



**EQUATORIAL ENERGIA S.A.**  
**CORPORATE TAXPAYER'S ID (CNPJ/MF) 03.220.438/0001-73**  
**CORPORATE REGISTRY ID (NIRE) 2130000938-8**  
**Publicly-held Company**

Dear Shareholders,

We submit below the Management Proposal regarding the subjects to be discussed in the Company's Annual and Extraordinary Shareholders' Meeting to be held on March 19, 2012:

**Annual Shareholders' Meeting:**

***1. Consolidated financial statements analysis, examination and discussion, comprising the Independent Auditor's Report and the Fiscal Council's Opinion relating to the fiscal year ended December 31, 2011.***

Our proposal is for the approval of the financial statements relating to the 2011 fiscal year, as published in February 16, 2012 in the websites of CVM (Brazilian Securities Exchange Commission) and BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros, through the IPE (System for Periodic Information) and in the newspapers Folha de São Paulo, O Estado do Maranhão e Diário Oficial do Estado do Maranhão (the "Financial Statements").

Also, we highlight that, in accordance with term 3 of article 9 from CVM Instruction 481, dated December 17, 2009 ("CVM Instruction 481/09"), the information presented in the Annex I to this Proposal are our Management Discussion and Analysis of the Company.

***2. Proposed allocation of net income for the year ended December 31, 2011.***

Our proposal is that the net income for the year ended in December 31, 2011 has the allocation given at the Financial Statements, as in detail in Annex II to this Proposal, in accordance to term II of Paragraph One from Article 9 of CVM Instruction 481/09, and also be approved the dividend distribution as proposed by the Board of Directors' Meeting held on February 15, 2012.

***3. Proposed dividend distribution***

Our proposal is to distribute R\$50,421,417.88 (fifty million, four hundred and twenty-one thousand, four hundred and seventeen reais and eighty-eight centavos) in dividends, in accordance to the Board of Directors' Meeting held on February 15, 2012.

According to our proposal, the dividends will be paid until December 31, 2012, without any monetary correction. The shareholders considered to the dividends payment will be that of March 19, 2012.

***4. Proposal on the global management compensation, in accordance to the proposal approved in the Board of Directors' Meeting held on February 15, 2012.***

Our proposal is the global management compensation for the 2012 fiscal year amounting up to R\$ 7,000,000.00 (seven million reais).

We highlight that all the necessary information for the analysis of the global management compensation proposal, in accordance to article 12 of CVM Instruction 481/09, are available in the Annex III to this proposal.

**5. Installation of the Fiscal Council for the year ended 2012, the election of its members and compensation approval.**

The controlling shareholders of the Company informed the Management that will indicate Messrs. Sérgio Passos Ribeiro (substitute Bruno Augusto Sacchi Zaremba) and Felipe Sousa Bittencourt (substitute José Guilherme Cruz Souza).

Regarding the global compensation for the Fiscal Council, our proposal is to establish up to R\$225,000.00 (two hundred and twenty-five thousand reais).

We highlight that, in accordance to article 10 of CVM Instruction 481/09, the information referring to the candidates for the Company's Fiscal Council are detailed in the Annex IV to this proposal.

**Extraordinary Shareholders' Meeting:**

**6. Discuss the proposal of alteration in article 22 of the Company Bylaws, to include specific provision on the powers of attorney for financial institutions to guarantee financings.**

Our proposal is to change article 22 (new numbering) from the Company Bylaws, in accordance to the approval in the Board of Directors' Meeting held on March 01, 2012.

The change proposed intends to include specific provision relating to the power of attorney for financial institutions in order to guarantee long term financings, which may be valid for more than 1 year, but restricted to the term of the related financing agreement or guarantee.

The proposal aims to enable the agreement for long term financings in which, in some specific cases, powers of attorney must be valid for more than 1 year.

**7. Discuss the proposal to reform the Company's Bylaws to adhere to the new version of the BM&FBOVESPA's Novo Mercado Listing Rules.**

Our proposal is to reform the Company's Bylaws in order to adhere the changes introduced and reflect the minimal clauses instituted by the new version of the BM&FBOVESPA's Novo Mercado Listing Rules.

In May 10, 2011, the new version of the Novo Mercado Listing Rules became effective, to which the companies listed in this segment must adapt their bylaws in the first general meeting happening after August 08, 2011 or until the annual shareholders' meeting that approved the 2011 financial statements. In the case of Equatorial Energia, this is the first general meeting to be held after August 08, 2011.

Such changes are shown in articles 1, 13, 14, 16, 17, 24, 29, 30, 31, 32, 33, 35 and 38, as well as the inclusion of articles 2 and 37, all according to the new proposed numbering.

**8. Discuss the amendment of the Company's Bylaws, in order to consider the capital increase due to the exercise of stock options' plan in the Company.**

As recognized in the Board of Directors' Meeting held on March 01, 2012, we proposed to change the article 6 (new numbering) to consider the new Company's capital stock, raised by R\$19.00 (nineteen reais), due to the subscription under the Company's Third Stock Option Plan. Due to the mentioned increase, the Company's capital stock now amounts to R\$566,830,632.72 (five hundred and sixty-six million, eight hundred and thirty thousand, six hundred and thirty-two reais and seventy-two centavos),



represented by 109,611,778 (one hundred and nine million, six hundred and eleven thousand, seven hundred and seventy-eight) common, nominative and with no par value.

**9. Consolidate the Company's Bylaws due to the possible approval of the previous items.**

In order to consolidate the changes proposed in the items 6, 7 and 8 above, and in accordance to article 11 of CVM Instruction 481/09, the information relating to these proposed changes are part of the Management Proposal as Annex V.

**ANNEX I**  
**Executive Officer's Comments**  
**Item 10 – Reference Form (CVM Instruction 480/09)**

**10.1. Executive Officers' comments on:**

**a) Overall financial position**

Equatorial is a holding company of the energy industry. The company holds (i) an interest in CEMAR – Companhia Energética do Maranhão, power distributor whose concession area is the State of Maranhão; (ii) an interest in the controlling stock of Geranorte, company in charge of the operation of two thermal power plants located in the state of Maranhão, (iii) Equatorial Soluções, a service provider, and (iv) Sol Energias, trading company.

The Company closed 2011 with Shareholders' Equity in the amount of R\$922.1 million, a decrease of 3.3% versus 2010 (R\$953.9 million). In 2009 the Shareholders' Equity totaled R\$986.3 million.

Consolidated net income for the year ended 2011 totaled R\$ 159.8 million, with an operating cash flow (EBITDA) of R\$ 504 million. In 2010, since then ignoring the indirect holding in Light, the consolidated net income was R\$ 174 million, while that of 2009 totaled R\$ 223 million.

By the end of the year, net consolidated indebtedness was R\$1,005.1 million, a little more than 0.9x the shareholders' equity and 2.0x the last-12-month EBITDA, levels we believe to be comfortable and that reflect our companies' equity and financial soundness.

During the year, CEMAR's investments totaled R\$322.3 million, in addition to R\$174.6 million in investments related to the PLPT program (Light For All Program).

**b) Capital structure and potential stock or quota redemption, including:**

- i. Possible redemptions**
- ii. Formula for the calculation of the redemption amount**

The Company's shareholders' equity on December 31, 2011, was R\$922.1 million, a decrease of 3.3% compared to December 31, 2010 that reached R\$ 953.9 million. At the closing of 2009, the shareholder's equity totaled R\$986.3 million.

On December 31, 2011, Equatorial's cash position was R\$ 448.4 million, with a net debt of \$ 1,005.1 million, which represents 2.0 times EBITDA for the last 12 months. In 2010, the Company had terminated the year with net debt of R\$ 759 million, which represented about 1.5 times annual EBITDA.

There is no possibility of redemption of company shares in addition to those provided for in the law.

**c) Ability to repay debts**

Considering the group's long-term indebtedness profile, as well as its results trajectory, the Company intends to honor its short and long-term financial liabilities with resources originating from its EBITDA.

Considering the indebtedness profile, cash flow and liquidity position, the Company believes it has enough liquidity and capital resources to cover investments, expenses, debts and other amounts payable in the coming years. If the Company understands it is necessary to contract loans to finance its investments and potential acquisitions, the Company believes it currently has the ability to do so.

**d) Funding sources for working capital and investments in non-current assets used by the Company:**

CEMAR

In addition to using part of its own cash generation, the key funding sources for the Company's investment projects are Banco do Nordeste and ELETROBRÁS, which usually offer lower interest rates than the private market and payment deadlines that are more compatible with the investment project's expected return time frame.

As it is located in the Brazilian northeastern region, in a state that has 90% of its territory covered by the Legal Amazon, CEMAR can use credit facilities that are specific to the development of the Northeast (FNE, FDNE, etc) and the North (FDNA), in addition to credit facilities from traditional development agencies.

As an attempt to always get the market's lowest rates, if the investment projects are not eligible for the aforementioned financings, the Company usually resorts to the capital markets (debentures), multi-lateral development agencies or other sources in the banking market.

Geramar

For being located in Maranhão, in addition to the traditional funding agencies, there is possibility to use specific credit lines for the development of the Northeast (FNE, FDNE, etc.) as well as for development of the North (FDA). In December 2011, the company had approximately R\$170 million from the FDA. Until it obtains the remainder of this funding, Geramar makes use of bridge loans from prime banks.

**e) Funding sources for working capital and investments on non-current assets that the Company intends to use for covering liquidity shortcomings:**

CEMAR

The Company currently has substantial credit facilities approved by prime financial institutions, but it has not used them for short-term working capital funding.

Geramar

On December 31, 2011, the company held a total of R\$ 420 million of debt, where R\$ 170 million were from the financing from the Banco da Amazônia and \$ 250 million were short-term loans contracted with the first-tier banks.

**f) Indebtedness levels & debt breakdown, including:**

- i. **Relevant loan and financing agreements**
- ii. **Other long-term arrangements with financial institutions**
- iii. **Degree of Company debt subordination**
- iv. **Restrictions imposed to the issuer, especially with regard to indebtedness limits, taking of new loans, distribution of dividends, disposal of assets, issuance of new securities, and sale of controlling interest**

CEMAR

On December 31, 2011, the Company's total outstanding consolidated indebtedness was R\$1,385 million, 0.6% (R\$8 million) of which were denominated in foreign currency. That amount, deducted from the company's cash and its cash equivalents, in R\$424.4 million, totals R\$960.6 million.

Of the total indebtedness above, 20.3% (R\$282.2 million) consisted of short-term maturities and 79.5% (R\$1,102.9 million), of long-term maturities.

The table below shows the changes in the Company's total outstanding consolidated indebtedness in the reporting periods:

Debt (R\$ million)	December 31,		
	2009	2010	2011
Short-Term	148.3	194.1	282.3
Foreign Currency	0.8	0.7	0.6
Local Currency	147.5	193.4	281.7
Long-Term	1,068.9	1,063.7	1,102.9
Foreign Currency	8.3	7.3	7.6
Local Currency	1,060.6	1,056.44	1,095.3
<b>Overall Amount</b>	<b>1,217.2</b>	<b>1,257.8</b>	<b>1,385.2</b>

Geramar

Until December 31, 2011, the total debt of the company (remember that Equatorial consolidates only 25% of the total) amounted to R\$420 million, of which R\$265.2 million in short-term and R\$154.8 million in long-term.

CONSOLIDATED

On December 31, 2011, the Company's total outstanding consolidated indebtedness was R\$1,547.7, 0.57% (R\$8.3 million) of which were denominated in foreign currency. That amount, deducted from the company's cash and its cash equivalents in R\$448.4 million, reached R\$1,099.3 million.

Of the total indebtedness above, 26% (R\$394.1 million) consisted of short-term maturities and 74% (R\$1,152.9

million), of long-term maturities.

The table below shows the changes in the Company's total outstanding consolidated indebtedness in the reporting periods:

Debt (R\$ million)	December 31,		
	2009	2010	2011
Short-Term	<b>231.61</b>	<b>258.78</b>	<b>394.76</b>
<i>Foreign Currency</i>	0.8	0.70	0.6
<i>Local Currency</i>	230.812	258.08	394.16
Long-Term	<b>1,068.90</b>	<b>1,063.74</b>	<b>1,152.90</b>
<i>Foreign Currency</i>	8.3	7.3	7.6
<i>Local Currency</i>	1,060.60	1,056.44	1,145.30
<b>Overall Amount</b>	<b>1,300.51</b>	<b>1,322.52</b>	<b>1,547.66</b>

### **Relevant Financings**

#### **CEMAR**

We highlight below the main operations of debt contracted between 2007 to 2011:

#### Debt with ELETROBRÁS:

- 1 In January 2007, CEMAR entered into an agreement with ELETROBRÁS (agreement number ECF-2522/2005) in the amount of \$ 57,999,000, of which R\$ 56.274 million have already been disbursed. Said agreement is backed by resources of the Global Reversal Reserve (RGR). The cost of this financing is 7% p.a. plus RGR variation, maturing in 7 years (2-year grace period and 5-year amortization). These resources are allocated to the funding of direct costs of investments in the improvement of the power supply and expansion of the system.
- 2 In January 2009, CEMAR entered into an Agreement for the Acknowledgement of Debt (ECF-2724/2008) with ELETROBRÁS, in the amount of R\$97,686 thousand, of which R\$ 56.274 million have already been disbursed. Said agreement is backed by resources of the Global Reversal Reserve (RGR). The cost of this financing is 7% p.a. plus RGR variation, maturing in 7 years (2-year grace period and 5-year amortization). These resources are allocated to the funding of direct costs of investments in the improvement of the power supply and expansion of the system.
- 3 In December 2010, CEMAR entered into a financing agreement with ELETROBRÁS (number ECF-2890/2010) in the amount of R\$85,310 thousand, of which R\$39,572 thousand have already been disbursed. Said agreement is backed by resources of the Global Reversal Reserve (RGR). The cost of this financing is 7.0% p.a. plus RGR variation, maturing in 84 months (24-month grace period and 60-month amortization). These resources are allocated to the funding of direct costs of investments in the improvement of the power supply and expansion of the system.

Debt with the IFC:

1 On February 28, 2008, CEMAR contracted a financing in the amount of US\$80,000 thousand with the IFC - International Finance Corporation, with the purpose of funding part of its investments already made in 2007, and part of the investments for the 2008/2009 biennium. The loan was granted in Brazilian reais, in the amount of R\$135,056 thousand, considering the selling PTAX rate of R\$1.6882 on February 26, 2008. The cost of the operation was set at 90.9% of the CDI, through an exchange swap by the IFC, incurring an additional cost of 1.5% p.a. as "Exposure Fee". Maturity for this financing is 8 years, with a 2-year grace period.

Pursuant to this agreement, CEMAR must report some financial indicators, to be ascertained on a yearly basis, based on its audited financial statements:

1<sup>st</sup> Covenant: Quotient resulting from the division of the NET FINANCIAL DEBT by the EBITDA for the last 12 months must be lower than or equal to 2.5 (two point five);

2<sup>nd</sup> Covenant: Quotient resulting from the division of the EBITDA for the last 12 months by the NET FINANCIAL EXPENSES must be higher than or equal to 2.0 (two).

	<u>4Q11</u>	<u>3Q11</u>	<u>2Q11</u>	<u>1Q11</u>
Gross debt *	1,385,239	1,177,232	1,212,481	1,202,534
(-) Available cash and financial investments	(424,463)	(189,483)	(273,383)	(418,249)
(-) Receivables - low income	(15,835)	(30,692)	(21,212)	(23,472)
(-) Net regulatory assets	(25,832)	(59,714)	(2,173)	(20,409)
<b>= Net financial debt</b>	<b>919,109</b>	<b>897,343</b>	<b>915,713</b>	<b>740,404</b>
EBITDA**	133,763	122,106	117,727	108,558
<b>Adjusted EBITDA for last 12 months</b>	<b>482,154</b>	<b>454,227</b>	<b>467,769</b>	<b>488,710</b>
<b>1st Covenant: &lt;=2.5</b>	<b>1.91</b>	<b>1.98</b>	<b>1.96</b>	<b>1.52</b>
3-month period's net financial expense	11,843	29,536	11,187	31,040
12-month period's net financial expense	83,607	87,776	87,579	87,637
<b>2nd Covenant: &gt;=2.0</b>	<b>5.8</b>	<b>5.2</b>	<b>5.3</b>	<b>5.6</b>

\* Corresponds to the Loans and financings gross debt and Debentures gross debt.

