

FOR IMMEDIATE RELEASE

OI CREDITOR GROUPS ANNOUNCE REVISED TERM SHEET FOR VIABLE, SUSTAINABLE ALTERNATIVE RESTRUCTURING PLAN ADDRESSING FEEDBACK FROM OI'S SENIOR MANAGEMENT; CONFLICTED BOARD MEMBERS CONTINUE TO INTERFERE WITH NEGOTIATIONS

New York, NY, November 6, 2017—The Steering Committees of the International Bondholder Committee (the “IBC”) and the Ad Hoc Group (the “AHG”) of bondholders (the “Oi Creditor Groups”) of Oi S.A. and its affiliates (collectively, the “Company” or the “Oi Group”) announce that, as disclosed by the Company on November 6, 2017, the Oi Creditor Groups, together with the committee of export credit agencies, facility agents and banks (ECAs) represented by FTI Consulting (the “ECAs”), transmitted a revised term sheet to the Company for alternative plan(s) of reorganization for the Oi Group (the “Revised Creditor Term Sheet”). The Revised Creditor Term Sheet, together with the letter of transmittal and a letter from FTI Consulting regarding the availability of vendor financing by 2020, are attached hereto as Exhibit A.

Unfortunately, notwithstanding the fact that the Revised Creditor Term Sheet was developed specifically to reflect the feedback of the Oi Group’s senior management, the majority of the Company’s board of directors summarily rejected the Revised Creditor Term Sheet in the middle of the negotiations, proving once more that they are driven by the objective of enhancing the interests of existing shareholders, to the detriment of the best interests of the Company and its other stakeholders. This confirms yet again that a majority of the Company’s board of directors is blatantly conflicted.

Instead of carefully considering the Revised Creditor Term Sheet, as their fiduciary duties would demand, a majority of the Company’s board of directors proceeded to summarily appoint two new executive officers *that are also board members* (see the Company’s November 3, 2017 Notice to the Market), which constitutes an outrageous violation of corporate governance standards. It is obvious that such new officers were appointed in order to undermine and circumvent the efforts of the Oi Group’s senior management to negotiate fair restructuring plan(s) and instead cater to the interests of the Company’s minority shareholders exerting control.

In addition, a majority of the Company’s board of directors also approved a plan support agreement and term sheet (see the Company’s November 4, 2017 Notice to the Market) (the “November 4 Notice”) (the plan support agreement and term sheet together, the “Shareholder Plan”). Although the terms of the Shareholder Plan as approved by the board are not yet public, previously public versions of the Shareholder Plan make clear that it is backed by the minority shareholders exerting control in an attempt to preserve their equity position, and attempt to do so by enlisting what the Oi Creditor Groups understand to be only a handful of insignificant holders that also hold equity and who are seeking exorbitant fees at the time the transaction inevitably fails. Moreover, the conflicted, insignificant holders supportive of the Shareholder Plan have thus far refused to be identified since they first began negotiating in secret with the Company’s minority shareholders exerting control. Accordingly, the Shareholder Plan lacks creditor support, is irresponsible and doomed to lead to a costly waste of corporate resources.

Moreover, the criticisms of the Revised Creditor Term Sheet in the November 4 notice are unfounded. By way of example:

- Contrary to the assertions in the November 4 Notice, the Revised Creditor Term Sheet provides for identical treatment for all bondholders on account of their bond claims, and simply provides for incremental compensation for those willing to commit capital for an extended period of time.
- Regarding the purported criticism that the Revised Creditor Term Sheet is conditioned on a new regulatory regime, this is misleading—the Revised Creditor Term Sheet is not predicated on a regime change but rather regulatory adjustments to allow the Company to remain competitive and viable in the long term.
- In response to the criticism that the Revised Creditor Term Sheet is nonbinding, this criticism is misplaced—the Company’s management is aware that the Oi Creditor groups are prepared to enter into appropriate plan support agreements expeditiously, as indicated in the Revised Creditor Term Sheet itself (and all prior term sheets). The status of negotiations simply reflects the bad-faith delaying tactics dictated by the majority of the Company’s board of directors.

