Federal Accounting Council (CFC) and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information and (b) a review of the significant information and of the subsequent events which have, or could have, significant effects on the financial position and operations of the Company.
- 5 Based on our review, we are not aware of any material modifications that should be made to the Quarterly Information referred to above in order that it be stated in accordance with the rules issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information, including Instruction 469 of May 2, 2008.
- 4 As mentioned in Note 2, Law No. 11638 was enacted on December 28, 2007 and is effective as from January 1, 2008. This law amended, revoked and introduced new provisions to Law No. 6404/76 (Brazilian Corporation Law) and changed the accounting practices adopted in Brazil. Although the mentioned law is already effective, the main changes introduced by it depend on regulations to be issued by the regulatory agencies for them to be implemented by the companies. Accordingly, during this phase of transition, the CVM, through its Instruction 469/08, did not require the implementation of all the provisions of Law 11638/07 in the

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

### **17.01 - Report on the Special Review - Without Exceptions**

preparation of the Quarterly Information. As a result, the accounting information included in the Quarterly Information for the quarter ended March 31, 2008 was prepared in accordance with specific CVM instructions and does not contemplate all the changes in accounting practices introduced by Law 11638/07.

- 5 As described in Note 31, in accordance with the decision of the 49th Labor Court of the State of São Paulo, as from September 2005, Fundação CESP started to process the complementary pension plan beneficiary's payroll ruled by Law 4819/58, with funds transferred by CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in the same manner as carried out until December 2003. In January 2006, the Attorney-General of the State of São Paulo started to understand that the responsibility of the State Government is restricted to the state legal limits determined for retirement benefit payments. From this date onwards, The State Government started to disallow a portion of the funds transferred to the Company. The Company's management, supported by its legal advisors, understands the responsibility for the payment of benefits related to this complementary pension plan is the full responsibility of the State Government; accordingly, it does not record in the Company's financial statements any liability referring to this plan.
- 6 The Quarterly Information mentioned in the first paragraph also includes comparative accounting information referring to the result for the quarter ended March 31, 2007. The limited review of the Quarterly Information for the first quarter of 2007 was conducted under the responsibility of other independent accountants, who issued an unqualified report on April 20, 2007, with matter of emphasis paragraphs related to (i) the decision of the 49<sup>th</sup> Labor Court about the pension plan payroll processing ruled by Law 4819/58; (ii) the provisional readjustment of the Allowed Annual Revenue (RAP) for the tariff cycles of July 2005 to June 2006 and from July 2006 to June 2007; and (iii) the voluntary restatement of the Quarterly Information related to the quarter ended March 31, 2007 with the objective of adapting the accounting practices used for the evaluation of financial instruments.

São Paulo, May 15, 2008

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Sérgio Eduardo Zamora  
Contador CRC 1SP168728/O-4

01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**SUBSIDIARY/ASSOCIATED COMPANY**

COMPANY NAME  
CTEEP CIA TRANSM ENERGIA ELÉTR PAULISTA

**18.01 - STATEMENT OF INCOME OF THE SUBSIDIARY/ASSOCIATED COMPANY (R\$ thousand)**

Code	Description	01/01/2008 to 3/31/2008	01/01/2008 to 3/31/2008	01/01/2007 to 3/31/2007	01/01/2007 to 3/31/2007
3.01	Gross sales and/or service revenues	431,048	431,048	361,043	361,043
3.01.01	Revenues from electricity network usage	427,340	427,340	357,400	357,400
3.01.02	Other revenues	3,708	3,708	3,643	3,643
3.02	Deductions from gross revenues	(55,432)	(55,432)	(58,666)	(58,666)
3.02.01	COFINS	(17,056)	(17,056)	(14,833)	(14,833)
3.02.02	PIS	(3,698)	(3,698)	(3,217)	(3,217)
3.02.03	Fuel Consumption Account (CCC)	(8,042)	(8,042)	(17,683)	(17,683)
3.02.04	Energy Development Account (CDE)	(8,826)	(8,826)	(10,662)	(10,662)
3.02.05	Global Reversion Reserve (RGR)	(10,833)	(10,833)	(8,926)	(8,926)
3.02.06	Research and Development (P&D)	(3,594)	(3,594)	(2,757)	(2,757)
3.02.07	Program for the Incentive of the Alternative Sources of Electric Energy (PROINFA)	(2,611)	(2,611)	(3)	(3)
3.02.08	ISSQN	(56)	(56)	(51)	(51)
3.02.09	Regulatory assets	0	0	2,463	2,463
3.02.10	Other charges	(716)	(716)	0	0
3.03	Net sales and/or service revenues	375,616	375,616	302,377	302,377
3.04	Cost of sales and/or services	(68,125)	(68,125)	(96,348)	(96,348)
3.05	Gross profit	307,491	307,491	206,029	206,029
3.06	Operating income/ expenses	(88,301)	(88,301)	34,276	34,276
3.06.01	Selling	0	0	0	0
3.06.02	General and administrative	(18,502)	(18,502)	(33,950)	(33,950)
3.06.02.01	Management fees	(45)	(45)	(53)	(53)
3.06.02.02	Other general and administrative expenses	(18,457)	(18,457)	(33,897)	(33,897)
3.06.03	Financial	(69,799)	(69,799)	68,226	68,226
3.06.03.01	Financial income	12,731	12,731	72,199	72,199