\*\* EBITDA calculated pursuant to financing agreement, which means earnings before interest, tax, depreciation and amortization, not considering other non-recurrent expenses and revenue. Other non-recurring expenses and revenue are originated from write-offs and disposal of property, plant and equipment.

Debt with Banco do Nordeste do Brasil:

- 2 BNB I - In 2006, Cemar contracted financing from the Banco do Nordeste do Brasil - BNB, I the amount of R\$ 136,076, in order to finance investments in reducing technical and commercial losses, improved quality of supply electric, power distribution system expansion and upgrade of IT. The funds come from the Fundo Constitucional de Financiamento do Nordeste- FNE. The effective rate of this operation is 8.5% per year.
- 3 BNB New Headquarters – On December 6, 2007, CEMAR executed the agreement for a loan from Banco do Nordeste do Brasil – BNB, in the amount of R\$9,652 thousand, with the purpose of funding the construction of the Company's new headquarters. Resources are from the Northeast Financing Constitutional Fund (FNE), and since January 2008 it incurs interest of 8.50% p.a., considering a 15% bonus on the payment of interest up to the due date.
- 4 BNB II – On February 5, 2009, CEMAR executed the agreement for a loan from Banco do Nordeste do Brasil – BNB, in the amount of R\$144,939 thousand, with the purpose of supplementing the financial resources for investments in the electric energy network. Of that amount, R\$135,800 thousand have already been disbursed. Resources are from the Northeast Financing Constitutional Fund – FNE. The FNE interest rate is 8.50% p.a., considering a 15% bonus on the payment of interest up to the due date.

Debt with the BNDES:

- 1 On April 10, 2007, CEMAR executed a loan agreement with Banco Itaú BBA in the amount of R\$28,481 thousand, backed by resources from onlending by the Brazilian Development Bank – BNDES. The cost of this financing is TJLP + 4.8% p.a.. Maturity for this financing is 5 years, with a 1-year grace period and amortization in 4 years. These resources will fund the implementation of CEMAR's Program for the Combat to Electric Energy Loss in the Distribution System, as well as the implementation of the Distribution Network Management System (GEOREDE) and the ELUCID Commercial System (EU-COM).

Pursuant to this agreement, CEMAR must report the following financial indicators, to be ascertained on a yearly basis, based on its audited financial statements:

1<sup>st</sup> Covenant: Net Financial Indebtedness-to-EBITDA ratio lower than or equal to 4.50;

2<sup>nd</sup> Covenant: Quotient of the division of Net Financial Indebtedness by the sum of Net Financial Indebtedness and Shareholders' Equity lower than or equal to 0.60;

- 2 On March 11, 2008, CEMAR executed a loan agreement with Unibanco - União de Bancos Brasileiros S.A. in the amount of R\$79,663 thousand, backed by resources from onlending by the Brazilian Development Bank – BNDES. The cost of this financing is TJLP + 3.6% p.a.. Maturity for this financing is 5 years, with a 1-year grace period and amortization in 4 years. These resources will be used to fund the implementation of the “CEMAR Expansion and Operating Quality” project, with investments aiming at fighting energy commercial losses, connecting new consumers, and updating the company's technology.

Pursuant to this agreement, CEMAR must report the following financial indicators, to be ascertained on a

yearly basis, based on its audited financial statements:

1<sup>st</sup> Covenant: Net Financial Indebtedness-to-EBITDA ratio lower than or equal to 2.50;

2<sup>nd</sup> Covenant: Quotient of the division of Net Financial Indebtedness by the sum of Net Financial Indebtedness and Shareholders' Equity lower than or equal to 0.60;

Below are the Covenants for BNDES loans:

	<u>4Q11</u>	<u>3Q11</u>	<u>2Q11</u>	<u>1Q11</u>
(+) Loans, financings and debentures	1,385,239	1,177,232	1,212,481	1,202,534
(-) Available cash and financial investments	(424,463)	(189,483)	(273,383)	(418,249)
(-) Debt with ELETROBRÁS - ECF 1960/99	(162,281)	(165,167)	(163,134)	(161,564)
(-) Low Income	(15,835)	(30,692)	(21,212)	(23,472)
<b>Net financial indebtedness</b>	<b>782,660</b>	<b>791,890</b>	<b>754,752</b>	<b>599,249</b>
(+) Net income	48,331	78,085	68,360	52,725
(+) Net Financial Result	9,336	11,640	18,312	7,385
(+) Income Tax and CSLL provision	18,763	4,630	9,397	22,134
(+) Profit sharing	-	-	-	-
(+) Depreciation and amortization	20,280	24,683	19,706	25,772
(+) Other non-recurring expenses/revenues*	37,053	3,068	1,953	541
<b>EBITDA</b>	<b><u>133,763</u></b>	<b><u>122,106</u></b>	<b><u>117,728</u></b>	<b><u>108,557</u></b>
<b>EBITDA (12 months)</b>	<b>482,154</b>	<b>454,227</b>	<b>467,769</b>	<b>488,710</b>
<b>Shareholders' Equity</b>	<b>1,010,924</b>	<b>962,594</b>	<b>884,510</b>	<b>816,147</b>
<b>Net financial indebtedness / EBITDA <math>\leq</math> 4.5</b>	<b>1.6</b>	<b>1.7</b>	<b>1.6</b>	<b>1.2</b>
<b>Net financial indebtedness / (Net financial indebtedness + Shareholders' Equity) <math>\leq</math> 0.6</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>

\* Other non-recurring expenses and revenues are low and from disposals of fixed assets.

- 3 On December 9, 2010, CEMAR signed a financing agreement with Banco Nacional de Desenvolvimento Economico e Social - BNDES of R\$100 million, backed by funds from, among other sources, the Fund for Workers - FAT, FAT funds - Special Deposits and Trust Fund for Participation PASEP. The cost of this financing is TJLP + 4.91% per year. The total period is 3 years with a grace period of one year and full amortization in two years. These resources are intended to finance the share of investments in the year 2011 and increase working capital .

Under a contract, CEMAR must submit the following financial indicators, to be determined annually based on its audited financial statements.

1<sup>st</sup> Covenant: The ratio of net debt to EBITDA less than or equal to 3.00;

2<sup>nd</sup> Covenant: The ratio of net debt by the sum of net debt to equity less than or equal to 0.70.

	<u>4T11</u>	<u>3T11</u>	<u>2T11</u>	<u>1T11</u>
(+) Empréstimos e financiamentos e Debêntures	1.385.239	1.177.232	1.212.481	1.202.534
(-) Disponibilidades e aplicações financeiras	-424.463	-189.483	-273.383	-418.249
Endividamento financeiro líquido	960.776	987.749	939.098	784.285
LAJIDA	133.763	122.106	117.728	108.557
LAJIDA (12 Meses)	482.154	454.227	467.769	488.710
Patrimônio Líquido	1.010.924	962.594	884.510	816.147
Endividamento financeiro líquido / LAJIDA ≤ 3,0	2,0	2,2	2,0	1,6
Endividamento financeiro líquido / endividamento financeiro líquido +PL) ≤ 0,7	0,5	0,5	0,5	0,5

	<u>4Q11</u>	<u>3Q11</u>	<u>2Q11</u>	<u>1Q11</u>
Gross debt	1,385,239	1,177,232	1,212,481	1,202,534
(-) Available cash and financial investments	(424,463)	(189,483)	(273,383)	(418,249)
<b>= Net financial debt</b>	<b>960,776</b>	<b>987,749</b>	<b>939,098</b>	<b>784,285</b>
<b>EBITDA</b>	<b>133,763</b>	<b>122,106</b>	<b>117,728</b>	<b>108,557</b>
<b>EBITDA for last 12 months</b>	<b>482,154</b>	<b>454,227</b>	<b>467,769</b>	<b>488,710</b>
Shareholder's Equity	1,010,924	962,594	884,510	816,147
<b>Net Debt/ EBITDA ≤ 3</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>1.6</b>
<b>Net Debt/ (Net Debt + SE) ≤ 0.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

The purpose of the aforementioned financings is to fund the Company's investment plans and strengthen its working capital.

4 On November 11, 2011, CEMAR signed a financing agreement with Banco Nacional de Desenvolvimento Econômico e Social - BNDES of R\$193,023,4 thousand backed by funds from the Fundo de Amparo ao Trabalhador - FAT, of resources FAT - Special Deposits and the PIS / PASEP. The total funding is divided into four sub-credits, as follows:

. Sub-Credit A: The contract value is R\$ 70.626 thousand, released on November 25 and December 27, 2011, with the cost of TJLP + 2.21% per year. The full term is six years, with amortization beginning in January 2012. On December 31, 2011, the effective rate of this operation is 8.21% per year.

. Sub-credit B: The contract value is R\$ 70.626 thousand, released on November 25 and December 27, 2011, with the cost of TJLP + 3.21% per year. The full term is six years, with amortization beginning in January 2012. On December 31, 2011, the effective rate of this operation is 9.21% per year.

. Sub-C credit: The contract value is R\$ 50.772 thousand, with a total of R\$ 33 million released the dates of November 25 and December 27, 2011, and cost of 8.7% per year. The total term of 10 years, with a grace period of 2 years and repayable in eight years beginning in December 2013. On December 31, 2011, the effective rate of this operation is 8.7% per year.

. Sub-D Credit: The contract value is R\$ 1.000 thousand and cost of TJLP. The full term is six years with one year grace period and repayment five years starting in December 2017. On December 31, 2011.

Finally, loans contracted above are intended to finance the investment plans of the Issuer and increase working capital.

#### **Geramar**

The company has the following debt at the end of 2011:

	<b>Total</b>	
Bco BTG Pactual 5137539	29,313,387.24	CDI + 2.45% a.a
Bco BTG Pactual 604858-1	27,282,650.95	CDI + 2.45% a.a
Bco BTG Pactual 604864-5	10,588,492.78	CDI + 2.45% a.a
Bco BTG Pactual 604866-1	35,677,312.70	CDI + 2.45% a.a
Bco BTG Pactual 604867-0	22,035,987.29	CDI + 2.45% a.a
Bco BTG Pactual 100109050009800	20,690,647.78	CDI + 2.65% a.a
Bco BTG Pactual 100109060009900	27,238,321.21	CDI + 2.65% a.a
Bco BTG Pactual 100109070017400	15,714,416.02	CDI + 2.65% a.a
Bco BTG Pactual 100109100006000	4,556,123.58	CDI + 2.65% a.a
Bco BTG Pactual 100109100006100	17,269,405.74	CDI + 2.65% a.a
Bco BTG Pactual 100110010001200	27,238,321.21	CDI + 2.65% a.a
Bco BTG Pactual 6048254	145,974.92	CDI + 2.65% a.a
Bco BTG Pactual 604865-3	12,069,754.71	CDI + 2.65% a.a
BASA - FDA 047.154047-1	170,228,435.46	TJLP + 1.00% a.a

#### **g) deadlines for the use of the financings already contracted:**

##### CEMAR

Specifically for the Agreement entered into with Eletrobrás (ECF-2724/2008) for the funding of direct costs of the construction works program involving the subtransmission system of CEMAR for the 2009-2010-2011 triennium, the deadline for the use of the whole amount of the resources available was, initially, December 30, 2011, however, with the signing the additive term has been extended to June 30, 2012.

##### Geramar

All financings have been used.

#### **h) significant changes in each item of the financial statements:**

- 1) Subscription to New REFIS – Payment of taxes in installments – Law 11,941/09**



In November 2009, subsidiary CEMAR and jointly-controlled subsidiary Light formalized their subscription to the so-called New REFIS, the payment in installments of tax debt pursuant to Law 11,941/2009. Pursuant to the new program, the balance of the debts is payable in up to 180 months.

#### **1.1) CEMAR**

On November 28, 2009, CEMAR formalized its adherence to the installment referred to Art. 1 of Law No. 11,941/2009 regardless of binding and definitive withdraw of the Parcelamento Especial – PAES. Under the rules applicable to the new installment of the remaining balance of Parcelamento Especial's (PAES) consolidated debt will be parceled up to 180 months. The consolidation of these debts is pending completion by the Receita Federal do Brasil (RFB).

The main benefits of joining the new REFIS were the reduction of interest and penalties in the amount of R\$24,756, the ability to repay the remaining amount of interest and penalties with the use of tax losses, besides the disbursement of cash installments. The initial amount included in REFIS was R\$72,522. Since R\$ 34,028 will be offset against tax losses, the actual split will result in future cash outlays of R\$38,493.

That debt, amounting to R\$38,493 will be repaid in 180 parts. A consolidate such debts pending completion by Receita Federal do Brasil (RFB).

The payments (REFIS), in the amount of R\$1,645, are being recorded on behalf of other taxes recoverable until it is approved the consolidation of debts included in the installment.

The consolidation of these debts is pending completion by the Receita Federal do Brasil (RFB).

#### **2) Merger of PCP Energia Participações into Equatorial Energia**

The Extraordinary General Meeting held on 02/12/08 approved the merger of PCP Energia Participações into Equatorial Energia. Following the merger, Equatorial became the holder of a 25% interest at Rio Minas Energia (RME), which corresponded to the indirect interest of 13.06% held at Light, and a shareholders' agreement granted the company the joint control of Light. With concentrated control, PCP Energia Latin America Power Fund consolidated at Equatorial its investments in the electric energy industry. This merger affected the whole Financial Statements.

#### **3) Equatorial Energia's Spin-Off and Redentor's IPO**

On April 29, 2010, Equatorial's Ordinary and Extraordinary General Meeting approved its spin-off process resulting in the creation of Redentor Energia, a company created solely to participate in RME's equity, one of Light S.A.'s controllers.



On August 9, 2010, Redentor Energia has received from the Brazilian Securities Exchange Commission - CVM its registration as a public company. We reiterate that Equatorial's shares currently circulating in the market will be trade "with the right" to the spin-off, until the conclusion of Redentor Energia's IPO process and the admission of shares' trading issued in the Novo Mercado segment. Up to this date, Equatorial's shares may only be traded together with Redentor's corresponding shares, under the code EQTL3, prohibited from trading in the stock market alone.

From the admission of Redentor's shares to the trading on the Novo Mercado segment of BM&FBovespa, Equatorial's shares and Redentor's shares will be traded independently of each other.

On May 12, 2011, the transfer process of Redentor's control to Parati S.A. – Participações em Ativos de Energia Elétrica, holding company owned by Companhia Energética de Minas Gerais – CEMIG, was concluded.

#### **4) Equatorial Soluções**

Equatorial Soluções is a privately held corporation, with headquarters in São Luís, Maranhão State, whose main activities are: a) the provision of business services in electric power segment, telecommunications and data transmission b ) the provision of charging of energy bill in the name and on behalf of others, and c) the provision of technical services for operation, maintenance and planning of third parties' electric installations . Equatorial Energia owns 100% stake of the company.

##### **4.1) Sol Energias**

In November 2011, Equatorial Energia announced the investment through its owned subsidiary, Equatorial Soluções, at Sol Energias, energy and new business trading company. With the investment of R\$6.0 million, Equatorial Soluções now holds 51% of Sol Energias' total voting capital.

#### **5) Acquisition of interest at Geranorte**

In September 2008, the process for the acquisition of 25% of the capital stock of Geradora de Energia do Norte S.A. ("Geranorte") was completed. Geranorte is the company in charge of the implementation and operation of the thermal power plants located in Tocantinópolis and Nova Olinda, in the State of Maranhão, which together have installed capacity of 330 MW. The consortium that holds the control of Geranorte is made of Equatorial (25%), Fundo de Investimento em Participações Brasil Energia (25%) and GNP S.A. (25%). The control of Geranorte is shared and governed by a Shareholders' Agreement.

#### **10.2. Executive Officers' comments on:**

##### **a) Results of operations, especially:**

##### **i. Description of any important element of the revenue**

The main indexes present in the Issuer's business plan are IGP-M, IPCA, CDI and the exchange rate (U.S.

dollars):

- IGP-M: Part of CEMAR's power distribution tariff is tied to the IGP-M, as well as 15.7% of CEMAR's debt.
- CDI: All financial assets of the Issuer, approximately 36.2% of CEMAR's debt are linked to the CDI.

ii. **Factors that have materially affected the operating results**

As mentioned in item 10.1.a due to Equatorial's partial division, approved in its AEGM on April 29, from the year 2010, the Issuer ceased to consolidate its indirect stake in Light.

