

EQUATORIAL ENERGIA S/A
CNPJ/MF nº 03.220.438/0001-73
NIRE 2130000938-8
A Publicly Traded Company

MANAGEMENT PROPOSAL

To the Shareholders,

Presented below is the Management Proposal for the subjects identified in the agenda for the Company's General Shareholder's Meeting to be held on July 21, 2014.

1. Approval of the Stock Option Purchase Plan

Presented below is Attachment 13 of CVM Instruction 481/09, which contains the principal features of the Company's Stock Option Purchase Plan ("Plan") that is being proposed to the Meeting and that can also be found, in its entirety, at the end of the present Management Proposal, (**Attachment I**).

STOCK BASED COMPENSATION PLAN

ATTACHMENT 13 OF CVM INSTRUCTION 481/09

1. Supply a copy of the proposed plan.

A copy of the proposed Limited Stock Option Plan follows below as Attachment I.

2. Identify the principal characteristics of the proposed plan, such as:

- a) Potential beneficiaries: Under the Plan, officers and employees of the Company or other companies under their control may be selected as Beneficiaries if approved by the Board of Directors of the Company.
- b) Number of options to be granted: See item 2.c below. Each Option will entitle the beneficiary to purchase one (1) share, subject to the terms and conditions set forth in the Option Contract.
- c) Number of shares covered by the plan, the total number of Shares that may be acquired under the Plan shall not exceed 3.0% (three percent) of the Shares representing the

Company's total capital stock (including Shares issued as a result of the exercise of the Options under Plan), provided that the total number of Shares issued or likely to be issued under the Plan is always within the limits of the Company's authorized capital stock. If any Option is terminated or canceled without having been fully exercised, the Shares subject to such Options shall again become available for future grants of options.

- d) Conditions for acquisition: Annually, or whenever it deems convenient, the Committee may approve the granting of options, choosing the Beneficiaries in favor of whom Options will be granted under the Plan, setting the exercise price of the Options and payment conditions, establishing the terms and conditions for the exercise of options and impose any other conditions relating to such options. The terms and conditions for entitlement to exercise the Options, as provided in the Plan, will be provided in the option contract to be entered into with each of the Beneficiaries. The Committee may establish terms and conditions for each Option Contract, without the need for application of any rule of equality or similarity between the Beneficiaries, even if they are in similar or identical conditions.

The Beneficiaries may not sell, assign or otherwise dispose of the Shares of the Company originally acquired or subscribed under the Plan for a period of one (1) year from the date of the exercising of the Options, as well as those that may be acquired by them by virtue of bonuses, share splits, subscriptions or any other acquisition and rights to subscribe for Shares or any other securities issued by the Company convertible into Shares or that accord the right to subscribe for Shares.

- e) Detailed criteria for setting the exercise price: The Exercise Price of the Options granted under the terms of the Plan will be determined by the Committee, based on the quotation of the Company's shares on the BM&FBOVESPA, weighted by the average trading volume over a period of 180 days preceding the Grant Date.

The Exercise Price shall be reduced by the amount of dividends, interest on own equity and other distributions to shareholders by the Company or any other stock securities the Company makes available, including those due to a capital stock reduction without cancellation of shares or any other corporate transaction that involves the allocation of funds to shareholders or reduces the value of the Shares, always taking into account the period between the Grant Date and the date of exercising of the Options.

In the case the beneficiary does not have the resources necessary to fund the exercise of the Options, the sale of the Shares necessary to pay the exercising of the Options plus costs and taxes incurring will be allowed as of four (4) years from the Grant Date. The

number of shares subject to the restriction of sale shall be calculated according to the formula below:

$$N = Q - V$$

where:

N = number of Shares subject to the Trading Prohibition

Q = number of Shares available to be exercised

V = number of Shares eventually necessary to fund the exercising of the options, plus the costs and taxes incurring on the sale.

$$V = Pe \times Q / \{ Pv - [IR \times (Pv - Pe)] \}$$

Where:

Pe = Exercise Price of the Options;

Pv = Share Sales Price;

IR = income tax rate on the sale of shares.

