

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

December 23, 2008

**SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 6-K

**REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934**

For November 24, 2008

(Commission File No. 1-31317)

Companhia de Saneamento Básico do Estado de São Paulo - SABESP
(Exact name of registrant as specified in its charter)

Basic Sanitation Company of the State of Sao Paulo - SABESP
(Translation of Registrant's name into English)

**Rua Costa Carvalho, 300
São Paulo, S.P., 05429-900
Federative Republic of Brazil**
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1).

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7).

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b):

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO SABESP

PUBLICLY-HELD COMPANY

Corporate Taxpayer's ID (CNPJ) 43.776.517/0001 -80

MATERIAL FACT

In compliance with CVM Instruction 358, dated January 3, 2002, Companhia de Saneamento Básico do Estado de São Paulo SABESP (Company or SABESP) hereby announces that on November 17, 2008, the Company, the State of São Paulo, through its Finance Secretariat and the Department of Water and Energy, and the Sanitation and Energy Secretariat, as intervening party, executed the Third Amendment (Third Amendment) to the Term of Acknowledgment of Obligations, Payment Commitment and Other Covenants (Gesp Agreement), aiming at setting out the doubts related to the retirement and pension supplementary benefits referred to by Law of the State of São Paulo 4,819, dated August 26, 1958 (Benefits), paid by the Company and not reimbursed by the state government. Main aspects of the Third Amendment are outlined as follows:

- a) The state government acknowledges owes to Sabesp the amount of R\$915.2 million, monetarily restated until September 2008 by IPCA-IBGE, corresponding to the Benefits Undisputed Amount paid until May 2008;
- b) Sabesp accepted on a provisional basis, the Reservoirs of Taiacupeba, Jundiaí, Biritiba, Paraitinga and Ponte Nova as payment of the Undisputed Amount and offered to the state government a provisional settlement, by creating a financial credit of R\$696.2 million corresponding to the value of the Reservoirs, and the final settlement only occur with the effective conveyance of ownership at the appropriate real estate registry office;
- c) the outstanding balance of R\$218.9 million will be initially paid in 114 monthly and consecutive installments, in the amount of R\$1.920 million each, the first installment matures on November 25, 2008;
- d) the state government will monthly reimburse Sabesp the undisputed installment of monthly flow of Benefits which have been paid since June 2008, and calculated based on identical criteria to those applied when calculating the Undisputed Amount;
- e) Benefits Undisputed Amount is the difference between (i) the nominal amount effectively paid by Sabesp and not reimbursed by the state government and (ii) the nominal Undisputed Amount that reached the amount of R\$383.4 million, taking into consideration the Benefits paid until May 2008;
- f) Sabesp will forward to the State Government Attorney's Office PGE a substantiated motion in order to obtain a new examination of discrepancies that gave rise to the Undisputed Amount, and it is worth mentioning that the State Attorney General formally informed the Company about his availability in revaluating such discrepancies.

The full text of the Third Amendment is available on the Sabesp website: www.sabesp.com.br.

São Paulo, November 18, 2008.

Rui de Britto Álvares Affonso

Chief Financial Officer and Investor Relations Officer