**Electricity Loss**

Subsidiaries Light and CEMAR are subject to two types of electricity loss: Technical and trading losses. Technical losses occur during the regular activities of power distribution, while trading losses result from theft, fraud, and metering and billing errors. Power losses make the Company have to acquire more power in order to meet its distribution demand, resulting in an increase in costs for the purchase of power for resale.

For CEMAR, the target for the technical losses level, measured over the total amount of contributed energy, was determined by ANEEL at 12.42%, and it will be effective for the 4 years of the current tariff cycle (August 2009 to July 2013).

With regard to non-technical losses for the last 12 months, the Company closed 2011 with a rate of 21.0%, measured over the low voltage consumer market, a reduction of 1.0 percentage points versus the 22.0% recorded by the end of 2010.

**Tax Incentives (CEMAR)**

Accelerated Depreciation

Art. 31 of Law 11,196/2005, regulated by Decree 5,988/2006, granted an incentive for accelerated depreciation, for purposes of calculating income tax, for assets acquired between January 01, 2006 and December 31, 2013, by corporate entities that have had projects approved that refer to installation, extension, modernization or diversification, that fall within the sectors of the economy considered priorities for regional development, in less developed micro-regions located in areas where SUDENE and SUDAM operated. Incentive accelerated depreciation consists of the full depreciation of the asset in the same year that it is purchased.

This incentive was obtained by CEMAR through government decree 0043 issued by ADENE on April 27, 2007. Under the terms of the Government decree MIN n° 1,211, issued on December 20, 2006, the Ministry of National Integration listed the 217 municipalities in the State of Maranhão, that are classified as less developed micro-regions referred to in the Government decree from ADENE. Consequently, CEMAR has adopted the incentive for all of the 217 municipalities from the State of Maranhão.

75% exemption for Income Tax

On May 14, 2007, the Northeast Development Agency - ADENE, now the Superintendence for the Development of the Northeast - SUDENE, which belongs to the Ministry of National Integration, issued Constitutive Report 0061/2007, which granted to CEMAR an increase in the percentage reduction to income tax from 25% to 75%, justified by the total modernization of its electric facilities. This reduction is valid from 2007 until the year 2016.

The Brazilian Securities and Exchange Commission (CVM), through Resolution 555, issued on November 12, 2008, approved technical pronouncement CPC 07, which addresses government subsidies and assistance and mandates the recording of subsidies granted in the form of tax reduction or exemption as revenues. Total revenue up to December 31, 2010, is R\$46,014 (R\$54,155 up to December 31, 2009). Law 11,638/07 eliminated the capital reserves and Donations and Subsidy for Investment and created the Tax Incentive Reserve. The general meeting shall, by proposal of the Management, allocate the portion of the net income from government donations or subsidies for investment to the tax incentive reserve, which can be excluded from the basis of calculation of mandatory dividends.

The effect of the benefit, accrued to December 31, 2010, amounts to R\$208,441 (R\$162,427 on December 31, 2009).

**b) Changes in revenues due to changes in prices, exchange rates, inflation, volumes, and the introduction of new products and services**

As mentioned in item 10.1.a due to Equatorial's partial division, approved in its AEGM on April 29, from the year 2010, the Issuer ceased to consolidate its indirect stake in Light.

The Company's consolidated net operating revenue for the fiscal year ended on December 31, 2011 was R\$1,962 million, an increase of 9.0% versus consolidated net operating revenue of R\$1,799 million for the year ended on December 31, 2010. This decrease is basically due to the growth of 5.5% in the volume of energy sold to the market.

It is noteworthy that, with the start of Geramar's commercial operations, it began to contribute to the consolidated Equatorial's net revenues.

In August 2011, CEMAR passed by its annual tariff adjustment process, and had its average tariff adjusted by 7.25%.

In August 2010, CEMAR also passed by its annual tariff adjustment process, in which virtually no impact on the consumer was noticed, with the average effect of 0.08%.

In the end of August 2009, CEMAR went through the process of tariff revision process, in which its average tariff was adjusted by -1.64%, considering the effect of financial components. This rate is valid for a period of four years of the

rate cycle (August 2009 to August 2013), however will be adjusted annually by the Annual Tariff Adjustment process.

**c) Impact of inflation, changes in prices of key inputs and products, exchange and interest rates on the issuer's operating and financial result**

The main indices included in the Company's business plan are the IGP-M, TJLP and CDI :

- IGP-M: The company has 12% of its debt tied to IGP-M.
- TJLP: Equatorial has 61.2% of its debt tied to TJLP, being 20.7% relative to CEMAR's total debt and 40.5% of Geramar's debentures.
- CPI: All financial assets of the Issuer, approximately 59.5% of Geramar's debt and 24.6% of CEMAR's debt are linked to the CDI.

**10.3. Comments of the Executive Officers on the potential impact of the events below on the issuer's financial statements and results**

**a) Introduction or disposal of businesses**

Up to the reporting date we do not expect to introduce or dispose of businesses in the future.

**b) Constitution, acquisition or sale of equity interests**

**Disposal, by FIP PCP, of its indirect interest at Light S.A.**

On December 30, 2009, FIP PCP ("PCP"), controlling shareholder of Equatorial, announced the disposal of its indirect interest at Light S.A..

"Pursuant to the agreement entered into by and between PCP and Companhia Energética de Minas Gerais – CEMIG ("CEMIG"), PCP shall approve the spin-off of Equatorial Energia with the subsequent transfer of its indirect interest at Light S.A. to a new company ("Newco") that will be listed on Novo Mercado. Later PCP will sell its interest at Newco to a company in which CEMIG will hold an interest of at least 20%.

Equatorial's spin-off was approved in April 29, 2010, and, from the year 2010, Equatorial's consolidated financial statements will cease to consolidate 25% of Light S.A.'s financial position and results.

For details, see Facts for December 30, 2009, 14 and 29 April 2010.

**c) Unusual events or transactions.**

As mentioned in item "b" above, after the spin-off, Equatorial's Financial Statements will no longer consolidate 25% of the equity position and the results for the period recorded by Light S.A..

#### 10.4. Executive Officers' comments on:

##### a) Significant changes in accounting standards

The Company adopted the provisions of the CPC outlined below during the year ended December 31, 2010, including the comparative period from 31 December 2009 to the opening balance sheet at January 1, 2009.

CPC adopted applicable norms in 2010.

CPC 18 - Investments in Affiliates and Controlled  
CPC 20 - Borrowing Costs  
CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors  
CPC 24 - Subsequent Event  
CPC 25 - Provisions, Contingent Liabilities and Contingent Assets  
CPC 26 - Presentation of Financial Statements  
CPC 30 - Revenue  
CPC 32 - Income Taxes  
CPC 33 - Employee Benefits  
CPC 37 - First Time Adoption of International Accounting Standards  
CPC 38 - Financial Instruments: Recognition and Measurement  
CPC 39 - Financial Instruments: Presentation  
CPC 40 - Financial Instruments: Disclosures  
CPC 41 - Earnings per Share  
CPC 43 - Initial Adoption of Technical Pronouncements CPC 15-43  
ICPC 2001 - Concession  
ICPC 2004 - Scope of FRS 10 - Share-based Payment  
ICPC 2005 - CPC 10 - Share-based Payment - Share Transactions and Group Treasury  
ICPC 2008 - Accounting for Proposed Dividend Payment

##### b) Significant effects of the changes to accounting standards

The application of standards (new standards), described in item above, impacted amounts presented in financial statements.

With the adoption of ICPC01 company understands that all items recorded before in prior assets, belong to the grant of power distribution, so, these items are to be recorded in Intangible Assets Concession Services and Financial Assets as established by rule this interpretation of accounting standards. As showed on notes 12 and 13 from the company's financial statements.

#### Reversal of Regulatory Assets and Liabilities

In 2008, entered into force the Law 11.638/07 and the Provisional Measure No. 449 of December 3, 2008, which amended, revoked and introduced new provisions to the Corporations Law. The changes introduced aim primarily to update the Brazilian corporate law to enable the convergence of accounting practices adopted in Brazil with those contained in international accounting standards (IFRS), and allow that new accounting standards and procedures are issued by CVM in line with international accounting standards.

As part of this harmonization process, the Issuer opted to prepare its balance sheet transition in January 1, 2008, which is the starting point of accounting in accordance with corporate law as amended by Law 11.638/07 and Provisional Measure No. 449 / 08.

**c) Qualifications and key concerns of the independent auditor's opinion**

Caveats: None.

Emphasis: There was no emphasis on the independent auditors' report in relation to financial statements for 2011 and 2010.

December 31, 2009:

Caveats:None.

Emphasis: The auditor's opinion for indirect subsidiary Light SA has a concern regarding the financial statements of Fundação de Seguridade Social Braslight, a pension fund sponsored by the indirect subsidiary, for the year ended December 31, 2009, that were audited by other independent auditors who issued a qualified opinion dated January 21, 2010, with a concern about the existence of a balance of R\$137,317 thousand referring to tax credits generated in the tax immunity proceeding filed by the Entity and that is already final and unappealable, which, according to Management projections, may be offset in approximately nine years, with taxes to be collected in later years. The future realization of the asset is subject to the continuity of the offsetting proceeding by the Federal Revenue Service, which was suspended in September 2005. The maintenance of such suspension could lead the Entity to eventually form a provision for the asset. This asset, which guarantees the actuarial reserves of the Entity, was deducted in the calculation of the actuarial deficit of sponsor subsidiaries, pursuant to CVM Resolution 371/00. Consequently, if this amount is provisioned for, the liability of indirect subsidiary Light S.A. may be adjusted proportionately, and as a result the Company's investments may also be adjusted proportionately to their participation.

**10.5. Comments of the Executive Officers on critical accounting standards adopted by the issuer, especially with regard to accounting estimates made by the management about uncertain, relevant concerns having an impact on the financial position and bottom line that require subjective or complex judgment, such as: provisions, contingencies, revenue recognition, tax credits, long-lived assets, life of non-current assets, pension plans, exchange currency conversion adjustments, environmental recovery costs, impairment test criteria and financial instruments**

***Accounting estimates***

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil (BR GAAP), which include the provisions of the Corporations Law and accounting standards and procedures issued by the Brazilian Securities and Exchange Commission - CVM and Accounting Pronouncements Committee - CPC, which are in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and, for the Group, these practices differ from IFRS applicable for separate financial statements according to the valuation of investments in subsidiaries and jointly controlled by the equity method in BR GAAP, whereas under IFRS would be at cost or fair value.

**a. Financial instruments**

The non-derivative financial instruments include marketable securities, investments in debt and equity instruments, accounts receivable and other receivables, including the receivables that refer to the assignment services, cash and cash equivalents, borrowings and financing, and also accounts payable and other debts.

Non-derivative financial instruments are recognized initially at their fair values plus any transaction costs directly attributable to the instruments that are not recognized at their fair values through results. Subsequent to the initial recognition, the non derivative financial instruments are measured as described below.

- ***Instruments held to maturity***

Derivative financial instruments with fixed or determinable payments with defined maturity, for which the Company intends and has the capacity to hold its financial instruments to maturity, they are classified as 'held to maturity'. Investments held to maturity are stated at cost amortized using the effective interest rate, less any impairment.

- ***Instruments available for sale***

The Company's investments in financial instruments, equity and certain assets relative to debt instruments are classified as available for sale when, after being initially recognized, they are then valued at their fair values and any variations, except impairment, and the foreign currency differences related to these instruments are recognized directly to shareholders' equity, net of tax effects. When the investment is no longer recognized, the gain or loss accumulated to shareholders' equity is transferred to results.

- ***Financial instruments at fair values through results***

An instrument is classified at its fair value through results, if it is held for trading, that is, registered as such when it is initially acquired. Financial instruments are stated at their fair values through results if the Company manages these investments and makes the purchasing and selling decisions based on their fair values in accordance with the investment and risk management strategies documented by the Company. After being initially recognized, the transaction costs attributable to these instruments are then recognized to results when incurred. Financial instruments at fair values through results are measured at their fair values, and any variations are recognized to results.

- ***Loans and receivables***

Loans and receivables are measured at the amortized cost through the effective tax rate method, net of eventual impairment. These are non derivative financial assets with fixed payments or payments that can be calculated, and are not quoted on an active market.

**b. Foreign currency**

The Company's Management defined its functional currency as the Brazilian real, according to the accounting practices on CPC 02 – Effects of Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution 534.

Transactions in foreign currency, which means, all transactions not carried out in the functional currency, are converted by the exchange rate on the date it occurs. Monetary assets and liabilities denominated in foreign currencies were translated into Reais at the foreign exchange rate ruling at the balance sheet date. Any differences arising from converting foreign currency were recognized to the results for the period (see Note 30).

**c. Current and noncurrent assets**

- **Allowance for doubtful accounts**

Calculated at an amount considered adequate to cover any losses on the realization of accounts receivable (see Note 7a).

For customers with relevant debts, a separate analysis is made for the receivable balance from consumers (per class of consumption) whose payment is considered unlikely.

For the other cases, we use the following rules: (i) residential consumers - over 90 days past due; (ii) commercial consumers - over 180 days past due; (iii) industrial and rural consumers, government agencies, public lighting, utilities and other – over 360 days past due.

- **Impairment of assets**

Property, plant and equipment and intangible assets are tested to their recoverable value at least on a yearly basis if there is any indication of impairment. Intangible assets with an indefinite useful life are tested on a yearly basis regardless of indication of impairment.

**d. Current and noncurrent liabilities**

Current and noncurrent liabilities are stated at known or calculated amounts, plus, when applicable, the corresponding charges, monetary and/or foreign exchange variations incurred to the balance sheet date. When applicable, the current and noncurrent liabilities are stated at present values based on interest rates that reflect the term, currency and risk for each transaction. The corresponding entry for the adjustments to present value is registered against the income account that gave rise to the liability in question. The difference between the present value of a transaction and the face value of the liability is appropriated to the results over the period of the contract based on amortized cost and effective interest rate. The Company and its subsidiaries have performed studies to calculate the present value adjustments for its liabilities and after analyzing the relevance

of the amounts involved, the present value adjustment was considered immaterial or not by Management, and is therefore recognized or not in the financial statements.

- ***Provision for contingencies***

Established according to the risk of losing ongoing legal disputes, based on reports prepared by external legal advisors and by legal consultants of the Company, its subsidiaries and joint ventures. The provision for contingencies is stated net of the related legal deposit.

**e. *Provisions***

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.

**f. *Current and deferred income tax and social contribution***

Current and deferred income tax and social contribution are calculated based on the rates of 15% plus a surtax of 10% on taxable profit in excess of R\$240 for income tax and 9% on taxable profit for social contribution on net profit, and consider compensation of tax loss carry forwards and the negative social contribution base, limited to 30% of taxable profit.

The deferred tax assets arising from the tax loss carry forwards, negative social contribution base and temporary differences, were registered in accordance with CVM Instruction 371, of June 27, 2002, and consider past profitability and expected generation of future taxable profits based on a technical viability study approved by the management bodies.

As provided in Provisionary Measure 449/08, the Company and its subsidiaries and joint ventures, opted to adopt the Transition Taxation System (RTT) for calculating taxable profit, and as such the alterations to the criteria for recognizing income, costs and expenses, calculated for determining net profit for the fiscal year do not have any effects for purposes of determining taxable profit for companies subject to RTT, and for tax purposes, the accounting criteria and methods in force at December 31, 2007, should be considered.

**g. *Retirement and pension supplementation plan***

The costs relating to the retirement and pension plans sponsored by CEMAR and Light are recorded on an accrual basis and in accordance with CVM Instruction 371/00 and IBRACON NPC 26.

The costs from sponsoring the pension plan are recognized as expenses since they refer to defined contribution plans.

According to CVM's Resolution No.600 of October 7, 2009, from the year 2011, publicly traded companies were required to include in its financial liabilities from benefits to which employees are entitled, under the rules set out in statement CPC33 Accounting Pronouncements Committee - CPC.

**h. Share-based remuneration plan**

The effects of the remuneration plan based on shares are calculated based on the fair values of the equity instruments granted and recognized in the balance sheet and statement of income, provided the contractual terms are fulfilled.

**10.6. Executive Officers' comments on internal controls implemented to ensure reliable financial reporting, including:**

**a) Effectiveness of internal controls, including eventual issues and actions taken to correct such issues**

The Company complies with the corporate governance standards required by Novo Mercado, and it considers its internal controls appropriate for the type of activity and the volume of transactions it operates. Additionally, given the complexity of technological activities and innovations, Management is committed to revising and continually improving its processes, and to implementing new revision and internal control tools.