<b>01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - National Corporate Taxpayers' Registry (CNPJ)</b>
02042-7	ISA CAPITAL DO BRASIL S.A.	08.075006/0001-30

**SUBSIDIARY/ASSOCIATED COMPANY**

COMPANY NAME  
CTEEP CIA TRANSM ENERGIA ELÉTR PAULISTA

**18.01 - STATEMENT OF INCOME OF THE SUBSIDIARY/ASSOCIATED COMPANY (R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>01/01/2008 to 3/31/2008</b>	<b>01/01/2008 to 3/31/2008</b>	<b>01/01/2007 to 3/31/2007</b>	<b>01/01/2007 to 3/31/2007</b>
3.06.03.02	Financial expenses	(82,530)	(82,530)	(3,973)	(3,973)
3.06.04	Other operating income	0	0	0	0
3.06.05	Other operating expenses	0	0	0	0
3.06.06	Equity in the results of subsidiary	0	0	0	0
3.07	Operating results	219,190	219,190	240,305	240,305
3.08	Non-operating results	2,864	2,864	81,258	81,258
3.08.01	Income	2,907	2,907	10,966	10,966
3.08.02	Expenses	(43)	(43)	70,292	70,292
3.09	Result before taxation/ profit sharing	222,054	222,054	321,563	321,563
3.10	Provision for income tax and social contribution	(83,328)	(83,328)	(1,663)	(1,663)
3.11	Deferred income tax	22,792	22,792	(92,435)	(92,435)
3.12	Statutory profit sharing/ contributions	0	0	0	0
3.12.01	Profit sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on own capital	61,531	61,531	0	0
3.15	Net income (loss) for the period	223,049	223,049	227,465	227,465
	NUMBER OF SHARES, EXCLUDING TREASURY STOCK (Units)	149,285	149,285	149,285	149,285
	NET INCOME PER SHARE (Reais)	1.49412	1.49412	1.52370	1.52370
	LOSS PER SHARE (Reais)				

## Index

<b>GROUP</b>	<b>TABLE</b>	<b>DESCRIPTION</b>	<b>PAGE</b>
01	01	Identification	1
01	02	Head Office	1
01	03	Investor Relations Officer (Company Mail Address)	1
01	04	General Information/Independent Accountant	1
01	05	Capital Composition	2
01	06	Characteristics of the Company	2
01	07	Companies Excluded from the Consolidated Financial Statements	2
01	08	Dividends Approved and/or Paid During and After the Quarter	2
01	09	Subscribed Capital and Alterations in the Current Year	3
01	10	Investor Relations Officer	3
02	01	Balance Sheet - Assets	4
02	02	Balance Sheet - Liabilities and Shareholders' Equity	5
03	01	Statement of Operations	6
04	01	Notes to the Quarterly Information	7
05	01	Comments on Company Performance During the Quarter	59
06	01	Consolidated Balance Sheet - Assets	60
06	02	Consolidated Balance Sheet - Liabilities and Shareholders' Equity	61
07	01	Consolidated Statement of Operations	62
08	01	Comments on Consolidated Performance During the Quarter	64
09	01	Investments in Subsidiary and/or Associated Companies	65
16	01	Other Information the Company Considers Relevant	66
17	01	Report on the Special Review - Without Exceptions	68
		CTEEP - Cia. Trans. E. Elétrica Paulista	
18	01	STATEMENT OF INCOME OF THE SUBSIDIARY/ASSOCIATED COMPANY	70