Further, as noted above, the members of the Oi Creditor Groups, who have at every stage reiterated their willingness to make substantial contributions by converting a significant portion of their debt into equity and contributing considerable new money (provided that the burdens of the restructuring are equitably shared, adequate governance arrangements are put into place and other reasonable conditions precedent are met), have in excess of US\$370 billion of assets under management and more than sufficient assets to provide the full capital raise. The identities of the members of the Steering Committees of the IBC and the AHG are well known to the Company as they have signed NDAs with the Company. The Steering Committees are comprised of the following entities: (i) Aurelius Capital Management, LP, (ii) Canyon Capital Advisors LLC, (iii) Citadel Equity Fund Ltd, (iv) York Capital Management Global Advisors LLC, (v) Benefit Street Partners LLC, (vi) Brookfield Credit Opportunities Master Fund, L.P., (vii) GoldenTree Asset Management LP, and (viii) Redwood Master Fund, LTD. Such entities have individualized their claims and can vote approximately US\$3.3 billion in the aggregate at the upcoming creditors meeting, and together with the ECAs (who also supported the Revised Creditor Term Sheet, and have total claims in excess of US\$900 million), the total amount of claims represented by the Steering Committees and the ECAs is more than US\$4.2 billion. Additionally, adding other claims from members that are not part of the Steering Committees of the AHG and IBC, total claims reach approximately R\$22 billion.

The Revised Creditor Term Sheet, which was transmitted to the Company on October 26, 2017, was the result of five days of meetings in New York between the members of the Steering Committees and the Company’s senior management and legal and financial advisors. Attending the meetings on behalf of the IBC and the AHG were representatives from the firms identified in this press release. The advisors to the ECAs also participated in the meetings.

The Revised Creditor Term Sheet was based on the Oi Group's updated business plan and addresses the feedback provided by the Company's senior management to the Oi Creditor Groups' prior creditor term sheet (which was provided to the Company on October 2, 2017 and made public on October 13, 2017). The Oi Creditor Groups believe that the plan(s) contemplated by the Revised Creditor Term Sheet (the "Revised Creditor Plan(s)") are in the best interest of the Oi Group and all its various stakeholders. In particular, the Revised Creditor Plan(s) would, among other things, provide for the following:

- **New Capital Commitments and Sustainable Business Plan:** The Revised Creditor Plan(s) provide for a fully backstopped capital increase for the Oi Group in an aggregate amount of **R\$4 billion**, which funding would allow the Oi Group to properly address all of its projected capital expenditures and other investment needs, which are essential for the Oi Group's long-term growth.
- **Equitable Treatment among Stakeholders:** The Revised Creditor Plan(s) provide equitable treatment among unsecured financial creditors, ensuring its legal viability and providing a path for the prompt implementation of the Revised Creditor Plan(s) and the capital increase. The Revised Creditor Plan(s) also enable the existing shareholders to retain 12% of the equity of the reorganized company before dilution for the new money and to participate in the capital increase.
- **Cash Flow Options For the Company:** With respect to the restructured bond debt, the Revised Creditor Plan(s) provide the Company with the option of electing between a lower cash-payable interest rate or a higher interest rate with a portion of the payment deferred in time, depending on management's views as to the most efficient use of the Company's cash.
- **Governance Reforms:** The Revised Creditor Plan(s) also contemplate mechanisms to ensure that the Oi Group adheres to the highest and best corporate governance practices.
- **Ample Creditor Support:** The Revised Creditor Plan(s) would likely be supported by a majority of Class III creditors for each of the Debtors, allowing the Oi Group to quickly receive creditor approval for the Revised Creditor Plan(s) and minimizing the risk of litigation challenging the plan and respective implementation.
- **Enforceable in All Relevant Jurisdictions:** The Revised Creditor Plan(s) are structured to comply with the law of all relevant foreign jurisdictions and would therefore likely receive quick approval in all relevant jurisdictions.