**b) Issues found in internal controls and recommendations made in the independent auditor's report**

For our subsidiaries, independent auditors are preparing the report on the accounting procedures and internal controls referring to fiscal year 2011.

However, based on the report prepared for 2010, the Company's Management currently believes there are no facts or aspects that indicate the presence of significant issues or material weaknesses in its internal controls and that its financial statements adequately reflect the Company's results, and financial and equity position.

**10.7. In the event that the issuer has made any public offering of securities, the Executive Officers must comment on:**

**a) How the resulting proceeds were employed**

CEMAR

There was no issuance of securities.

Geramar

There was no issuance of securities.

- b) Any relevant variance between the actual allocation of proceeds and the proposed allocation as reported in relevant offering prospectus**

CONSOLIDATED

There was no such variance.

- c) In the event of any variance, the reasons for any such variance**

CONSOLIDATED

There was no such variance.

**10.8. Executive Officers' description of relevant items not reported in the Company's financial statements, including:**

- a) Any assets and liabilities owned by the issuer and not directly or indirectly shown in its balance sheet (off-balance sheet items), such as:**
- i. operating leases, taken and extended;**
  - ii. receivable portfolio write-offs that create any risks or responsibilities for the Company, plus all relevant liabilities where applicable;**
  - iii. future goods and services purchase and sale agreements;**
  - iv. incomplete building agreements;**
  - v. future loan proceeds agreements**

The company has no assets or liabilities that have not been included in this form and in the financial statements and explanatory notes.

- b) Other items not included in the financial statements**

Not applicable.

**10.9. Executive Officers' comment on each item not included in the financial statements indicated in item 10.8:**

- a) How such items change, or may subsequently change, revenues, expenses, operating result, financial expenses and other items of the issuer's financial statements**

As mentioned in item 10.8 above, there are no such items not included in the financial statements.

**b) Nature and purpose of each transaction**

As mentioned in item 10.8 above, there are no such items not included in the financial statements.

**c) Nature and amount of any liabilities incurred by and rights created for the issuer as a result of each transaction**

As mentioned in item 10.8 above, there are no such items not included in the financial statements.

**10.10. The Executive Officers must indicate and comment on key elements of the Company's business plan, specifically elaborating on:**

**a) Investments, including:**

**i. quantitative and qualitative review of ongoing and proposed investments**

CEMAR Investments

In 2011, CEMAR invested R\$322.3 million in CAPEX, excluding direct investments PLPT-related, R\$58.6 million of which was destined to network's maintenance and R\$263.7 million to power distribution network's expansion.

In 2010, CEMAR's investments, excluding PLPT-related direct investments, amounted to R\$197 million, of which R\$69.2 million were invested in the network's maintenance, and R\$96.5 million in the expansion of the power distribution network.

For the 4 years of the current tariff cycle (September 2009 to August 2013), CEMAR is expected to invest R\$700 million to R\$800 million, notably in distribution network expansion and maintenance in its concession area.

CEMAR – Investments of Luz Para Todos Program (PLPT)

By the end of 2011, 301 thousand consumers were connected to CEMAR's power distribution network through the PLPT program, which directly benefits more than 1.5 million inhabitants.

In 2011, direct investments in the program, which includes expenses with supplies and third-party services, amounted to R\$74.6 million. In 2010, this figure was R\$202.1 million.

**ii. Investment funding sources**

CEMAR

CEMAR funds its investment projects partly with its own cash generation and partly with credit facilities from Banco do Nordeste and/or other fundraising instruments of the capital and banking markets.

PLPT-related direct investments are funded with resources from Eletrobrás, through the RGR and CDE credit facilities.

#### Geramar

In 2008 and 2009, Geramar invested R\$24 million and R\$107 million (considering the 25% interest of Equatorial), respectively, in the construction of its two thermal power plants, which together have installed capacity of 330MW.

The plants started their commercial operations in February 2010, and no further material investment is expected in them.

### **iii. Any relevant ongoing or proposed divestitures**

#### Equatorial

The only proposed and announced divestiture by Equatorial is the spin-off and later disposal by its controlling shareholder of its indirect interest held at Light S.A., as mentioned in item 10.3 and disclosed on a Material Fact dated December 30, 2009 and April 14 and 29, 2010.

This spin-off process was approved on April 29, 2010 and resulted in Redentor Energia S.A.'s creation, a company whose shares began to be traded on BM & F Bovespa in August 2010.

#### CEMAR and Geramar

No significant divestitures are planned.

### **b) Indicate the acquisition (provided that it has already been disclosed) of any plant, equipment, patents or any other asset that may materially affect the productive capacity of the Issuer**

There was no acquisition of assets that should influence the productive capacity of the issuer.

### **c) New products and services, indicating:**

#### **i. Description of the findings of any ongoing and already disclosed research**

#### **ii. Total amounts spent with research and development for new products and services**

#### **iii. Disclosed ongoing projects**

#### **iv. Total amounts spent in the development of new products and services**

Not applicable.

### **10.11 Other drivers that had a material influence on the operating performance and that were not identified or explained in other items herein contained**

All information relevant to this section has been disclosed in the items above.

**ANNEX II**  
**ANNEX 9-1-II (Instruction CVM 481/09)**  
**Net Income Allocation Proposal**

(Values expressed in R\$ Thousands, except when indicated otherwise)

**1. State the net income for the year:**

A. R\$159,996

**2. State the proposed total dividend distribution and dividend per share amounts, as including interim dividends and interest on shareholders' equity previously declared:**

A. Proposed dividends: R\$50,421  
Dividends per share: R\$0.46

**3. State the ratio of dividends to net income for the year:**

A. 32%

**4. State the aggregate and per share amounts proposed to be paid out of retained earnings (income ascertained in previous years):**

A. None.

**5. State the following, net of interim dividends and interest on shareholders' equity previously paid out to shareholders:**

- a. Gross amount of dividends and interest on shareholders' equity, as segregated by kind and class of shares:

	Kind of Share	Quantity	Amount
Common		109.612	50.421

- b. Date and manner of payment of dividends and interest on shareholders' equity being distributed:

A. The payment is to be made in up to 3 installments and is scheduled to take place up until December 31, 2012, in specific dates to be determined by the Management.

- c. Possible adjustments for inflation or interest payable on dividend and interest on shareholders' equity distributions:

A. Not applicable.

- d. Date of dividend or interest on shareholders' equity declaration, for identification of ownership structure and the shareholders entitled to payouts (book closure date):

A. Will be entitled to receive the announced dividends those shareholders identified as such at the date of the Annual General Meeting.

**6. In case interim dividends or interest on shareholders' equity have been declared previously**

**based on income determined in semiannual or other interim financial reports**

- a. State the amounts declared by way of dividends and interest on shareholders' equity:  
A. None.
- b. State the payout date(s)  
A. None.

**7. Provide a table setting forth the following comparative data, by type and class of shares:**

- a. Net income for the year and for the three (3) preceding years:

	2011	2010	2009
Net Income	159,996	188,871	222,600
Net Income per share (R\$)	1.47	1.74	2.10
Weighted Average Number of shares	109,163	108,483	105,883

- b. Dividends and interest on shareholders' equity declared in the three (3) most recent years

Deliberation	Distributions	Amount per Share (batch of real unities)	
		Amount	Common
12/31/2011			
Board of Directors' Meeting on February 15, 2012	Dividends	50,421	0.46
12/31/2010			
Board of Directors' Meeting on March 29, 2011	Dividends	196,608	1.80
12/31/2009			
Board of Directors' Meeting on December 23, 2009	Interest on Shareholder's Equity.	7,412	0.07
Board of Directors' Meeting on March 26, 2010	Dividends	43,392	0.40

**8. In case of a net income allocation to the legal reserve:**

- a. State the amount of the net income allocation to the legal reserve:  
A. R\$8,000
- b. Detail the form of calculation of the allocation to legal reserve:  
A. 5% over the Net Income.

**9. In case the capital stock is represented also by shares of preferred stock bearing rights to fixed or minimum dividends:**

- a. Describe the form of calculation of fixed or minimum dividend:  
A. Not applicable.
- b. State whether net income for the year suffices to pay the full amount attributable to fixed or minimum dividend:  
A. Not applicable.
- c. Clarify whether or not any amount of dividend not being paid is a cumulative amount:  
A. Not applicable.
- d. State the aggregate dividend amount by class of preferred stock entitled to fixed or minimum dividend:  
A. Not applicable.
- e. State the amount per share, by class of preferred stock, payable by way of fixed or minimum dividends:  
A. Not applicable.

**10. With regard to the mandatory dividend:**

- a. Describe the form of calculation established in the Bylaws:  
A. “(iii) at least twenty-five percent (25%) of the balance of the net income for the year obtained after the deduction mentioned in item (i) of this Paragraph shall be distributed as dividends to all the Company’s shareholders;”
- b. State whether the mandatory dividends are set to be paid in full:  
A. Yes.
- c. State the amount of any profit retention:  
A. R\$37,999

**11. In case net income is to be retained in lieu of the mandatory distribution due to circumstances related to the financial condition of the Company:**

- a. State the retention amount:  
A. Not applicable.
- b. Give a detailed account of the financial condition of the Company, addressing also aspects related to the analysis of liquidity, working capital (net current assets) and positive cash flows:  
A. Not applicable.
- c. Justify the profit retention:  
A. Not applicable.

**12. If the proposal includes any allocation to a contingency reserve:**

- a. State the amount allocated to the contingency reserve:  
A. Not applicable.
- b. Identify the anticipated losses that are deemed probable, stating the reasons for anticipating said losses:

A. Not applicable.

c. Explain why the losses are deemed probable:

A. Not applicable.

d. Justify the formation of a contingency reserve:

A. Not applicable.

**13. If the proposal includes any allocation to the unrealized profit reserve:**

a. State the amount allocated to the unrealized profit reserve:

A. Not applicable.

b. Clarify the nature of the unrealized profits being reserved

A. Not applicable.

**14. In case of any net income allocation to a bylaws reserve:**

a. Identify the Bylaws' provisions that establish the bylaws reserve:

A. "(iv) the remaining portion of the net income for the year after the payment of dividends to shareholders shall be allocated to the Investment and Expansion Reserve in a percentage to be defined at the General Meeting, which reserve has is to (i) ensure resources for the acquisition of interests in the capital stock of other companies, consortiums and undertakings that operate in the electricity sector; (ii) reinforce the Company's working capital; and, (iii) be used for redemption, reimbursement or acquisition of shares of the Company's capital;"

b. State the amount allocated to the bylaws reserve:

A. R\$101,575

c. Explain the calculation of the allocation amount:

A. Adjusted Net Income's exceeding balance, after dividend proposal.

**15. In case any profit retention is contemplated in a capital expenditure budget:**

a. State the amount of the retention:

A. Not applicable.

b. Provide a copy of the capital expenditure budget:

A. Not applicable.

**16. In case of any net income allocation to a tax incentive reserve:**

a. State the amount allocated to the tax incentive reserve:

A. Not applicable.

b. Explain the nature of the allocation:

A. Not applicable.

**ANNEX III**  
**COMPENSATION OF THE MANAGEMENT**  
**Item 13 – Reference Form (Instruction CVM 480/09)**

**13. Compensation of the Management**

**13.1. Compensation policy or practice for the Board of Directors, statutory and non-Statutory Executive Board, fiscal council and committees**

**a) objectives of the compensation policy or practice:**

The objective of Equatorial's compensation policy is to attract and retain, motivate and develop executives with the excellence standards required by the Company. Compensation practices aim at the creation of a culture directed towards result achievement, through reaching and exceeding goals that may be interesting to the employees, to the company and to the shareholders.

Additionally to the compensation policy, the company also has the Stock Option Plan which gives to its holder the right, not the obligation, to subscribe shares of the company at a price fixed in a determined period of time. In our view, this is an instrument that, on one hand, involves risks, but, on the other hand, allows an alignment of management's interests to employees' interests on the medium and long term. Due to a lack of specific classification in this Form, we will describe the amounts referring to the Stock Option Plan within item 13, destined to Compensation, in the line Stock Based Compensation. Finally, such options may be given to the company's main employees and its controlled companies (especially CEMAR).

**b) compensation composition**

**i. compensation elements and objectives:**

Members of the Board of Directors and Fiscal Council of Equatorial receive fixed monthly fees for the performance of their duties, aligned to the market average.

Compensation for Statutory Executive Board comprise fixed monthly fees, profit sharing and benefits. Fixed compensation is aligned to the market average and defined through market research, using the Hay Group methodology. Variable compensation, however, is determined through goal achievement and it is linked to meritocracy, a value practiced in the Company. Benefits received by directors comprise: health and dental care plans, meal assistance

**ii. proportion of each element in total compensation:**

Body	Fixed Fee	Benefits	Variable	Stock Options
------	-----------	----------	----------	---------------

Fiscal Council	83%	17%	0%	0%
Board of Directors	82%	16%	0%	2%
Statutory Executive Board	23%	5%	66%	6%

**iii. calculation and readjustment methodology for each of the elements in compensation:**

There is no specific readjustment methodology for each of the compensation components, for members of the Board of Directors and fiscal council, as well as for Statutory Executive Board. With respect to calculation methodology, the company periodically analyzes market practices, obtained through market research, to evaluate internal adherence of values to market reality.

**iv. reasons that justify compensation composition:**

The compensation composition takes into account the responsibilities of each position, and uses as a parameter the market amounts paid to professionals that perform duties with similar complexity.

**c) main performance indicators considered to determine each compensation element:**

Compensation of members of the Board of Directors and Fiscal Council of the company is fixed and does not comprise performance indicators.

Variable compensation of Statutory Executive Board is defined through a goal management system, previously set and aligned to the company's strategic planning.

**d) how compensation is structured, in order to reflect the evolution of performance indicators:**

Regarding Statutory Executive Board, variable compensation is based in quantitative goals formally contracted, which reflect the evolution of the company's performance indicators.

Presidency's goals are unfolded to each director and so on, in such a way that achieving goals by segments may contribute to the company's results of operations. Furthermore, it is necessary for the Company that it achieves a minimum desired performance in order to pay variable compensation, and in this sense, exceptional results are also reflected in higher variable compensation.

**e) how the compensation policy or practice aligns to the issuer's short, medium and long term interests:**

The compensation format described above seeks to encourage all employees to look for higher profitability on the investments and projects developed by the Company, in order to align their interests.

**f) existence of compensation supported by subsidiaries, controlled companies or direct or indirect controlling companies:**

Equatorial maintains with its controlled company CEMAR resource sharing, strictly complying with the law, especially accounting and regulatory rules. Therefore, the percentage related to compensation for performed duties by the Statutory Executive Board in the controlling company is transferred to the controlled company.

**g) existence of any compensation or benefit linked to corporate events, like sale of the issuer equity control:**

The Company does not have any sort of compensation or benefits linked to corporate events.

**13.2. Compensation accounted for in the income statement for the year 2011 and compensation forecasted for the current fiscal year, for Board of Directors, Statutory Executive Board and fiscal council:**

<b>FORECASTED COMPENSATION FOR THE FISCAL YEAR 2012 (R\$ thousands)</b>				
<b>a. Body</b>	<b>Board of Directors</b>	<b>Fiscal Council</b>	<b>Statutory Executive Board</b>	<b>TOTAL</b>
<b>b. Number of members</b>	7 members	3 members	4 members	14 members
<b>c.i. Fixed annual compensation</b>				
Salaries or fees	1,155	173	1,020	2,348
Direct and indirect benefits	231	35	204	470
Compensation for participation in committees	-	-	-	-
Other	-	-	-	-
<b>c.ii. Variable compensation</b>				
Bonus	-	-	-	-
Profit sharing	-	-	2,468	2,468
Compensation for participation in meetings	-	-	-	-
Commissions	-	-	-	-
Other	-	-	-	-
<b>c.iii. Post-retirement benefits</b>				
c.iv. Benefits motivated by stop holding the position	-	-	-	-
c.v. Stock based compensation*	20		266	286
<b>d. Amount of compensation per each Body</b>	<b>1,406</b>	<b>208</b>	<b>3,958</b>	<b>5,572</b>
<b>e. Total compensation for the Bodies</b>				<b>5,572</b>

(1) The compensation amount includes all social charges and provisions in compliance with the accrual method.

