



MANAGEMENT PROPOSAL FOR AMENDMENT
OF TIM PARTICIPAÇÕES S.A. BY-LAWS

TIM Participações S.A. ("TPART" or "Company") hereby submits the Management's Proposal for the Extraordinary Shareholders Meeting to be held on December 12th, 2013, at 11:00 a.m., for the purpose of amending and consolidating the Company's By-Laws.

The primary objective of the amendment is to modernize the current By-laws by inserting concepts and practices that reflect best corporate governance practices. The reform also aims to adapt the Bylaws for the operational needs of TPART, seeking to reflect in the Company's guiding document, rules that address the organization's basic guidelines, which involve innovation and the continued adoption of best practices.

In 2011, the Company made a profound amendment to its By-laws to join the "Novo Mercado". This statutory reform had as its main goal the adjustment of the Company's By-laws to conform with the rules imposed by BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros ("BM & FBOVESPA") on companies whose shares are traded in that segment of the stock market.

Despite its complete adherence to the rules of the Novo Mercado in regards to the By-Laws in force, the Company's management, in its search for improvements and enhancements, identified additional possible amendments to its By-Laws, which will reinforce and further improve the control mechanisms and governance of the Company.

Accordingly, this proposed By-Laws amendment has as a basic principle the adoption of a corporate governance model based on the principles of clarity of the corporate bodies' roles, transparency and stability, which are fundamental and necessary principles to maintain the Company in its growth trajectory, and to maintain innovation and value creation.



Below we present the major areas of the changes, the purpose of this By-Laws amendment and the reasons for it pursuant to CVM Instruction 481 dated as of December 17th, 2009.

Major proposed adjustments:

1. Constitution of the Statutory Audit Committee (CAE); and
2. Changes to the wording of provisions regarding the Company's corporate purpose.

1. Constitution of the Statutory Audit Committee (CAE)

The major conceptual innovation in the proposed amendment to the By-Laws is the creation of the Statutory Audit Committee ("CAE"), as regulated by CVM Instruction No. 308/1999, with the amendments introduced by CVM Instruction No. 509/2011.

Considering the historical evolution of corporate governance practices and the stock market, the constitution of the CAE is widely recognized as a measure of improvement in the organization of any company, in Brazil and in other countries. The CAE is considered by the best corporate governance codes, the market and investors, as a tool to reinforce the corporate governance of organizations.

In this regard, the enactment of the Sarbanes-Oxley Act (SOX) in 2002, in the United States, which led to the mandatory constitution of the audit committee by U.S. publicly-traded companies and by foreign companies that had American Depository Receipts - ADRs representative of its issued shares traded in U.S. deserves attention. Although the U.S. law, at first, applied indiscriminately to U.S. and foreign companies, the need for amendments to the legislation based on the country of origin of the companies whose securities were traded on the stock and exchange markets of the United States was subsequently recognized.

At that time, the Company, like many other Brazilian companies with ADRs traded on U.S. stock and exchange markets, chose to adopt the model by which the Fiscal Council of the company is assigned the typical attributes of an audit committee (option commonly designated as "Turbinado" Fiscal Council).



However, as mentioned above, the natural evolution of governance practices led the Company's management to conclude that the adoption of the audit committee as a separate organ of the Fiscal Council would represent a reinforcement of the governance structure of the Company, as recommended by the Instituto Brasileiro de Governança Corporativa – IBGC and by BM&FBOVESPA.

It can be affirmed today that the Fiscal Council and the CAE have distinct functions and act independently and complement each other: while the Fiscal Council exercises the function of supervisor for shareholders and reports to the General Shareholders Meeting, the CAE operates within the management and serves the Board of Directors to support and advise in their supervisory and monitoring responsibilities.

The clear segregation of the two bodies' functions removes the idea that there are overlapping activities, enabling the coexistence of the CAE and the Fiscal Council within the same company.

Therefore, the management proposes the establishment of the CAE, which will be composed entirely of independent members appointed by the Board of Directors, in accordance with CVM Instruction No. 509/2011, and which shall be permanently installed. According to the Management's proposal, the CAE will coexist with the Fiscal Council, which is also permanently installed.

Several changes had to be proposed to adjust the By-laws to the constitution of the CAE, notably the revision of the attributes of the Fiscal Council, which, meanwhile, will preserve all of the powers conferred by the “Lei das Sociedades Anônimas”.

Finally, it is worth noting that among the proposed amendments, the attributes given to the CAE include to assess the equitability of all contracts of the Company or its subsidiaries involving related parties. The Management's proposal is in line with the main recommendations of corporate governance codes, and aims at making the controls over transactions of this nature even more rigorous and effective for the sake of transparency demanded by investors. The granting of this authority to the CAE demanded that other provisions of the By-laws also be amended, especially those dealing with the competence of the General Shareholders Meeting, the Board of Directors and the Executive Board of Officers.

2. Amendments to the wording of provisions regarding the Company's corporate purpose.



As is known to the market, the Company is essentially a company with operations focused in the telecommunications industry in general, and is authorized to act, according to the wording of the current laws in force "in activities related or similar to its corporate purpose" as well as "equity interests in other companies."

Taking the opportunity of the By-Laws amendment, the Management of the Company considered it appropriate to make it clear in the By-laws the development of activities which today are exercised or which may be carried out by the Company, such as those that arise from its direct or indirect participation in companies involved in the provision of Personal Mobile Service or Mobile Cellular Service, in the provision of telecommunications services or value added in general, among others.

The adjustments proposed herein have, in short, the purpose of making clearer the extent of the Company's operations, outlining activities that already are or may be developed by the Company in the telecommunications field.

It is important to emphasize, that the adjustments proposed herein do not represent a change of the Company's Corporate Purposes, and are not applicable to the withdrawal rights provided for in the "Lei das Sociedades Anônimas".

3. Additional adjustments to the language of the By-laws

Finally, the Administration took this opportunity to propose additional adjustments in the language and formatting of the By-laws in the present amendment merely in order to clarify and/or improve the wording of certain provisions. These adjustments do not change the rules or concepts currently provided in the By-laws.

4. Conclusion

Based on the reasons above, the Company's Management believes that the amendments being proposed, serve the best interest of the Company and its shareholders, adjusting operational matters and improving the Corporate Rules of the Company.

For the purposes of this proposal, the following can be found attached to this document: (i) comparative table of the proposed changes to the Company's By-laws (**Appendix I**), (ii) a consolidation of the By-laws (**Appendix II**); and (iii) a legal opinion



on the proposed amendment under discussion, issued by Dr. Nelson Eizirik (**Appendix II**).

The Company's Management remains available to provide any additional information that may be considered necessary.

Rio de Janeiro, October, 29th, 2013.