- f) Criteria for setting the exercise period: Without prejudice to other terms and conditions set forth in the respective Option Contracts, the Options will become exercisable as long as their Beneficiaries remain continuously employed as an administrator or employee of the Company or another company under its control, for the period between the Grant Date and the dates specified below, as follows:
- (a) 25% (twenty five percent) of the Options may be exercised after the first anniversary of the Grant Date;
 - (b) 25% (twenty five percent) of the Options may be exercised after the second anniversary of the Grant Date;
 - (c) 25% (twenty five percent) of the Options may be exercised after the third anniversary of the Grant Date; and

(d) 25% (twenty five percent) of the Options may be exercised after the fourth anniversary of the Grant Date.

Options not exercised within the stipulated deadlines and conditions shall be deemed automatically canceled, without any compensation, observing the maximum deadline of the Options, which will be six (6) years from the Grant Date

- g) Settlement of Options: There will be at least one settlement date for each calendar year. The Exercise Price will be paid by the Beneficiaries under the terms and conditions established by the Committee, depending on the case, observing in any case the provisions of the Plan and the related grant agreement.
- h) Criteria and events that, when verified, will cause the suspension, amendment or termination of the plan:

Suspension: The Board of Directors or the Committee may decide to suspend the right to exercise the Options whenever situations can be verified that, under the law or regulations, restrict or prohibit the trading of Shares by the Beneficiaries.

Modification: Any significant modifications of the regulation of joint stock companies, publicly traded companies, labor legislation and/or the tax effects of a stock option plan may lead to a complete revision of the Plan.

Termination: The Plan may be terminated at any time by decision of the Company's General Shareholders Meeting.

Notwithstanding any provision to the contrary in the Plan or the Option Contract, the Options granted under the Plan shall automatically be cancelled, with the cessation of the legal effects of all rights granted, in the following cases:

- (a) upon being fully exercised;
- (b) after the expiration of the Option deadline;
- (c) upon the termination of the Option Contract;
- (d) if the Company is dissolved, liquidated or declared bankrupt; or
- (e) in the cases stipulated in item 9.2 of the Plan regarding Prohibitions of the Trading of the Plan's Shares.

3. Justification of the proposed Plan, explaining:

- a) The main objectives of the plan: The plan aims to enable Eligible Persons, subject to certain conditions, to acquire shares, designed to: (a) encourage expansion, success and the achievement of the corporate objectives; (b) align the interests of the Company's shareholders with those of the Eligible Persons; and (c) allow the Company or other companies under its control to attract and keep them connected with the Eligible Persons]
 - b) How the plan contributes to these goals: The Company, by establishing a differentiated and competitive investment opportunity for its executives aimed at aligning the actions of the Beneficiaries of the Plan with the views of the shareholders and investors of the Company, thereby promotes a committed and sustainable attitude of the Beneficiaries of the Plan.
 - c) How the plan is included as part of the company's compensation policy: The plan aims to recognize the efforts and increase the level of attraction and retention of key executives of the Company.
 - d) How the plan aligns the interests of the beneficiaries and the company in the short-, medium- and long term: The Plan seeks to reinforce Company shareholder and investor expectations in creating a vision and long-term commitment on the part of the executives, and the commitment of executives to creating value and sustainable results for the Company in the short-, medium- and long-term.
4. Estimate the expenses of the plan for the company, according to applicable accounting rules

The Plan's estimated expenditures, in accordance with CPC 10 R1 as approved by CVM Resolution 650 of December 16, 2010, which deals with share-based compensation, is approximately R\$70,000,000.00 (seventy million reais) in 2014.

It is worth noting the aforementioned amount is estimated based solely on the assumptions described herein and may vary significantly depending on the share price on the grant date and other variants in the Plan.

Attachment I – Stock Option Purchase Plan

This Stock Option Purchase Plan is subject to the provisions below and applicable legislation.