\* Due to lack of specific classification (see item 13.1.a)

<b>COMPENSATION ACCOUNTED FOR IN THE INCOME STATEMENT FOR THE FISCAL YEAR 2011 (R\$ thousands)</b>				
<b>a. Body</b>	<b>Board of Directors</b>	<b>Fiscal Council</b>	<b>Statutory Executive Board</b>	<b>TOTAL</b>
<b>b. Number of members</b>	7 members	3 members	4 members	14 members
<b>c.i. Fixed annual compensation</b>				
Salaries or fees	840	126	1,077	2,043
Direct and indirect benefits	168	25	215	408
Compensation for participation in committees	-	-	-	-
Other	-	-	-	-

c.ii. Variable compensation				
Bonus	-	-	-	-
Profit sharing	-	-	2,587	2,587
Compensation for participation in meetings	-	-	-	-
Commissions	-	-	-	-
Other (INSS Bonus)	-	-	517	517
c.iii. Post-retirement benefits				
c.iv. Benefits motivated by stop holding the position				
c.v. Stock based compensation*	20	-	266	286
d. Amount of compensation per each Body	1,028	151	4,662	5,841
e. Total compensation for the Bodies				5,841

(1) The compensation amount includes all social charges and provisions in compliance with the accrual method.

\* Due to lack of specific classification (see item 13.1.a)

**13.3. Variable compensation accounted for in the income statement for the year 2011 and variable compensation forecasted for the current fiscal year, for Board of Directors, Statutory Executive Board and fiscal council:**

VARIABLE COMPENSATION ACCOUNTED FOR IN THE INCOME STATEMENT FOR THE FISCAL YEAR 2011 (R\$ thousands)			
a. Body	Board of Directors	Fiscal Council	Statutory Executive Board
b. Number of members	7 members	3 members	4 members
c. Bonus			
i. Minimum amount forecasted in the compensation plan	N/A	N/A	N/A
ii. i. Maximum amount forecasted in the compensation plan	N/A	N/A	N/A
iii. Amount forecasted in the compensation plan, if the goals are achieved	N/A	N/A	N/A
iv. Amount effectively accounted for in the income statement	N/A	N/A	N/A
d. Profit Sharing			
i. Minimum amount forecasted in the compensation plan	N/A	N/A	0
ii. Maximum amount forecasted in the compensation plan	N/A	N/A	1,800
iii. Amount forecasted in the compensation plan, if the goals are achieved	N/A	N/A	2,468
iv. Amount effectively accounted for in the income statements of the last 3 fiscal years.	N/A	N/A	3,104

(1) The compensation amount includes all social charges and provisions in compliance with the accrual method.

FORECASTED COMPENSATION FOR THE FISCAL YEAR 2012 (R\$ thousands)			
a. Body	Board of Directors	Fiscal Council	Statutory Executive Board

b. Number of members	7 members	3 members	4 members
c. Bonus			
i. Minimum amount forecasted in the compensation plan	N/A	N/A	N/A
ii. Maximum amount forecasted in the compensation plan	N/A	N/A	N/A
iii. Amount forecasted in the compensation plan, if the goals are achieved	N/A	N/A	N/A
iv. Amount effectively accounted for in the income statement	N/A	N/A	N/A
d. Profit Sharing			
i. Minimum amount forecasted in the compensation plan	N/A	N/A	0 (1)
ii. Maximum amount forecasted in the compensation plan	N/A	N/A	2,468
iii. Amount forecasted in the compensation plan, if the goals are achieved	N/A	N/A	2,468
iv. Amount effectively accounted for in the income statements of the last 3 fiscal years.	N/A	N/A	N/A

(1) The compensation amount includes all social charges and provisions in compliance with the accrual method.

**13.4. Compensation plan based in actions by the Board of Directors and Statutory Executive Board, in force during the last fiscal year and forecasted for the current fiscal year:**

Due to lack of specific classification, and as mentioned in item 13.1.a, we are providing information related to the Stock Option Plan of the Company in this item 13.4.

**a) general terms and conditions:**

The creation of the Third Stock Option Plan of Equatorial ("Third Plan") was approved in the Extraordinary Shareholders Meeting held on October 16, 2008. The options for subscription of shares to be offered in the terms of the Third Plan will represent a maximum of 4,000 thousand shares of Equatorial. Once the option is exercised by the interested parties, the referred shares will be object of issuance through an increase of the Company's capital, within the limits of the authorized capital established in the By-laws. Further details about the Plan can be found in the minute of the Extraordinary Shareholders Meeting that approved it, which is available in the Company and CVM websites.

The beneficiaries shall use at least 50% (fifty percent) of the amount of Profit Sharing, Performance Bonus or any other genre of annual variable compensation ("PS") which they may be entitled to, net of income tax and other charges, in the subscription of shares comprising the blocks which option had already been given. Additionally, the beneficiaries shall use the totality of dividends and interest on equity received, related to shares held by them, acquired within the Plan, in the subscription of shares from the blocks which option had already been given.

**b) main objectives of the plan:**

Amongst the main objectives of the plan, we may highlight:

- (i) Stimulate expansion, success and execution of social goals of the Company and the interests of its shareholders.
- (ii) Make possible to the Company obtain and maintain services from top level executives, offering such executives,

as an additional advantage, the opportunity to become shareholders of the Company, in the terms and conditions set in the plan.

**c) how the plan contributes to achieve these goals:**

The plan contributes to achieve these goals as it offers its beneficiaries the possibility to become a shareholder of the Company, aligning the interests of shareholders and managers, stimulating them to achieve their top performance.

**d) how does the plan fits into the issuer's compensation policy\*:**

The Company has a policy of giving value to employee individual merit, based on achieving operational and financial goals and on individual performance. The implemented stock option plans constitute a stimulating instrument for good individual performance and encouraging for commitment with corporate goals.

\* As mentioned in item 13.1.a, we do not consider this Plan as compensation.

**e) how the plan aligns the interests of the management and of the issuer at short, medium and long term:**

The options granted by the Plan have medium and long term exercising terms. Therefore, the plan aligns interests of management, Company and shareholders in the same way it stimulates better performance from directors in a larger time horizon, bringing benefits to everyone through price appreciation of the Company's shares.

**f) maximum amount of shares covered:**

4,000,000 (four million) common shares.

**g) maximum amount of options to be granted:**

4,000,000 (four million) granted options, each one bearing the right to subscribe 1 (one) common share of the Company.

**h) conditions for share acquisition:**

The beneficiaries shall use at least 50% (fifty percent) of the amount of Profit Sharing, Performance Bonus or any other genre of annual variable compensation ("PS") which they may be entitled to, net of income tax and other charges, in the subscription of shares comprising the blocks which option had already been given. Additionally, the beneficiaries shall use the totality of dividends and interest on equity received, related to shares held by them, acquired within the Plan, in the subscription of shares from the blocks which option had already been given.

**i) criteria to set the acquisition or exercise price:**

The price of the shares to be acquired of subscribed by the beneficiaries due to exercising the option will be determined by the Management Committee of the plan and will be equivalent to a price of, at least, 90 (ninety

percent) of the weighted average of 1 common share of the Company at São Paulo Stock Exchange – BOVESPA in the period of, at least, 30 days and maximum of 180 days from the granting date of the respective option. The referred amount may be increased, at the Committee's discretion, by monetary restatement based on the fluctuation of the Consumer Price Rate – IPCA, calculated by Brazilian Geography and Statistic Institute – IBGE (“IPCA/IBGE”), or another similar index which may be chosen by the Committee, in the event of unavailability of this index, or if it is not applicable, in the shorter period allowed by law, between the signature date and the effective exercise date of the options.

If, during the period of calculation of the weighted average referred to in the previous item, the price of the Company's shares at Bovespa changes due to payment of interest on equity and/or dividends, this average shall be adjusted in order to disregard the payment of the referred amounts, except if the shares to be given to the beneficiaries also grant the beneficiaries the right to receive the same interest on equity and/or dividends which cause the change in the share price.

**j) criteria to set the exercise price:**

The plan allows the issuance of many blocks with distinct exercise term, in order to align the interests of the Company, directors and shareholders in the medium and long terms. Each block of options granted may be exercised in the period of 12 months from the start of the term.

**k) type of settlement:**

In cash, by deposit in the Company's bank account.

**l) restrictions to transfers of shares:**

Except for a contrary decision by the management committee of the plan, the holder of shares can only sell, transfer or, by any means, convey the shares of the Company originally subscribed and acquired under the plan, as well as those that may be acquired by him due to bonus, splits, subscriptions or any other means of acquisition after the term of 2 years counting from the date of approval of the Third Plan by the Shareholders General Meeting.

**m) criteria and events that, whenever found, cause the suspension, change or extinction of the plan:**

The Board of Directors of the Company may, at any moment, change or extinguish the Third Plan.

**n) effects of the management's departure from the issuer's bodies, over the rights set on the stock based compensation plan.**

\* As mentioned in item 13.1.a, we do not consider this Plan as compensation.

Being ceased, by any reason, the manager's mandate, except in the event of death or permanent disability of the holder of the option, the following provisions will be applied:

i) In the event of dismissal of the manager by any reason corresponding to “just cause”, as defined in Brazilian corporate and labor law, in the period up to 2 years from the date of approval of the Third Plan by the Shareholders General Meeting, the Company will have, within 60 (sixty) days, counting from the termination of the mandate, the option to acquire from the beneficiary all of its shares by the lower price between (i) the total amount paid by the beneficiary in the subscription and acquisition of shares, adjusted by IPCA/IBGE, in the shorter period accepted by law; and (iii) market price. The options that, in the moment of termination of the manager’s mandate, have already been granted and not exercised, or are not yet eligible to exercise, will be extinct.

ii) In the events of dismissal of the manager without a “Just cause”, as defined in Brazilian corporate and labor law, the shares that have already been subscribed under the plan may be freely transferred in the stock exchange or privately, without any restriction to term, as referred to in the item I above. The options that, in the moment of termination of the manager’s mandate, have already been granted and not exercised, or are not yet eligible to exercise, will be extinct.

iii) In the events of resignation by the manager, the shares that have already been subscribed under the plan may be freely transferred in the stock exchange or privately, without any restriction to term, as referred to in the item I above. The options that, in the moment of termination of the manager’s mandate, have already been granted and not exercised, or are not yet eligible to exercise, will be extinct.

**13.5. Report the quantity of shares or stocks directly or indirectly held, in Brazil or abroad, and other securities convertible in shares or stocks, issued by the issuer, its direct or indirect controllers, subsidiaries or under shared control, by members of the Board of Directors, Statutory Executive Board of members of the Fiscal Council, grouped by body, in the date of closing the last fiscal year.**

Body	Equatorial Energia S.A.		
	Directly held shares	Indirectly held shares	Held Shares - Total
Board of Directors	87,004	14,139,846	14,226,850
Executive Officers	84,375	-	84,375
Fiscal Council	-	-	-

Body	CEMAR - Cia. Energética do Maranhão (Subsidiary)						Held shares - Total
	Directly held shares			Indirectly held shares			
	Common share	Preferred A	Preferred B	Common share	Preferred A	Preferred B	
Board of Directors	63	-	2	13.691.354	100.123	131.371	13.922.914
Executive Officers	1	-	1	81.199	594	779	82.574
Fiscal Council	-	-	-	-	-	-	-

**13.6. Regarding the stock based compensation\* accounted for in the income statement of the 3 last fiscal years and the forecast for the current fiscal year, for the Board of Directors and Statutory Executive Board**

\* As mentioned in item 13.1.a, we do not consider this Plan as compensation.

2009		
a. body	Executive Officers	
b. number of members granted on date	4	1
i. granting date	2/9/2009	5/7/2009
ii. Amount of options granted	2,637,688	57,165
iii. Starting date for exercising	1 <sup>st</sup> lot: 2/9/09 2 <sup>nd</sup> lot: 2/27/10 3 <sup>rd</sup> lot: 2/27/11 4 <sup>th</sup> lot: 2/27/12	1 <sup>st</sup> lot: 8/5/09 2 <sup>nd</sup> lot: 2/27/10 3 <sup>rd</sup> lot: 2/27/11 4 <sup>th</sup> lot: 2/27/12
iv. Final date for exercising	2 years after the starting date	2 years after the starting date
v. Restriction date for the share transfer / sale	October 2010, which could be changed by the Plan's Administration Committee (formed by Board members)	October 2010, which could be changed by the Plan's Administration Committee (formed by Board members)
vi. Weighted average exercise price for each group of options:		
available at the beginning of the year	N/A	N/A
lost during the year	N/A	N/A
exercised during the year	R\$8.89	R\$7.11
expired during the year	N/A	N/A
d. Options' fair value in the grant date	R\$2.54 to R\$2.86 / share	R\$6.62 to R\$7.00 / share
e. possible dilution should all granted options be exercised	2.5%	0.1%

2009		
a. body	Board of Directors	
b. number of members granted on date	1	1
i. granting date	2/9/2009	5/7/2009
ii. Amount of options granted	33,333	66,666
iii. Starting date for exercising	1 <sup>st</sup> lot: 2/9/09 2 <sup>nd</sup> lot: 2/27/10 3 <sup>rd</sup> lot: 2/27/11 4 <sup>th</sup> lot: 2/27/12	1 <sup>st</sup> lot: 8/5/09 2 <sup>nd</sup> lot: 2/27/10 3 <sup>rd</sup> lot: 2/27/11 4 <sup>th</sup> lot: 2/27/12
iv. Final date for exercising	2 years after the starting date	2 years after the starting date
v. Restriction date for the share transfer / sale	October 2010, which could be changed by the Plan's Administration Committee (formed by Board members)	October 2010, which could be changed by the Plan's Administration Committee (formed by Board members)
vi. Weighted average exercise price for each group of options:		
available at the beginning of the year	N/A	N/A
lost during the year	N/A	N/A
exercised during the year	N/A	N/A
expired during the year	N/A	N/A
d. Options' fair value in the grant date	R\$2.54 to R\$2.86 / share	R\$6.62 to R\$7.00 / share

e. possible dilution should all granted options be exercised	0.0%	0.1%
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2010		
a. body	Executive Officers	
b. number of members granted on date	4	1
i. granting date	2/9/2009	5/7/2009
ii. Amount of options granted	2,637,688	57,165
iii. Starting date for exercising	1 <sup>st</sup> lot: 2/9/09 2 <sup>nd</sup> lot: 2/27/10 3 <sup>rd</sup> lot: 2/27/11 4 <sup>th</sup> lot: 2/27/12	1 <sup>st</sup> lot: 8/5/09 2 <sup>nd</sup> lot: 2/27/10 3 <sup>rd</sup> lot: 2/27/11 4 <sup>th</sup> lot: 2/27/12
iv. Final date for exercising	2 years after the starting date	2 years after the starting date
v. Restriction date for the share transfer / sale	October 2010, which could be changed by the Plan's Administration Committee (formed by Board members)	October 2010, which could be changed by the Plan's Administration Committee (formed by Board members)
vi. Weighted average exercise price for each group of options:		
available at the beginning of the year	R\$ 7.11	R\$ 7.11
lost during the year	N/A	N/A
exercised during the year	R\$ 7.13	R\$ 7.13
expired during the year	N/A	N/A
d. Options' fair value in the grant date	R\$2.54 to R\$2.86 / share	R\$6.62 to R\$7.00 / share
e. possible dilution should all granted options be exercised	2.5%	0.1%

2010		
a. body	Board of Directors	
b. number of members granted on date	1	1
i. granting date	2/9/2009	5/7/2009
ii. Amount of options granted	33,333	66,666
iii. Starting date for exercising	1 <sup>st</sup> lot: 2/9/09 2 <sup>nd</sup> lot: 2/27/10 3 <sup>rd</sup> lot: 2/27/11 4 <sup>th</sup> lot: 2/27/12	1 <sup>st</sup> lot: 8/5/09 2 <sup>nd</sup> lot: 2/27/10 3 <sup>rd</sup> lot: 2/27/11 4 <sup>th</sup> lot: 2/27/12
iv. Final date for exercising	2 years after the starting date	2 years after the starting date
v. Restriction date for the share transfer / sale	October 2010, which could be changed by the Plan's Administration Committee (formed by Board members)	October 2010, which could be changed by the Plan's Administration Committee (formed by Board members)
vi. Weighted average exercise price for each group of options:		
available at the beginning of the year	R\$ 7.11	R\$ 7.11
lost during the year	N/A	N/A
exercised during the year	R\$ 7.13	R\$ 7.13
expired during the year	N/A	N/A
d. Options' fair value in the grant date	R\$2.54 to R\$2.86 / share	R\$6.62 to R\$7.00 / share

e. possible dilution should all granted options be exercised	0.0%	0.1%
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2011		
a. body	Board of Directors	Estatutory Executive Board
b. number of members granted on date	2	4
i. granting date	2/9/2009 and 05/07/2009	2/9/2009 and 05/07/2009
ii. Amount of options granted	2,233,333	504,534
iii. Starting date for exercising	3 <sup>rd</sup> lot: 2/27/11 4 <sup>th</sup> lot: 2/27/12	3 <sup>rd</sup> lot: 2/27/11 4 <sup>th</sup> lot: 2/27/12
iv. Final date for exercising	2 years after the starting date	2 years after the starting date
v. Restriction date for the share transfer / sale	10/16/2010	10/16/2010
vi. Weighted average exercise price for each group of options:		
available at the beginning of the year	R\$ 1 / share	R\$ 1 / share
lost during the year	N/A	N/A
exercised during the year	R\$ 1 / share	R\$ 1 / share
expired during the year	N/A	N/A
d. Options' fair value in the grant date	R\$2.54 to R\$2.86 / share	R\$6.62 to R\$7.00 / share
e. possible dilution should all granted options be exercised	0.02%	0.2%

With the subscription occurred on February 28, 2012, there are no more options to be subscribed under the 3rd Stock Option Plan of the Company.