Notwithstanding the disturbing behavior by a majority of the Company's board of directors at the behest of its minority shareholders exerting control, the Oi Creditor Groups are planning to meet with senior management of the Company and other stakeholders this week in an effort to continue discussions. The Oi Creditor Groups remain committed to working with all stakeholders toward an expedient and consensual restructuring that provides long-term solutions for the Oi Group's financial and operational issues.

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*The references to the Revised Creditor Term Sheet and Revised Creditor Plan(s) in this press release are qualified in their entirety by all of the terms, conditions and qualifications set forth in the term sheet, which govern in all respects. The term sheet and plan(s) referenced herein are non-binding on the Oi Creditor Groups, and the terms, conditions, form and structure of implementation of any proposals, plans or agreements will be subject to various customary conditions, including completion of due diligence, all internal and credit committee approvals, negotiation and agreement of acceptable documentation, structuring and implementation of the plans, addressing of key regulatory concerns and judicial confirmation of restructuring plans in all applicable jurisdictions including the Netherlands. The Oi Creditor Groups do not have or assume any fiduciary or other duties to any party. Any transaction arising from the term sheet or plan(s) referenced herein shall be voted on a non-substantively consolidated basis and shall be subject to creditor approval and court confirmation of the plan(s) pursuant to applicable law, including in the Netherlands (including the approval of the Dutch trustees for Coop and PTIF, as necessary for the confirmation of the plan(s)), in the RJ proceedings, and in the U.S. bankruptcy Court, in each case with respect to the applicable Oi Group debtors that are debtors in and subject to the foregoing proceedings. Nothing in this press release shall create any binding legal obligations for any member of the Oi Creditor Groups and it is understood that all such members continue to reserve all rights in connection with any present or future legal proceedings to which they may be parties. This press release is not intended as a solicitation for a vote on any plans or the offer or sale of any security. There can be no assurance that Oi S.A. and its subsidiaries, the members of the Oi Creditor Groups the trustees in the Netherlands, or any other stakeholder will reach agreement on the terms and conditions contained in the term sheet referred to herein or any modifications thereof or any other terms, that any plan(s) will be approved by the courts in all applicable jurisdictions, or that the transactions contemplated by the term sheet referenced herein will be consummated.*

<p><b>Media Relations Contact:</b> <b>Ad Hoc Group of Oi Bondholders</b> CDN Comunicação Juliana Giancolli <a href="mailto:juliana.giancolli@cdn.com.br">juliana.giancolli@cdn.com.br</a> + 55 (11) 3643-2948 Nelson Rocco <a href="mailto:nelson.rocco@cdn.com.br">nelson.rocco@cdn.com.br</a> +55 (11) 3643-2806</p>	<p><b>Media Relations Contact:</b> <b>International Bondholder Committee</b> Brunswick Group Victoria Ford Thomas Kamm Tereza Kaneta Tel: +55 11 3076 7620 E- mail: <a href="mailto:oibondholders@brunswickgroup.com">oibondholders@brunswickgroup.com</a></p>
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EXHIBIT A

MOELIS & COMPANY

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FTI®

October 26, 2017

**VIA EMAIL AND HAND DELIVERY**

Oi S.A.  
Rua Humberto de Campos, 425 – 8° Andar  
22430-190 Rio de Janeiro – RJ  
Brazil

To: Marco Schroeder, Chief Executive Officer of Oi S.A.  
José Mauro Mettrau Carneiro da Cunha, Chairman of the Board of Directors of Oi S.A.

Cc: Carlos Brandão, Chief Financial Officer and Investment Relations Officer of Oi S.A.  
Eduardo Ajuz Coelho, Treasury Director  
Eurico Teles, General Counsel  
Antonio Reinaldo Rabelo Filho, Legal Director  
Laplace Finanças, Att.: Renato Carvalho, Marcelo Saad, Francesco Marinoni, Allan Libman  
White & Case LLP, Att.: John Cunningham, Richard Kebrdle  
Barbosa, Müssnich, Aragão, Att.: Rafael Padilha Calabria, Felipe Galea  
Rosman, Penalva, Souza Leão, Franco Advogados, Att.: Paulo Penalva, José Alexandre Corrêa  
Meyer  
ANATEL, Att.: Leonardo Euler de Moraes, Abraão Balbino e Silva  
Banco do Brasil, Att.: Paulo Rogério Caffarelli, Chief Executive Officer  
Advocacia-Geral da União (AGU), Att.: Grace Maria Fernandes Mendonça, Attorney General