1 Definitions

1.1 When capitalized in this document, the expressions below will have the meanings assigned to them, unless otherwise expressly foreseen:

"Shares" means the common shares issued by the Company, nominative and without par value;

"Beneficiaries" means the managers and employees of the Company or another company under their control, in favor of whom the Company shall grant one or more options under the terms of this Plan;

"BM&FBOVESPA" means the BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros (São Paulo Stock Market);

"Company" means Equatorial Energia S.A.;

"Board" means the Company's Board of Directors;

"Option Contract" means the private instrument granting options to purchase shares entered into between the Company and the Beneficiary, whereby the Company grants stock Options to the Beneficiary;

"Grant Date," unless otherwise expressly foreseen in this Plan or the Option Contract, means, with respect to the options granted to each one of the Beneficiaries, the date of the meeting of the Committee that approved the granting of such options;

"Termination" means the ending of an manager's or employee's legal relationship between the Beneficiary and the Company or other companies controlled by it, for any reason, including but not limited to resignation, dismissal, replacement or expiration of the term of office without reelection to the position of manager, request of voluntary resignation or severance, with or without fair grounds, retirement, permanent disability and death. For greater clarity, it is established that the eventual termination of the Beneficiary from the position of officer or employee of the Company or of a company it controls followed by the election and investiture or hiring of said Beneficiary to another position as an administrator or

employee of the Company or a company it controls does not, for purposes of this Plan, characterize Termination.

"Options" means the options to purchase shares the Company granted to the Beneficiaries under this Plan;

"Eligible Persons" means persons who can be elected as Beneficiaries pursuant to item 3.1 below;

"Plan" means this Stock Option Plan;

"Exercise Price" means the price to be paid by the Beneficiary to the Company in payment of the Shares acquired through the exercise of their Options, as determined in item 7.1 below; and

2. Plan's Objectives

2.1. The goal of the Plan is to enable Eligible Persons, subject to certain conditions, to acquire Shares, designed to: (a) encourage expansion, success and the achievement of the corporate objectives; (b) align the interests of the Company's shareholders with those of the Eligible Persons; and (c) allow the Company or other companies under its control to attract and keep them connected with the Eligible Persons.

3. Eligible Persons

3.1. The managers and employees of the Company or other companies under its control may be elected as Beneficiaries of Options under the terms of the Plan, if approved by the Company's Board of Directors.

4. Administration of the Plan

4.1. The Plan will be administered by a Committee consisting of three (3) members, all of whom must be members of the Board of Directors, excluding Members who also are Executive Officers of the Company. The members of this Committee will not qualify to receive the stock purchase options that are the object of the Plan.

4.2. Pursuant to the Plan's general terms and conditions and the guidelines established by the Company's General Shareholders Meeting and the Board of Directors, the Committee will have broad powers to take all necessary and appropriate measures for the administration of the Plan and the granting of the Options, including:

(a) the creation and application of general rules for the awarding of Options under the terms of the Plan, and the resolution of doubts about how to interpret the Plan;

(b) the election of the Beneficiaries and the authorization to grant Options in their favor, setting out all the conditions of the Options to be granted, as well as the modification of such conditions when necessary or convenient; and

(c) to approve the Option Contracts to be signed between the Company and each one of the Beneficiaries, subject to the provisions of the Plan.

4.3. In exercising its authority, the Committee will be subject only to the limits established by law, the regulations of the Securities Exchange Commission and the Plan, making it clear that the Committee may treat managers and employees of the Company or other companies under their control who are in a similar situation in a differentiated manner, not being bound, by any equal treatment or analogous rule, to extend to everyone the conditions it deems applicable to only one or a few.

4.4. The resolutions of the Committee are binding on the Company with respect to all matters related to the Plan.

4.5. The Committee may, at any time, antedate the final deadline for the exercising of the Options, provided the minimum deadline of four (4) years from the Grant Date is respected.

5. Granting of Options

5.1. Annually, or when deemed advisable, the Committee will approve the granting of Options, electing the Beneficiaries in favor of those to whom Options shall be awarded under the terms of the Plan, setting the Exercise Price of the Options and the payment conditions, establishing the deadlines and conditions for the exercising of the Options and imposing any other conditions related to such Options.