### 13.7. Options outstanding for the Board of Directors and Statutory Executive Board at the end of the last fiscal year

2012		
a. body	Executive Officers	Board of Directors
b. Number of Beneficiaries	4	2
c. Relating to the non-exercisable options		
i. amount	109,428	8,334
ii. Exercise starting date	02/27/2012	02/27/2012
iii. Final date for exercising	02/26/2014	02/26/2014
iv. Restriction date for the share transfer / sale	10/16/2010	10/16/2010
v. Weighted average exercise price	R\$1 /share	R\$1 /share
vi. Fair value of the options in the last day of the year	R\$1 /share	R\$1 /share
d. Relating to the exercisable options		
i. amount	0	0
ii. Final date for exercising	N/A	N/A
iii. Restriction date for the share	N/A	N/A

transfer / sale		
iv. Weighted average exercise price	N/A	N/A
v. Fair value of the options in the last day of the year	N/A	N/A
vi. Total fair value of the options in the last day of the year	N/A	N/A

**13.8. Exercised options and shares delivered related to stock based compensation\* for the Board of Directors and Statutory Executive Board, in the last 3 fiscal years**

\* As mentioned in item 13.1.a, we do not consider this Plan as compensation.

2009	Executive Officers	Board of Directors
Number of beneficiaries	5	2
	Exercised shares	
Amount of shares	133,931	0
Weighted average exercise price	R\$ 8.75	N/A
Total difference between the exercise price and the market value of the exercised shares	R\$ 521 thousand	N/A

2010	Executive Officers	Board of Directors
Number of beneficiaries	4	2
	Exercised shares	
Amount of shares	264,224	2,114,910
Weighted average exercise price	R\$5.25	R\$7.05
Total difference between the exercise price and the market value of the exercised shares	R\$2,776 thousand	R\$22,500 thousand

2011	Executive Officers	Board of Directors
Number of beneficiaries	4	2
	Exercised shares	
Amount of shares	109,420	8,333
Weighted average exercise price	R\$1 / share	R\$1 / share
Total difference between the exercise price and the market value of the exercised shares	R\$1,118 thousand	R\$85 thousand

There were no shares delivered in the last 3 fiscal years.

**13.9. Information necessary to understand the data disclosed in items 13.6 and 13.8, as well as the explanation about the pricing method to value shares and options.**

a) Pricing method

b) data and assumptions used in the pricing model, including weighted average price of the shares, exercise price, expected volatility, lifetime of the option, expected dividends and risk free interest rate.

c) method used and assumptions assumed to incorporate expected effects arising from anticipated exercising

**d) method to determine the expected volatility**

**e) if any other characteristic of the option was incorporated in measuring its value**

The Black & Scholes pricing method was used to calculate the price of the options in the dates of the respective grantings and year end. All parameters were based in historical data (volatility, risk free interest rate and share price) in the dates of grantings and year end.

Therefore, for the respective granting dates or year end, the market price of the shares in the date, historical volatility (it was not used an expected volatility), average due date for each block of options, exercise price adjusted by projected dividends for the period and the risk free interest rate based in the curve of public federal securities, corrected by the IPCA were used. It was considered an expected departure rate of employees holding options, based in the history of the Company.

For volatility, it was used the historical volatility of the shares since the Company was listed.

The exercise price was calculated based on the issuance price of the options adjusted by the IPCA and adjusted by dividends declared in the period.

The risk free interest rate used based on the curve of public federal securities adjusted by the IPCA (NTN-B), with correlative terms to those options.

As a parameter for capital proceeds / decrease, it was used the amount effectively declared in 2011 regarding the exercise 2010, and a future estimate according to internal parameters.

**13.10. Pension plans in force, granted to members of the Board of Directors and to Statutory Executive Board**

None.

**13.11. Compensation for members of the Board of Directors, Statutory Executive Board and members of the fiscal council**

Equatorial Energia (R\$ thousand)				
Directors	Number of Members	Minimum Compensation	Average Compensation	Maximum Compensation
Statutory Executive Board	4	165	1,166	2,143
Board of Directors	7	144	147	164

Fiscal Council	3	50	50	50
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\* Includes Stock Options due to lack of specific classification (see item 13.1.a)

**13.12. Description of contractual arrangements, insurance policies or other instruments that structure compensation or indemnification mechanisms for directors in the event of dismissal from the position or retirement, as well as the financial consequences to the issuer**

None

**13.13. Percentage of each body total compensation, in the fiscal year 2011, accounted for in the income statement of the issuer referring to members of the Board of Directors, Statutory Executive Board and members of the fiscal council that are related parties to the indirect or direct controllers of the Company, as defined by the accounting standards ruling this matter.**

FISCAL YEAR 2011 – EQUATORIAL ENERGIA			
Body	Board of Directors	Fiscal Council	Statutory Executive Board
Percentage of total compensation	56%	67%	49%

**13.14. Amounts accounted for in the issuer's income statement as compensation for members of Board of Directors, Statutory Executive Board or members of fiscal council, grouped by body, for any reason different from the role they have, as, for example, commissions and consulting advice services rendered.**

Not applicable.

**13.15. Amounts accounted for in the income statement of direct or indirect controllers', companies under shared control and subsidiaries, as compensation for members of the issuer's Board of Directors, Statutory Executive Board or members of the fiscal council, grouped by body, in the fiscal year 2011**

FISCAL YEAR 2011 (R\$ thousand)				
	Board of Directors	Fiscal Council	Statutory Executive Board	
	Fixed	Fixed	Fixed	Variable
CEMAR	230	69	632	1,213
Redentor Energia S.A.	18	9	9	-
<b>Total</b>	<b>248</b>	<b>78</b>	<b>641</b>	<b>1,213</b>



(1) The compensation amount includes all social charges and provisions in compliance with the accrual method.

**13.16. Further information the Issuer deems material.**

All relevant information is provided in the items above.

**ANNEX IV**  
**FISCAL COUNCIL CANDIDATES**  
**Items 12.6 to 12.10 – Reference Form (Instruction CVM 480/09)**

12.6 – Regarding the candidates to be members of the issuer’s fiscal council, report, in a table:

Name	Age	Profession	Taxpayers ID	Position	Election Day	First day of Mandate	End of Mandate	Other positions or functions?	Nominated by the Controlling Shareholder?
Sérgio Passos	38	Businessman	026.246.867-03	Fiscal Council Member	03/19/2012	03/19/2012	AGM 2013	None	N/A
Felipe Souza Bittencourt	33	Businessman	078.366.387-07	Fiscal Council Member	03/19/2012	03/19/2012	AGM 2013	None	N/A
Bruno Zaremba	36	Economist	034.032.377-96	Fiscal Council Member - Alternate	03/19/2012	03/19/2012	AGM 2013	None	N/A
José Guilherme Cruz Souza	40	Electric Engineer	003.669.617-05	Fiscal Council Member - Alternate	03/19/2012	03/19/2012	AGM 2013	None	N/A

12.7 – Provide information mentioned in item 12.6 regarding members of statutory committees, as well as audit, risk, financial and compensation committees, even if such committees or structures are not statutory:

None.

12.8 – Regarding the candidates to be members of the issuer’s fiscal council, report:

a) curriculum

**Sérgio Passos - Candidate for the Fiscal Council membership**

Sérgio Passos is a partner and responsible for the controlling department of Vinci Partners. Joined Pactual Bank in 1998, where he worked as manager of fiscal department, and from 2006 to 2009 took the position as responsible for the accounting department. Before Pactual, he was a tax consultant for PriceWaterhouseCoopers. Sérgio Passos is graduated in Business Administration and Accounting by Santa Ursula University, has an MBA in Finance by IBMEC RJ.

**Felipe Souza Bittencourt - Candidate for the Fiscal Council membership**

Mr. Bittencourt is a partner at Vinci Partners and is responsible for the M&A department in the group. He joined UBS Pactual Alternative Investments (“PCP”) in the beginning of 2008, as a member of the private equity team, focusing in creating, analyzing, selecting, executing and monitoring investments of PCP’s funds. Previously, between 1998 and 2007, Mr. Bittencourt worked in the JPMorgan Bank in the department of corporate finance. He was involved in many M&A, equity, debt collection, financial restructuring, amongst other transactions in Latin America, working at the Bank office in New York for approximately 5 years. Mr. Bittencourt is graduated by IBMEC University, Rio de Janeiro, and has a post-graduate degree (MBA) by Columbia University, New York.

**Bruno Augusto Sacchi Zaremba - Candidate for the Fiscal Council membership**

Bruno Zaremba is a partner and member of Vinci Partners Private Equity team. Mr. Zaremba joined Pactual Bank in 1996, as a company analyst. Until 2003 he worked with the research and analysis team, in the bank, retail, consumption and tobacco. After that, he was named manager of Private Equity for developed markets, in the variable income segment, occupying such position when he joined Vinci Partners in 2009. Mr. Zaremba is graduated in Economics by PUC-RJ and also has a CFA certification.

**José Guilherme Cruz Souza – Candidate for the Alternate Fiscal Council membership**

Mr. Souza is a partner and member of Vinci Partners. Mr. Souza joined Banco Pactual (now BTG Pactual) in 2005 and was co-responsible for managing the Fundo de Investimento Brasil Energia (FIP Brasil Energia) until 2009. During this period, the fund’s committed capital (R\$ 1.2 billion) was invested in eight projects and companies in the segments of generation and transmission of energy through equity and mezzanine instruments. His responsibilities encompassed the exploration opportunities, technical, economic and financial analysis, structuring of transactions and management of invested companies, on their boards of directors. Prior to Pactual, Mr. Souza served for four years as Senior Associate at Stern Stewart, american consulting financial management, developing projects for implementation of Value Based Management, using the methodology of the Economic Value Added (EVA®), as well



as projects in Corporate Finance for customers such as Petrobras Distribuidora (BR Distribuidora), Metro RJ, Klabin and Telemar. Mr. Souza has more than 5 years of experience in the financial market, having worked in Asset Management and Equity Sales & Trading at Citigroup and Banco Graphus. Mr. Souza concluded his M.B.A. in 2001 from the University of Rochester (USA), specializing in Corporate and Accounting Finance, was elected by his performance, to society Beta Gamma Sigma. José Guilherme graduated as the first in class of Electrical Engineering in 1994 at Escola Federal de Engenharia de Itajubá (EFEI) in MG.

In relation to listed candidates, there isn't, in the last five years, any criminal conviction, any conviction in the CVM's administrative process, any final conviction in the judicial or administrative area, which had them suspended or disqualified for the practice of any professional or commercial activity.

There is no marital relationship, marriage or relationship to the second degree between: (a) the Company's management, (b) (i) directors of the Company and (ii) managers of subsidiaries, direct or indirect, of the Company, (c) (i) directors of the Company or its subsidiaries, direct or indirect, and (ii) direct or indirect controlling the Company, (d) (i) directors of the Company and (ii) directors of the companies direct and indirect subsidiaries of the Company.

Mr. Sérgio Passos, Mr. Felipe Bittencourt, Mr. Bruno Zaremba and Mr. José Guilherme Souza Cruz are also being nominated to the position of CEMAR's Fiscal Council members.

## ANNEX V

### PROPOSAL OF BYLAWS OF EQUATORIAL ENERGIA S.A.

#### CHAPTER I NAME, PURPOSE, HEADQUARTERS AND DURATION

Article 1 - The Company is called "EQUATORIAL ENERGIA S.A." and shall be governed by these Bylaws and by applicable legal provisions.

Sole Paragraph – With the admission of the Company in the special listing segment named Novo Mercado, of BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros ("Novo Mercado" and "BM&FBOVESPA", respectively), the Company, its shareholders, its management e Fiscal Council members, when active, are bound by the Novo Mercado listing rules (Novo Mercado Rules).

Article 2 – Where a tender offer required under the provisions of these Bylaws is materially detrimental to the rights of shareholders, the Novo Mercado Listing Rules shall prevail over the provisions of these Bylaws.

Article 3 - The Company has as its purpose holding interest in the capital stock of other companies, consortiums and undertakings that operate in the electricity sector or in similar activities.

**Excluído:** 2

Article 4 - The Company's headquarters and jurisdiction are in the City of São Luis, State of Maranhão, and it may, at the Board of Directors' discretion, create and extinguish branches, agencies and sales offices in any part of the country or abroad.

**Excluído:** 3

Article 5 - The Company's term of duration is undetermined.

**Excluído:** 4

#### CHAPTER II CAPITAL STOCK

Article 6 - The Capital Stock is five hundred sixty-six million, eight hundred thirty thousand, six hundred thirty-two reais and seventy-two centavos (566,830,632.72), divided into one hundred nine million, six hundred eleven thousand, seven hundred seventy-eight (109,611,778) non-par registered common shares.

**Excluído:** 5

**Excluído:** thirteen

**Excluído:** 613

**Excluído:** two

**Excluído:** twenty-six

**Excluído:** six

**Excluído:** two

**Excluído:** 226

**Excluído:** 672

Paragraph One - Each common share is entitled to one (1) vote in the resolutions of the Company's General Meetings.

Paragraph Two - The compensation mentioned in paragraph 3 of Article 35 of Law 6,404, of December 15, 1976, as amended ("Corporation Law"), may be charged from shareholders.

Paragraph Three - The Company may not issue preferred shares or founders' shares.

Article 7 - The Company is authorized to increase its capital stock, regardless of amendment to the Bylaws, up to the limit of three hundred million (300,000,000) shares by issuing new common shares.

**Excluído:** 6

Paragraph One - Within the authorized capital limit, the Board of Directors shall be responsible for resolving on the issue of shares, simple debentures or subscription bonuses, establishing if the increase shall take place by public or private subscription, the payment conditions and the issue price, and it may also exclude the preemptive right or reduce the term for the exercise of the issues whose placement is made through sale on a stock exchange or by public subscription, or in a public offering of control acquisition, as set forth by law.

Paragraph Two - The Board of Directors, within the authorized capital limit and according to the plan approved at the General Meeting, may grant a call option of shares to administrators, employees or individuals who provide services to the Company or to a company under its control as long as he or she does not have the ability to enable the change of the Company's control.

Article 8 - For purposes of reimbursement, the share value may be determined based on the Company's economic value ascertained in an appraisal by a specialized company indicated and chosen according to the provisions in Article 45 of the Corporation Law, or based on the Company's book value, whichever is lower.

**Excluido: 7**

### **CHAPTER III** **GENERAL MEETING**

Article 9 - The General Meetings shall be called pursuant to Article 124 of the Corporation Law, with at least fifteen (15) days advance notice counted from the publication of the first call notice; if the Meeting is not held, a second call notice shall be published at least eight (8) days before the Meeting.

**Excluido: 8**

Sole Paragraph – According to Article 126, paragraph one of Law 6,404/76, the Company may waive the certification of signatures and notarization of the powers of attorney granted by its shareholders, in compliance with legislation applicable to publicly-held companies.

Article 10 - The General Meeting shall be chaired by the Chairman of the Board of Directors or, in his absence, by the Vice-Chairman of that body, who shall invite one of the attendees to be the secretary of the meeting.

