

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

February 24, 2005

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

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**FORM 6-K**

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

**For February 22, 2005**

**(Commission File No. 1-31317)**

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**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)*

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

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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):



**NOTICE TO THE MARKET**

Companhia de Saneamento Básico do Estado de São Paulo - SABESP, headquartered at Rua Costa Carvalho, 300, in the city and State of São Paulo, enrolled with the Corporate Taxpayer's Identification (CNPJ/MF) #43.776.517/0001-80 (the Company), jointly with Banco Santander Brasil S.A., headquartered at Rua Amador Bueno, 474 - Bloco C, 3o andar, in the city and State of São Paulo (Lead Manager), Banco ABN AMRO Real S.A., headquartered at Avenida Paulista, 1374, 3o andar, in the city and State of São Paulo and Unibanco União de Bancos Brasileiros S.A., headquartered at Avenida Eusébio Matoso, 891, 18o andar, in the city and State of São Paulo (jointly with the Lead Manager, the Coordinators) announce that, under the terms of the provisions in Brazilian Securities and Exchange Commission (CVM) Instruction #400, as of December 29, 2003 (CVM Instruction 400/2003), they requested to CVM, on February 11, 2005, to register the public distribution of debentures for the Company's 7th issue (Offering), carried out under the scope of its First Marketable Security Distribution Program (Program), filed with the CVM under #CVM/SRE/PRO/2004/004 on September 17, 2004, with a duration of two (2) years and a limit of one billion, five hundred million Reais (R\$ 1,500,000,000.00).

**The Offering**

The Offering comprises three hundred thousand (300,000) unsecured simple debentures, not convertible into shares (the "Debentures"), with a unit face value of one thousand Reais (R\$1,000.00), totaling three hundred million Reais (R\$300,000,000.00) to be divided into two (2) tranches: two hundred thousand (200,000) Debentures in the 1st Tranche (1st Tranche Debentures) and one hundred thousand (100,000) Debentures in the 2nd Tranche (2nd Tranche Debentures). The 1st Tranche Debentures shall have compensation incurring on their Unit Face Value equivalent to the accrued daily average rates of the one-day DI Interbank Deposits, known as over extra group, calculated and published by CETIP (Clearing House for the Custody and Financial Settlement of Securities) (the DI Rate) and maturity fixed on March 1, 2009. The 2nd Tranche Debentures shall have compensation according to the variation in the IGP-M General Market Price Index, calculated and published by the Fundação Getúlio Vargas (IGP-M) and with maturity fixed on March 1, 2010. The compensation of each tranche shall be defined during the bookbuilding process to be carried out by the Coordinators. The Offering was approved by the Company's Board of Directors at a meeting held on February 16, 2005, the Minutes of which were published by the newspaper Valor Econômico on February 21, 2005 and by the Official Gazette of the State of São Paulo on February 19, 2005 and shall be filed with the Board of Trade of the State of São Paulo.

The Coordinators shall carry out the public distribution of the totality of the Debentures under the scheme of firm commitment of placement. The public placement of the Debentures shall start after the registration of the Offering with the CVM and the publication of the notice of commencement of the Debentures public distribution, without early reservations, minimum or maximum lots, priority being given, irrespective of chronological order, to those investors' proposals intending to subscribe the Debentures and showing the best proposals during the bookbuilding process, and shall be considered as best proposals those offering the lowest rates of compensation to be paid by the Company. It is also desirable that the placement is carried out in such manner to reach the greatest possible distribution and liquidity on the secondary market. From the date of publication of this Notice, the Coordinators shall collect intentions of investment in Debentures, without receiving reservations, under the terms of the Article 44 of CVM Instruction 400/2003.

**Further Information**

The Preliminary Supplement to the Offering and the Definitive Prospectus of the Program are available on the following Internet pages and at the following addresses of the Company and of the Coordinators: (i) Companhia de Saneamento Básico do Estado de São Paulo - SABESP, at Rua Costa Carvalho, 300, in the city and State of São Paulo, and on the Website [www.sabesp.com.br](http://www.sabesp.com.br); (ii) Banco Santander Brasil S.A., at Rua Amador Bueno, 474 - Bloco C, 3o andar, in the city and State of São Paulo, and on the Website [www.santander.com.br](http://www.santander.com.br); Banco ABN AMRO Real S.A., at Avenida Paulista, 1374, 3o andar, in the city and State of São Paulo, and on the Website [www.bancoreal.com.br](http://www.bancoreal.com.br); and Unibanco União de Bancos Brasileiros S.A., at Avenida Eusébio Matoso, 891, 18o andar, in the city and State of São Paulo, and on the Website [www.unibanco.com.br](http://www.unibanco.com.br); (iii) CVM, at Rua Sete de Setembro, 111, 5o andar - Centro de Consultas, Centro, in the city and State of Rio de Janeiro, or at Rua Formosa, 367, 20o andar, Centro, in the city and State of São Paulo, and on the Website [www.cvm.gov.br](http://www.cvm.gov.br); (iv) São Paulo Stock Exchange - BOVESPA, at Rua XV de Novembro, 275, in the city and State of São Paulo, or CETIP - Clearing House for the Custody and Financial Settlement of Securities, at Rua Líbero Badaró, 425, 24o andar, in the city and State of São Paulo.

**READ THE PROSPECTUS AND THE SUPPLEMENT BEFORE ACCEPTING THIS OFFERING.**

The Company and the Coordinators shall hold meetings to present the Offering in the cities of São Paulo and Rio de Janeiro, on February 24 and 25, 2005, respectively.

The information included in the Preliminary Supplement to the Offering shall be analyzed by the CVM, which has not yet issued its opinion, and is subject to additions and changes. The Prospectus and Definitive Supplement will be made available to investors in the form indicated in the paragraph above and delivered to investors during the distribution period.

Further information on the Offering and the Program may be obtained from the Coordinators and the Company. Information on the Offering is detailed in the Preliminary Supplement to the Offering.

Coordinators

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city São Paulo, Brazil.

Date: February 22, 2005

**Companhia de Saneamento Básico do Estado de São Paulo - SABESP**

By:

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Name: Rui de Britto Álvares  
Affonso  
Title: Economic-Financial Officer  
and Investor Relations Officer

**FORWARD-LOOKING STATEMENTS**

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

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