5.2. Each Option will entitle the Beneficiary to purchase one (1) Share, subject to the terms and conditions set forth in the Option Contract.

5.3. The granting of Options under the terms of the Plan is carried out by the signing of Option Contracts between the Company and the Beneficiaries that, without prejudice to other conditions determined by the Committee, must specify: (a) the quantity of Options granted; (b) the terms and conditions for acquiring the right to exercise the Options; (c) the final deadline for exercising the Options; and (d) the Exercise Price and payment terms.

5.4. The Committee may subordinate the exercise of the Option to certain conditions as well as impose restrictions on the transfer of Shares acquired through the exercising of the Options, and may also reserve for the Company options with repurchase and/or first refusal rights in the case of a sale by the Beneficiary of these same Shares.

5.5. The Option Contracts will be concluded individually with each Beneficiary, and the Committee may establish differentiated terms and conditions for each Option Contract, without the need to apply any rule of isonomy or other that is analogous to equality between the Beneficiaries, even if they are in similar or identical situations.

5.6. The Options granted under the terms of the Plan, as well as their exercise by the Beneficiaries, have no relation with nor are they linked to their compensation, either fixed or variable, or eventual profit sharing proceeds.

5.7. Notwithstanding any provision to the contrary in the Plan or the Option Contract, the Options granted under the Plan shall automatically be cancelled, with the cessation of the legal effects of all rights granted, in the following cases:

- (a) upon being fully exercised;
- (b) after the expiration of the Option deadline;
- (c) upon the termination of the Option Contract;
- (d) if the Company is dissolved, liquidated or declared bankrupt; or
- (e) in the cases stipulated in item 9.2 of this Plan.

6. Shares Subject to the Plan

6.1. Subject to the adjustments set forth in item 11.2 below, the total number of Shares that may be acquired under the Plan shall not exceed 3,0% (three per cent) of the Shares representing the total capital stock of the Company (including shares issued as a result of the exercising of options under this Plan), provided that the total number of Shares issued or likely to be issued under the Plan is always within the limits of the Company's authorized capital stock. If any Option is extinguished or canceled without having been fully exercised, the Shares subject to such Options shall again become available for future awards of Options.

6.2. In order to satisfy the exercise of Options granted under the Plan, the Company may, at the discretion of the Board of Directors, issue new shares within the authorized capital stock limit or sell treasury stock.

6.3. Shareholders are not entitled to the right of first refusal in the granting or exercising of options under the Plan as provided in Article 171, Paragraph 3, of Law No. 6.404/76.

6.4. The Shares acquired through the exercising of options under the Plan shall maintain all rights pertaining to their class.

7. Option Exercise Price

7.1. The exercise price of the Options granted under the Plan will be determined by the Committee, based on the average price of the Company's shares on the BM&FBOVESPA, weighted by the trading volume, in the period up to 180 days prior to the Award Date.

7.1.1 The Exercise Price will be reduced by the amount of dividends, interest on own equity and other distributions by the Company to shareholders or any other amounts per share available to shareholders of the Company, including due to capital reduction without cancellation of shares or any other corporate transaction involving the allocation of funds to shareholders or a reduction in value of the shares, always considering the period from the Grant Date and the date of the exercising of the Options.

7.2. The Exercise Price will be paid by the Beneficiaries in the manner and conditions established by the Committee, respecting the fact that there will be at least one settlement date for each calendar year.

8. Exercise of Options

8.1. Without prejudice to other terms and conditions set forth in the respective Option Agreements, the Options will become exercisable as long as their Beneficiaries remain continuously connected with the Company or another company under its control as administrators or employees during the period between the Grant Date and the dates specified below, as follows:

(a) 25% (twenty five percent) of the Options may be exercised after the first anniversary of the Grant Date;

(b) 25% (twenty five percent) of the Options may be exercised after the second anniversary of the Grant Date;

(c) 25% (twenty five percent) of the Options may be exercised after the third anniversary of the Grant Date; and

(d) 25% (twenty five percent) of the Options may be exercised after the fourth anniversary of the Grant Date.