**Excluido: 9**

### **CHAPTER IV** **MANAGEMENT**

#### **Section I - General Rules**

Article 11 - The Board of Directors and the Board of Executive Officers are responsible for the Company's Management.

**Excluido: 10**

Article 12 - The General Meeting shall establish the Management's annual overall compensation, including benefits of any nature and agency fees, taking into account their responsibilities, the time dedicated to their functions, their professional competence and reputation and the value of their services in the market, being incumbent upon the Board of Directors the payment of the fixed compensation.

**Excluido: 11**

Article 13 - The management shall be invested in their positions upon the execution of the Instrument of Investiture drawn up in the Company's records within thirty (30) days after their election. The management's investiture shall be subject to the previous subscription of the Management Instrument of Agreement, mentioned in the *Novo Mercado* (New Market) Listing Regulation and the Disclosure Policy of Material Acts or Facts adopted by the Company pursuant to CVM Instruction 358 of January 22, 2002, as in accordance with the applicable legal provisions.

**Excluído:** 12

Sole Paragraph - The members of the Board of Directors and of the Board of Executive Officers are obligated, without adverse effects to the duties and responsibilities attributed to them by law, to be discreet about all the Company's businesses, treating as confidential all information they have access to and concerning the Company, its businesses, employees, management, shareholders or contracted parties and service providers, undertaking to use such information in the Company's exclusive and best interest. Upon investiture in their positions, the management shall execute the term of confidentiality, as well as see that subordinates or third parties do not violate their obligation to confidentiality.

**Excluído:** Term

**Excluído:** Confidentiality

## **Section II – Board of Directors**

Article 14 - The Board of Directors, shall be composed of at least five (5) and at most nine (9) sitting members, all elected and dismissable by the General Meeting, with a unified term of office of two (2) years. Reelection is allowed. At least 20% of the members of the Board of Directors shall be Independent Board Members, defined as such in the Novo Mercado Rules and also declared as such in the General Meeting where he is elected.

**Excluído:** 13

**Excluído:** , elected at the General Meeting

Paragraph One – For the purposes of these Bylaws, an “Independent Board Member” is as defined in the *Novo Mercado* Listing Regulation.

Paragraph Two - Those elected as provided for in paragraphs 4 and 5 of Article 141 of the Corporation Law shall also be considered Independent Board Members.

Paragraph Three - When compliance with the percentage referred to in Paragraph One above results in a fractional number of board members, that number shall be rounded, according to the Novo Mercado Rules to the whole number: (i) immediately higher, when the fraction is equal to or higher than  $\frac{1}{2}$ , or (ii) immediately lower, when the fraction is lower than  $\frac{1}{2}$ .

Article 15 - The Board of Directors may determine the creation of advisory committees aimed at assisting the respective members of the Board of Directors as well as define the respective composition and specific duties.

**Excluído:** 4

Article 16 - The Board of Directors shall have one (1) Chairman and one (1) Vice-Chairman who shall be elected by majority vote of the sitting members. It shall be incumbent upon the Chairman or, in his absence, upon the Vice-Chairman, to chair the Board of Directors' meetings. In their absences or temporary impediments, the Chairman and the Vice-Chairman shall substitute each other reciprocally.

**Excluído:** 5

Paragraph One - In the event of absence or temporary impediment of other Members of the Board of Directors, they may be substituted by other Board Members to whom special powers have been granted. In this case, the Board Member who is substituting the absent or temporary impeded Member shall express the vote of the Board Member he is substituting in addition to his own vote.

Paragraph Two - In the event that the position of Chairman or Vice-Chairman becomes vacant, a meeting of the Company's Board of Directors shall be called immediately for the election of a substitute. In the event that other positions on the Board of Directors become vacant, a Board of Directors' meeting shall be likewise called pursuant to Article 150 of the Corporation Law, and the remaining Board Members shall elect a substitute who shall remain in office until the Company's first General Meeting. In the event that most positions on the Board of Directors become vacant, a General Meeting shall be called immediately to proceed with the new election of Board Members.

Paragraph Three - The Board of Directors shall always meet whenever called by the Chairman, by the Vice-Chairman or by the Chief Executive Officer in writing, including through facsimile, at least five business days in advance. Regardless of the call formalities, a meeting that all members of the Board Directors attend shall be considered lawful.

Paragraph Four - The meetings shall be called to order with the attendance of the majority of their Members, being indispensable the attendance of the Chairman or of the Vice-Chairman of the Board of Directors. The Board Members may participate in such meetings by means of conference call or video conference, thus considered as attending the meeting, and they shall confirm their vote through a written declaration submitted to the Chairman by letter, facsimile or electronic mail immediately following the end of the meeting. Once the declaration is received, the Chairman shall be invested with full powers to sign the minutes of the meeting on behalf of the said Board Member.

Paragraph Five- The resolutions shall be made by majority vote.

Paragraph Six – The Chairman of the Board of Directors and Chief Executive Officer or main officer of the Company shall not be held by the same person.

Excluído:

Article 17 - It is incumbent upon the Board of Directors:

Excluído: 16

- (a) to establish the general guidance of the Company's businesses including the preparation of any substantial amendment to its business plan;
- (b) to elect and dismiss the Board of Executive Officers;
- (c) to oversee the Management of the Board of Executive Officers;
- (d) to call, by its Chairman, or its Vice-Chairman, or by any two (2) of its Members, the Annual and Extraordinary General Meetings;
- (e) to give its opinion about the Management report and the Board of Executive Officers' accounts;
- (f) to establish and distribute, within the limits annually set forth by the General Meeting, the administrators' compensation when voted as an overall allocation;
- (g) after observing the legal provisions and hearing the Fiscal Council, if instated, (i) to declare, during the fiscal year and up to the Annual General Meeting, interim dividends, including as partial or total anticipation of the minimum mandatory dividend on the account of: (a) profits ascertained on a semiannual balance sheet; or (b) retained earnings or profit reserves existing in the last annual or semiannual balance sheet; (ii) to determine the payment of interest on the Company's own capital;
- (h) the approval of the Company's dividend policy and the declaration, during the fiscal year and up to the General Meeting, of interim dividends, including as partial or total anticipation of the minimum mandatory dividend, on the account of profits ascertained on a semiannual or quarterly balance sheet, or on a balance sheet for a smaller period of time, or of retained earnings or profit reserves existing on the last balance sheet;
- (i) the constitution of any lien on movable or fixed assets, or the pledge or assignment of revenues or credit rights as guarantee in financial operations, or not to be entered into by the Company,

whenever the total amount of the assets of the guarantee exceeds ten percent (10%) of the Company's total shareholders' equity, or any lower percentage to be established by the Board of Directors, determined based on the Company's most recent audited financial statements;

- (j) the sale of any asset included in the Company's permanent assets whose value exceeds ten percent (10%) of the total value of the Company's permanent assets, determined based on the Company's most recent audited financial statements;
- (k) the acquisition of any asset to be included in the Company's permanent assets whose value exceeds ten percent (10%) of the Company's total shareholders' equity, or any lower percentage to be established by the Board of Directors, determined based on the Company's most recent audited financial statements;
- (l) to give prior opinion on the proposals to issue shares and/or any securities by the Company and resolve on the issue of shares or subscription bonuses within the authorized capital limit, as the case may be, and of simple debentures;
- (m) to choose and dismiss independent auditors;
- (n) to authorize the Company to hold interest in other companies;
- (o) to authorize the acquisition of shares issued by the Company for purposes of cancellation or to be held in treasury and their subsequent sale, according to the provisions in paragraph 1, items "a" and "b" of Article 30 of the Corporation Law;
- (p) to authorize the assumption of responsibility or obligation by the Company, the release of third parties from obligations with the Company, and transactions to prevent or end litigations, involving an amount higher than five million reais (R\$5,000,000.00);
- (q) the approval of investments and/or the contract of loans or financing of any nature, including the issue of commercial papers, debentures and/or any other bonds or similar instruments for distribution on any capital markets whose individual amount, or overall amount in the event of a series of connected or identical operations, is higher than 5% of the Company's total shareholders' equity, or any lower percentage to be established by the Board of Directors, determined based on the Company's most recent audited financial statements. Any of the aforementioned operations shall also depend on prior approval of the Board of Directors, regardless of the value, in the event the additional indebtedness represented by them exceeds, within a certain fiscal year, 10% of the Company's shareholders' equity;
- (r) to authorize the opening or closing of branches, agencies or sales offices in any part of the country or abroad;
- (s) to give prior opinion on the proposals of amendments to the Company's Bylaws;
- (t) to give prior opinion about the proposals of mergers, amalgamations, spin-offs, transformations or any similar operations that involve the Company and its subsidiaries;
- (u) to establish the vote of the Company's representative at the General Meetings and meetings of the companies in which it participates as partner or shareholder, give prior approval to the amendments to the articles of incorporation or to the bylaws of the companies in which the Company participates, also approving the choice of the management of subsidiaries or affiliated companies to be elected with the Company's vote;
- (v) to approve the legal businesses and the resolutions referred to in this article by the Company's subsidiaries or affiliated companies;
- (w) to establish general compensation criteria and the benefits policy (indirect benefits, profit sharing and/or a share in sales) of the Company's management and senior employees (superintendents or employees with management positions);
- (x) to approve the execution of any businesses or agreements between the Company and its shareholders and management (and partners, directly or indirectly, of the Company's shareholders and their respective management), except the acquisition of products or services in uniform conditions or as part of the normal course of business;

Excluído: 0

- (y) to define the three-name list of companies specialized in the economic appraisal of companies for the preparation of the appraisal report of the Company's shares, in the event of a public tender offering for deregistration as a publicly-held company or for delisting from the *Novo Mercado*; and
- (z) to approve any long-term agreements between the Company and its clients, suppliers, service providers and other entities with which it has a commercial relationship, or their extensions, with a term of duration longer than twelve months and total amount higher than five million reais (R\$5,000,000.00), except with concessionaires of public services or others that maintain uniform conditions.
- (aa) Express itself in favor or against regarding any tender offer initiated for shares issued by the Company, publishing a reasoned opinion within 15 (fifteen) days after the publication of the announcement of the tender offer, that should address, at least (i) the timing and convenience of the bid vis-à-vis the interests of shareholders and the liquidity of their shares; (ii) the impact of the offer on the business interests of the Company; (iii) the bidder's announced strategic plans for the Company, and; (iv) any other point of consideration the Board may deem relevant, in addition to information required under the applicable CVM rules.

### **Section III – Board of Executive Officers**

Article 18 - The Board of Executive Officers, elected by the Board of Directors, shall be composed of at least (2) and at most five (5) Officers, with one (1) Chief Executive Officer and one (1) Chief Financial and Investor Relations Officer; the other members elected to compose the Board of Executive Officer shall not have a specific designation. All Officers must be residents in the country, shareholders or not, to be elected by the Board of Directors, with a term of office of one (1) year. Reelection is allowed.

**Excluído: 17**

Article 19 - The Board of Executive Officers is not a collective body, however, it may meet to discuss operational aspects, whenever necessary, at the Chief Executive Officer's discretion, and he shall also chair the meeting,

**Excluído: 18**

Sole Paragraph. The meetings of the Board of Executive Officers shall be called to order with the attendance of the majority of the members of the Board of Executive Officers.

Article 20 - In their absence or temporary impediments, the Chief Executive Officer and the Chief Financial and Investor Relations Officer shall substitute each other, reciprocally.

**Excluído: 19**

Sole Paragraph - In the event that a position on the Board of Executive Officers becomes vacant, a Board of Directors' meeting shall be called immediately for the election of his substitute.

Article 21 - Incumbent upon the Board of Executive Officers are the duties determined by law, in compliance with the other rules of these Bylaws.

**Excluído: 20**

Paragraph One - It is incumbent upon the Chief Executive Officer: (i) to call and chair the Board of Executive Officers' meetings; (ii) to command the Company's businesses; (iii) to determine and follow the exercise of the duties of the Officers with no specific designation; (iv) to chair the Board of Executive Officers' meetings and the General Meetings, the latter only in the absence of the Chairman and of the Vice-Chairman of the Board of Directors; and (v) to implement the resolutions of the Board of Directors and of the General Meeting.

Paragraph Two - It is incumbent upon the Chief Financial and Investor Relations Officer: (i) to manage Company's finances; (ii) to manage the controllership, treasury and accounting areas; (iii) to execute the guidelines determined by the Board of Directors; (iv) to substitute the CEO in his absence and temporary impediments; and (v) those duties assigned to the Investor Relations Officer by the legislation in force, such as to provide information to investors, to the Brazilian Securities and Exchange Commission and to the São Paulo Stock Exchange - BM&FBOVESPA, as well as to keep the Company's registration current according to the applicable regulation of the Brazilian Securities and Exchange Commission.

Excluído: -

Paragraph Three - It shall be incumbent upon the Officers with no specific designation to execute the policies and guidelines set forth by the Chief Executive Officer, Chief Financial and Investor Relations Officer and the Board of Directors.

Article 22 - All documents that assume obligations for the Company or release third parties from obligations with the Company shall, under the penalty of being rendered ineffective, be signed: (a) by any two (2) Officers; (b) by any one (1) Officer pursuant to paragraph two of this Article; or (c) by one (1) Officer, jointly with one (1) attorney-in-fact constituted pursuant to paragraph one of this Article.

Excluído: 21

Paragraph One - The powers of attorney granted by the Company shall be signed by any two (2) Officers, expressly specify the powers granted, including the assumption of obligations as mentioned in this Article, and delimit the term of validity which shall be limited to, at most, one (1) year, except those granted to attorneys for the Company's representation in judicial or administrative proceedings

Paragraph Two - Paragraph Two - The powers of attorney for financial institutions to guarantee financing may be valid for more than one year, being restricted to the period of their funding or guarantee agreement, and also provide for the substitution, always with reserve of equal powers.

Excluído: .

Paragraph Three - The Company may also be validly represented by any one (1) Officer, including for the assumption of obligations, as long as there is a unanimous, express and specific resolution of the Board of Executive Officers to this effect, or in the following situations:

Excluído: ¶  
¶

Excluído: Two

- (i) when related to the hiring of service providers or employees;
- (ii) in routine issues before federal, state and municipal public bodies, autonomous public entities and mixed companies;
- (iii) in the signature of correspondence concerning routine issues;
- (iv) in the endorsement of instruments aimed at collection or deposit on behalf of the company; and
- (v) in the representation of the company at the general meetings of its subsidiaries and other companies in which it has equity interest in compliance with the provision in these Bylaws.

Article 23 - Company Officers and attorneys-in-fact are prohibited from obligating it in businesses different from the corporate purpose, as well as from practicing acts of liberality on behalf of the Company or grant sureties and guarantees unnecessary to the achievement of the corporate purpose.

Excluído: 22

## CHAPTER V FISCAL COUNCIL

Article 24 - The Company shall have a non-permanent Fiscal Council, composed of three (3) to five (5) sitting members and the same number of deputies elected at the General Meeting, who shall have those duties provided for by law.

Excluido: 23

Paragraph One - The investiture of the members of the Fiscal Council is subject to the prior subscription of the Instrument of Agreement of the Members of the Fiscal Council, mentioned in the *Novo Mercado* Listing Regulation, and in accordance with the applicable legal provisions,

Excluido: .

Paragraph Two - Each operating period of the Fiscal Council shall end on the date of the first Annual General Meeting held after its investiture.

Paragraph Three - The members of the fiscal council shall have the duties and responsibilities established by the corporate legislation in force and in the *Novo Mercado* Listing Regulation.

## CHAPTER VI FISCAL YEAR, PROFITS AND THEIR DISTRIBUTION

Article 25 - The fiscal year coincides with the calendar year, ending December 31 of each year, on which date the Company's balance sheet shall be drawn up and the financial statements shall be prepared for purposes of publication and examination at the General Meeting.

Excluido: 24

Paragraph One - The Company, by resolution of the Board of Directors, may draw up semiannual, quarterly or monthly balance sheets, as well as declare dividends on the account of profits ascertained on these balance sheets, pursuant to the provisions in Article 204 of the Corporation Law.

Paragraph Two - The Company, by resolution of the Board of Directors, may also declare interim dividends on the account of retained earnings or profit reserves existing in the last annual or semiannual balance sheet.

Paragraph Three - The interim or interposed dividends paid and the interest on the Company's own capital, net of taxes, shall always be computed as anticipation of the minimum and mandatory dividend.

