



EQUATORIAL ENERGIA S.A.

A Listed Company

CNPJ/MF No. 03.220.438/0001-73

MATERIAL FACT

In compliance with article 157, §4º of Law 6,404/76 (as amended) and the Brazilian Securities and Exchange Commission ("CVM") Instruction No. 358/02 (as amended), Equatorial Energia S.A. ("Equatorial" or "Company") announces to its shareholders and the market in general that, on October 11, 2012, the Company has executed a Memorandum of Understandings ("MOU") with CPFL Energia S.A. ("CPFL") and Jorge Queiroz de Moraes Junior ("Controlling Shareholder"), with the scope of granting an exclusivity right to CPFL and Equatorial to proceed with a full evaluation of all entities controlled by Rede Energia S.A. ("Grupo Rede"), for the purpose of establishing, jointly with the Controlling Shareholder, the terms and conditions required for the financial and operating restructuring of Grupo Rede and its power distribution's concessionaires, except Centrais Elétricas do Pará S.A. - CELPA. The successful conclusion of the abovementioned evaluation could result in the acquisition of Grupo Rede's control.

The closing of the potential acquisition described herein is subject to the satisfaction of several precedent conditions, including, but not limited to: (i) all applicable approvals from public authorities, creditors and investors are obtained accordingly to the applicable legislation and existing agreements of Grupo Rede's entities; (ii) results of the due diligence of Grupo Rede's entities; (iii) National Brazilian Electricity Agency's ("ANEEL") approval in respect to the operational Restructuring Plan to be presented to ANEEL by each of the power distribution concessionaires that are currently under intervention by ANEEL; and (iv) Grupo Rede's creditors' agreement in respect to the financial restructuring proposal to be further presented.

The Company will maintain its shareholders and the market informed in respect to further developments of the potential transaction described in this material fact.

Rio de Janeiro, October 14, 2012.

Eduardo Haiama
Chief Financial and Investors Relation Officer
Equatorial Energia S.A.