8.1.1. Options not exercised within the stipulated deadlines and conditions shall be deemed automatically canceled, without any compensation, observing the maximum deadline of the Options, which will be six (6) years from the Grant Date

8.2. The Beneficiary who wishes to exercise an Option must notify the Company in writing of the intention to do so and indicate the amount of Options to be exercised, using the communication model to be published by the Committee.

8.3. The Board of Directors or the Committee may decide to suspend the right to exercise the Options, whenever situations that, under the law or regulations, restrict or prohibit the Beneficiaries from trading of Shares.

8.4. No Beneficiary will have any rights or privileges of a shareholder of the Company until his/her Options are properly exercised and their Shares acquired, purchased or subscribed pursuant to the terms of the Plan and the respective Option Contract. No Shares will be issued to the holder as a result of the exercise of the Option unless all the legal and regulatory requirements have been fully met.

9. Restrictions to Trading of the Plan's Shares

9.1. During the period of one (1) year from the date of exercise of the Options, the Beneficiaries may not sell, assign or, in any way, transfer the Company's shares originally purchased or subscribed under

the Plan, as well as those that may be acquired by them by virtue of bonuses, stock splits, subscriptions or any other manner of acquisition.

9.1.1 If the Beneficiary does not have the funds necessary to finance the exercising of the Options, after four (4) years from the Grant Date, the sale of the number of shares necessary to pay for exercising of the Options plus the costs and taxes that incur will be provided. The number of shares subject to selling restrictions will be calculated according to the following formula

$$N = Q - V$$

where:

N = number of Shares subject to the Trading Prohibition

Q = number of Shares available to be exercised

V = number of Shares eventually necessary to fund the exercising of the Options, plus the costs and taxes incurring on the sale.

$$V = Pe \times Q / \{ Pv - [IR \times (Pv - Pe)] \}$$

Where:

Pe = Exercise Price of the Options;

Pv = Share Sales Price;

C = transaction cost of the sale of the shares as a percentage of the total sales value;

IR = income tax rate on the sale of shares.

9.2. Unless otherwise decided by the Committee, the Beneficiaries may neither encumber nor establish any lien on the Shares subscribed through the Plan before the expiration of the period referred to in the previous item.

10. Hypotheses of Termination from the Company and its Effects

10.1. In the event of the Beneficiary's Termination, the rights granted under the Plan may be extinguished or modified, pursuant to item 10.2 below.

10.2. If at any time the Beneficiary:

(a) is terminated from the Company voluntarily, resigning from his job, resigning his position as manager, or rescinding his service contract: (i) the Options still not exercised in accordance with the respective Option Contract, on the date of his Termination, shall be automatically canceled for all legal effects, regardless of prior warning or notice, and without any right to compensation; and (ii) the Options that are already exercisable in accordance with the respective Option Contract, on the date of Termination may be exercised within a period of thirty (30) days as of the date of Termination, after which they will be automatically canceled for all legal effects, regardless of prior warning or notice, and without any right to compensation;

(b) is terminated from the Company voluntarily, as a result of being fired for fair cause, is removed from office for violating his duties and responsibilities as a manager, or rescinds his service contract, all of the Options that are already exercisable or not yet exercisable in accordance with the respective Option Contract, on the date of his Termination, will be automatically canceled for all legal effects regardless of prior warning or notice, and without any right to compensation;

(c) is terminated from the Company voluntarily, as a result of being fired without fair cause, is removed from office without violation of the duties and responsibilities as a manager, or rescinds his service contract: (i) the Options still not exercised in accordance with the respective Option Contract, on the date of his Termination, shall be automatically canceled for all legal effects, regardless of prior warning or notice, and without any right to compensation, and (ii) the Options that are already exercisable in accordance with the respective Option Contract, on the date of Termination, may be exercised within a period of thirty (30) days as of the Termination date, after which they will be automatically canceled for all legal effects, regardless of prior warning or notice, and without any right to compensation;