Article 26 - Jointly with the financial statements for the year, the Board of Directors shall present to the Annual General Meeting a proposal on the allocation of the net income for the year, after the deduction from the shared profits referred to in Article 190 of the Corporation Law and in Paragraph 2 of this Article, adjusted for the purposes of calculating dividends pursuant to Article 202 of the same law, in compliance with the following deduction:

Excluido: 25

Paragraph One - From the result of each fiscal year, any accumulated deficit and provisions for Income Tax and for Social Contribution on Profit shall be deducted before any profit sharing.

Paragraph Two - The net income for the year shall be allocated successively as follows:

- (i) five percent (5%) for the constitution of the legal reserve until it reaches twenty percent (20%) of the capital stock;
- (ii) the Company may choose not to constitute the legal reserve in a fiscal year in which the balance of this reserve plus the amount in capital reserves exceeds thirty percent (30%) of the capital stock;

- (iii) at least twenty-five percent (25%) of the balance of the net income for the year obtained after the deduction mentioned in item (i) of this Paragraph shall be distributed as dividends to all the Company's shareholders;
- (iv) the remaining portion of the net income for the year after the payment of dividends to shareholders shall be allocated to the Investment and Expansion Reserve in a percentage to be defined at the General Meeting, which reserve has is to (i) ensure resources for the acquisition of interests in the capital stock of other companies, consortiums and undertakings that operate in the electricity sector; (ii) reinforce the Company's working capital; and, (iii) be used for redemption, reimbursement or acquisition of shares of the Company's capital; and
- (v) the annual amount to be allocated to the Investment and Expansion Reserve shall be at most seventy-five percent (75%) of the net income for the year, being certain that the amount of the said reserve shall comply with the limit referred to in Paragraph Four of this Article.

Paragraph Three - The General Meeting, by a proposal of the Board of Directors, may, at any time, pay dividends to the Investment and Expansion Reserve account, or allocate its balance, fully or partially, to increase the capital stock, including with bonus in new shares.

Paragraph Four - Pursuant to Article 194, III of the Corporation Law, the Investment and Expansion Reserve may not exceed the amount equivalent to eighty percent (80%) of the Company's capital stock.

Article 27 - Except the contrary resolutions of the General Meeting, the payment of dividends, of interest on the Company's own capital and the distribution of shares resulting from the capital increase shall be put into effect within sixty (60) days from the date of the respective resolution.

**Excluído:** 26

## CHAPTER VII SALE OF THE CONTROL POWER

Article 28 - The direct or indirect Sale of the Company's share Control (as defined in the Sole Paragraph of Article 29), either by means of a single operation or by means of successive operations, shall be contracted under suspensive or resolutive condition that the Acquirer of the control undertakes to hold, pursuant to the conditions and terms provided for in the current legislation and in the *Novo Mercado* Listing Regulation, a public offering of acquisition of shares from the other shareholders in order to guarantee them treatment equal to that given to the Selling Controlling Shareholder.

**Excluído:** 27

**Excluído:** 28

**Excluído:** acquirer

Article 29 - The public offering referred to in Article 28 shall also be held:

**Excluído:** 28

**Excluído:** 27

- (a) when there is an onerous assignment of subscription rights of shares and of other bonds or rights related to securities convertible into shares that results in the Sale of the Company's Control; and
- (b) in the event of the sale of control of a company that holds the Company's Control Power, and in this case the Selling Controlling Shareholder shall be obligated to declare to the São Paulo Stock Exchange – BM&FBOVESPA the value attributed to the Company in this sale and attach the documentation proving this value.

Sole Paragraph – For the purposes of the provisions in these Bylaws, the following are defined as:

“Control Shares” the block of shares that directly or indirectly ensures its holder(s), the individual and/or shared exercise of the Company's Control Power;

**Excluído:** ¶

“Sale of Control” the remunerated transfer to a third party of the Control Shares; ¶

“Shares being Traded” total shares issued by the Company, except those held by the Controlling Shareholder, by people connected to him, management members and those in treasury.

“Controlling Shareholder” the shareholder or Group of Shareholders, who exercises the Company’s Control Power.

- Excluído:** group
- Excluído:** shareholders
- Excluído:** connected by a shareholders’ agreement or under common control
- Excluído:** sell
- Excluído:** control

“Selling Controlling Shareholder” the Controlling Shareholder that seeks to promote the Company’s Control Alienation.

“Acquirer” that to whom the Selling Controlling Shareholder transfers the Control Shares in a Control Alienation.

“Control Alienation” transfer to a third party of the Control Shares.

“Group of Shareholders” means the group of people: (i) bound by agreements or contract of any nature, either directly or through subsidiaries, controlling companies or companies under common control; (ii) between which there is a control relationship, or (iii) under common control.

“Control Power” is the power effectively used to direct the social activities and guide the operation of the Company’s bodies, directly or indirectly, de facto or de jure, independently of the shareholding stake held. There is a relative presumption of ownership of control in relation to the person or Group of Shareholders that holds of shares ensuring him the absolute majority of votes of shareholders attending the last three general meetings of the Company, even if he is not the holder of shares that ensure him the absolute majority of the voting capital.

- Excluído:** permanently
- Excluído:**
- Excluído:** group of persons connected by a shareholders’ agreement or under common control (“control group”)

Article 30 - Whoever that acquires the shareholder Control Power due to a private agreement of purchase and sale of shares entered into with the Controlling Shareholder involving any number of shares, undertakes to:

- Excluído:** 29
- Excluído:** already holds stock in the Company and

(a) hold the public tender offering referred to in Article 28 of these Bylaws;

- Excluído:** 27

(b) refund, under the rules specified below, amount equivalent to the difference between the price of the tender offer and the price paid per share eventually purchased on the stock exchange in the six (6) months before the date of the acquiring of Control Power, duly restated until the payment date. Such amount should be distributed among every person that has sold the Company shares in the trading sessions where the Acquirer has acquired shares, proportionately to the net daily selling balance, pursuant to BM&FBOVESPA to organize the distribution, according to its rulings; and

- Excluído:** the shareholders from whom he has purchased shares on the stock exchange
- Excluído:** Sale of Control
- Excluído:** to whom he shall pay the difference between the price paid to the Selling Controlling Shareholder and the value paid on a stock exchange for the Company’s shares in this period, duly restated; and

(c) when necessary, take reasonable measures to recompose the minimum percentage of twenty-five percent (25%) of the total Outstanding Shares of the Company within six (6) months after the acquisition of the Control Power.

- Excluído:** 30

Article 31 - the Company shall not register any transfer of shares to the Purchaser, or to those who hold the Control Power, as long as they do not subscribe the Instrument of Agreement of the Controlling Shareholders mentioned in the *Novo Mercado* Listing Regulation; or

- Excluído:** While the Participation Agreement in the *Novo Mercado* is effective,
- Excluído:** (i)
- Excluído:** (ii) any Shareholders’ Agreement that provides for the exercise of the Control Power without its signatories having subscribed the Instrument of Agreement of the Controlling Shareholders.

Sole Paragraph - Any Shareholders' Agreement that provides for the exercise of the Control Power shall be registered in the Company's headquarters without its signatories having subscribed the Instrument of Agreement of the Controlling Shareholders to which refers the Novo Mercado Rules.

**Excluído:** For purposes of the provisions in these Bylaws, the following is defined as: ¶  
 ¶  
 "Purchaser" the one to whom the Selling Controlling Shareholder transfers the Control Power in a Sale of the Company's Control;

### **CHAPTER VIII** **DEREGISTRATION AS A PUBLICLY-HELD COMPANY**

Article 32 - Deregistration as a publicly-held company shall be preceded by a public tender offering, to be done by the Controlling Shareholder or by the Company, obligatorily having as minimum price the economic value ascertained through the appraisal report, pursuant to the criteria established in Articles 33 and 34 below, respecting the applicable legal and regulatory norms.

**Excluído:** 31  
**Excluído:** Appraisal  
**Excluído:** Report  
**Excluído:** 32  
**Excluído:** 33  
**Excluído:** 32

Article 33 - The Appraisal Report shall be prepared by a specialized company, with proven experience and independence from the Company's decision power, management and/or Controlling Shareholders, in addition to meeting the requirements of paragraph 1 of Article 8 of the Corporation Law, and holding the responsibility provided for in paragraph 6 of the same Article.

Paragraph One - The choice of the specialized company responsible for the determination of the Company's economic value is incumbent upon the General Meeting, based on the presentation by the Board of Directors of the three-name list, and the respective resolution, not counting blank votes, shall be made by majority vote of the shareholders representing Outstanding Shares attending that meeting, which if instated at first call shall be attended by shareholders who represent at least twenty percent (20%) of the total Outstanding Shares, or which, if instated at second call, may be attended by any number of shareholders representing the Outstanding Shares.

Paragraph Two - The costs incurred with the preparation of the report shall be the full responsibility of the offeror.

**Excluído:** ¶  
 Paragraph Two - For purposes of the provisions in Paragraph One of this Article, all shares issued by the Company are considered Outstanding Shares except those held by the Controlling Shareholder, by persons connected to him, by the members of the Company's Board of Directors and Board of Executive Officers, and those held in treasury.¶  
**Excluído:** Three  
**Excluído:** 33

Article 34 - When the decision to deregister as a publicly-held company is communicated to the market, the offeror shall disclose the maximum value per share or one thousand shares by which the public offering will be formulated.

Paragraph One - The public offering shall have the condition that the value ascertained in the appraisal report is not higher than the value disclosed by the offeror.

Paragraph Two - If the economic value of the shares, ascertained pursuant to Articles 33 and 34, is higher than the value communicated by the offeror, the decision to deregister as a publicly-held company shall be automatically revoked, except if the offeror expressly agrees to reformulate the public offering according to the economic value ascertained, and the offeror shall disclose to the market the decision he has adopted.

**Excluído:** 32  
**Excluído:** 33

Paragraph Three - The procedure for the Company's deregistration as a publicly-held company shall meet the other requirements set forth in the rules applicable to publicly-held companies and the precepts in the *Novo Mercado* Listing Regulation.

### **CHAPTER IX** **DELISTING FROM THE NOVO MERCADO**

Article 35 - The Company's delisting from the Novo Mercado shall be approved at the General Meeting by a majority vote of attending shareholders and communicated to BM&FBOVESPA in writing thirty (30) days in advance.

**Excluído:** 34

Paragraph One - Should the Company's delisting from the Novo Mercado be deliberated for the Company's securities to be registered for trading off of the Novo Mercado, or due to a corporate restructuring, in which the securities issued by a company resulting from this restructuring are not admitted for trading on the Novo Mercado within 120 (one hundred and twenty) days from the day of the General Meeting that approved such transaction, the Controlling Shareholder shall hold a public offering of acquisition of shares belonging to the other shareholders of the Company by at least the economic value ascertained in the appraisal report prepared pursuant to Articles 33 and 34 of these Bylaws.

**Excluído:** -

**Excluído:** For

**Excluído:** shares

**Excluído:**

**Excluído:** 32

**Excluído:** 33

Paragraph Two - In the case of not having a Controlling Shareholder, should the Company's delisting from the Novo Mercado be deliberated for the Company's securities to be registered for trading off of the Novo Mercado, or due to a corporate restructuring, in which the securities issued by a company resulting from this restructuring are not admitted for trading on the Novo Mercado within 120 (one hundred and twenty) days from the day of the General Meeting that approved such transaction, its delisting is conditioned to the realization of a tender offer under the same conditions of the above paragraph.

**Excluído:** Paragraph Two - In the event the Company's delisting from the *Novo Mercado* occurs by virtue of corporate reorganization in which the company resulting from this reorganization is not admitted for trading on the *Novo Mercado*, the Controlling Shareholder shall hold a public offering of shares belonging to the other shareholders of the Company by at least the economic value ascertained in an appraisal report prepared pursuant to Articles 31 and 32 of these Bylaws, in compliance with the applicable legal and regulatory rules. News of the public offering shall be communicated to BOVESPA and disclosed to the market immediately after the Company's General Meeting approving the said reorganization. ¶

Paragraph Three - The mentioned General Meeting should name the responsible(s) for the tender offer, who, present at the meeting, should expressly assume the obligation to conduct the offer.

Paragraph Four - In the absence of the definition of those responsible for the tender offer, in the case of a corporate restructuring, in which the company arising from this restructuring is not admitted for listing in the Novo Mercado, the responsibility to conduct the offer falls over the shareholders that voted favorably to the corporate restructuring.

Article 36 - The Company's Control Alienation which occurs within the twelve (12) months after its delisting from the *Novo Mercado* shall obligate the Selling Controlling Shareholder, jointly and in conjunction with the Acquirer, to offer to the other shareholders the acquisition of his shares for the price and on the conditions obtained by the Controlling Shareholder in the sale of his own shares, duly restated, pursuant to the legislation in force and in compliance with the same rules applicable to the Sale of Control provided for in Chapter VII of these Bylaws.

**Excluído:** 35

**Excluído:** sale of the Company's Control Power

**Excluído:** Purchaser

Paragraph One - If the price obtained by the Controlling Shareholder in the sale referred to in the "caput" of this Article is higher than the value of the public offering held according to the other provisions of these Bylaws, duly restated pursuant to the legislation in force, the Selling Controlling Shareholder, jointly and in conjunction with the Acquirer, shall be obligated to pay the difference of the value ascertained to acceptors of the respective public offering on the same conditions provided for in the "caput" of this Article.

**Excluído:** Purchaser

Paragraph Two - In relation to the shares held by the Controlling Shareholder, the Company and the Controlling Shareholder are obligated to register in the Company's Registry of Shares a lien which obligates the purchaser of those shares to extend to the other shareholders of the Company price and payment conditions equal to those paid to the Selling Controlling Shareholder, in the event of sale, as provided for in the "caput" and in paragraph one, above.

Article 37 - The Company's delisting from the Novo Mercado due to the breach of obligations under the Novo Mercado Rules is conditioned to the realization of a tender offer, at minimum, by the economic share

value, to be calculated in the appraisal report mentioned in articles 33 and 34 of these Bylaws, respected the applicable legal rules.

Paragraph One – The Controlling Shareholder shall conduct the tender offer described in the caput of this article.

Excluído:

Paragraph Two – In the case of not having a Controlling Shareholder and the delisting from the Novo Mercado mentioned in the caput is due to a deliberation by the General Meeting, the shareholders voting in favor of the deliberation that implied the breach shall conduct the tender offer mentioned in the caput.

Excluído:

Paragraph Three – In the case of not having a Controlling Shareholder and the delisting from the Novo Mercado mentioned in the caput is due to the an act of fact of the management, the management should call a General Meeting in which the subject will be about how to solve the breach of obligations in the Novo Mercado Rules, or, if the case, approve the Company's delisting from the Novo Mercado.

Paragraph Four – Should the General Meeting mentioned in the Paragraph Three above approve the Company's delisting from the Novo Mercado, the mentioned General Meeting shall name the responsible(s) for conducting the tender offer mentioned in the caput, who, present at the meeting, shall expressly assume the obligation to conduct the offer.

## **CHAPTER X** **ARBITRATION**

Article 38 - The Company, its shareholders, management and members of the Fiscal Council undertake to resolve by means of arbitration, within the Market Arbitration Chamber, all and any disputes or controversies that may arise between them, related to or resulting from, especially, the application, validity, efficiency, interpretation, violation and their effects of the provisions in Law 6,404/76 and these Bylaws, and in the rules edited by the Brazilian Monetary Council, the Central Bank of Brazil and the Brazilian Securities and Exchange Commission, as well as of the other rules applicable to the operation of the capital markets in general, in addition to those in the *Novo Mercado* Listing Regulation, the Participation Agreement in the *Novo Mercado* and the Arbitration Regulation of the Market Arbitration Chamber.

Excluído: 36

## **CHAPTER XI** **LIQUIDATION**

Article 39 - The Company shall be liquidated in the events provided for by law, or by resolution of the General Meeting, which shall establish the form of liquidation, elect the liquidator and, as the case may be, instate the Fiscal Council for the liquidation period, electing its members and determining their respective compensation.

Excluído: 37

## **CHAPTER XII** **SHAREHOLDERS' AGREEMENTS**

Article 40 - Any shareholders' agreements that establish the purchase and sale conditions of their shares, or the preemptive right in their purchase or the exercise of the voting right, shall always be respected by the Company as long as they are filed at Company headquarters, being incumbent upon the respective management to abstain from counting the votes cast against the terms of such agreements.

**Excluido:** 38