(d) is terminated from the Company through ordinary retirement or permanent disability: (i) the Options still not exercised in accordance with the respective Option Contract, on the date of his Termination, shall be automatically canceled for all legal effects, regardless of prior warning or notice, and without any right to compensation, and (ii) the Options that are already exercisable in accordance with the respective Option Contract, on the date of Termination, may be exercised within a period of thirty (30) days as of the Termination date, after which they will be automatically canceled for all legal effects, regardless of prior warning or notice, and without any right to compensation; and

(e) is terminated from the Company due to death: (i) the Options still not exercised in accordance with the respective Option Contract, on the date of his Termination, shall be automatically

canceled for all legal effects, regardless of prior warning or notice, and without any right to compensation, and (ii) the Options that are already exercisable in accordance with the respective Option Contract, on the date of death may be exercised by the legal heirs and successors of the Beneficiary, within a period of twelve (12) months from the Termination date, after which they will be automatically canceled for all legal effects, regardless of prior warning or notice, and without any right to compensation.

10.3. Notwithstanding the provisions of item 10.2 above, the Committee, at its sole discretion, whenever it deems that the corporate interests will be better served by such a measure, may decide not to follow the rules stipulated in item 10.2, awarding preferential treatment to a given Beneficiary. In such cases, the Committee must formally publish the minutes of the aforementioned decision that led it to adopt such a measure, being responsible for attaching to the minutes each and every supporting document, if any.

11. Effective Validity of the Plan

11.1. The Plan shall enter into effect on the date of its approval by the Company's General Shareholders Meeting and remain in force for an indefinite period of time. It may be terminated at any time by a decision of a General Shareholders Meeting. The termination of the Plan shall not affect the validity of the Options based on it that are still in force.

12. General Conditions

12.1. The granting of Options under the terms of the Plan shall not prevent the Company from engaging in corporate restructuring operations, such as transformation, merger, spin-off and consolidation of shares. The Company's Board of Directors and the companies involved in such operations, at their discretion, may determine, without prejudice to other measures for reasons of equity: (a) the replacement of the Shares subject to the Options for shares, quotas or other securities issued by the successor to the Company; (b) the early acquisition of the right to exercise the Options in order to ensure the inclusion of the corresponding Shares involved.

12.2. If the number, type and class of Shares existing on the date of approval of the Plan are amended as a result of bonuses, stock splits, reverse splits or conversion of shares from one class into another or conversion into shares or other securities issued by the Company, it will be up to the Committee to make the corresponding adjustment in the number, type and class of Shares subject to the Options granted and their respective Exercise Price, in order to maintain the balance of relations between the parties, avoiding distortions in the implementation of the Plan.

12.3. No provision of the Plan or Option granted under the terms of the Plan shall confer upon any Beneficiary the right to remain as manager and/or employee of the Company, nor interfere in any way in the right of the Company, at any time and subject to legal and contractual conditions, to terminate an employee's contract of employment and/or interrupt a manager's term of office.

12.4. Each Beneficiary must expressly adhere to the terms of the Plan, in writing, without any reservations, pursuant to a statement as defined by the Committee.

12.5. The Board of Directors and/or the Committee, keeping the interests of the Company and its shareholders in mind, may revise the terms of the Plan, provided that no changes are made to its basic principles.

12.6. Any significant change to the regulations governing joint stock companies, publicly traded companies, labor legislation and/or the tax effects of a stock option plan can lead to a complete revision of the Plan.

12.7. Options granted under this Plan are personal and non-transferable, and the Beneficiary may not, under any circumstances, assign, transfer or otherwise dispose of any Options nor the rights and obligations deriving thereof to third parties.

12.8. Cases not covered herein will be regulated by the Committee, in consultation with the General Shareholders Meeting when deemed appropriate. Any Option granted under the Plan is subject to all the terms and conditions set forth herein, and such terms and conditions shall prevail in the case of inconsistencies regarding the provisions of any contract or document referred to in this Plan.