Re: **Revised Term Sheet for Plan(s) of Reorganization for Oi S.A. (“Company”) and Certain of its Subsidiaries (jointly, the “Oi Group”)**

Dear Mr. Schroeder and Board of Directors:

We write on behalf of our respective clients, (i) the Steering Committee of the Ad hoc Group of Oi Bondholders, (ii) the Steering Committee of the International Bondholder Committee and (iii) the committee of export credit agencies, facility agents and banks that are lenders to Oi S.A. and certain of its subsidiaries (“ECAs”) (collectively, the “Oi Creditor Groups”).

As you know, for five continuous business days our clients and/or their advisors have had very productive discussions with members of management of the Oi Group regarding the Oi Group’s business plan and capital needs. In light of such discussions and of their review of the Oi Group’s business plan, our clients have revised the term sheet previously presented to the Company on October 2, 2017 to provide, among other things, for R\$4 billion (a **R\$1 billion** increase) in the capital that would be raised as part of the plans of reorganization contemplated by such term sheet. The Company’s management has confirmed to us that with the increase in the new capital to R\$4 billion, the Company’s business plan would be fully funded upon emergence from restructuring.

On behalf of our clients, we are therefore pleased to submit for the consideration of the Oi Group a revised term sheet for alternative plan(s) of reorganization for the Oi Group (the “Revised Consensual Plan(s)”) attached hereto as Exhibit A (the “Term Sheet”) that comprehensively address the Oi Group’s operational and capital structure.<sup>1</sup>

Our clients believe that the Revised Consensual Plan(s) represent the best approach for the Oi Group’s long-term sustainability and competitiveness. Based on discussions with and feedback from senior management of the Company, our clients understand that the Revised Consensual Plan(s) address the funding shortfall that arose as a result of the Company’s revised business plan, and as more fully detailed below, provides the Oi Group with a fully funded business plan. The Revised Consensual Plan(s) would, among other things, provide for the following:

- **Fully Funded Business Plan:** The Revised Consensual Plan(s) provide for a fully committed capital increase for the Oi Group in an aggregate amount of **R\$4 billion**. The parties that would serve as backup purchasers for this capital increase have in excess of **\$370 billion** of assets under management. All shareholders of the Company, after the conversion of debt into equity stipulated in the Revised Consensual Plan(s), will have the opportunity to invest in this capital increase. This new money would make the Revised Consensual Plan(s) viable (as opposed to other alternatives) and therefore allow the Oi Group to properly address its investment needs, which are essential for the Oi Group’s long-term growth, provide its creditors and regulator with additional comfort as to the sustainability of the business and will enable it to provide better services to customers and effectively compete in the Brazilian telecommunications market.
- **Equitable Treatment Among All Stakeholders:** The Revised Consensual Plan(s) provide equitable treatment among unsecured financial creditors and all other stakeholders including shareholders, ensuring its legal viability and providing a path for the prompt implementation of Revised Consensual Plan(s) and the capital increase.
- **Sustainable Capital Structure:** The Revised Consensual Plan(s) will result in a Company with a fully sustainable capital structure that will allow the Oi Group to access Brazilian and international capital markets in the future.
- **Cash Flow Options For the Company:** With respect to the Restructured Bond Debt, the Revised Consensual Plan(s) provide the Company with the option of electing between a cash-payable interest rate of 10% or a blended 8% cash-payable and 4% PIK interest rate for the first three years, depending on management’s views as to the most efficient use of the Company’s cash.
- **Governance Reforms:** The Revised Consensual Plan(s) also contemplates mechanisms to ensure that Oi S.A. adheres to the highest and best corporate governance practices.
- **Ample Creditor Support:** The Revised Consensual Plan(s) would be supported by a majority of Class III creditors at each of the debtors, allowing the Company and its subsidiaries to quickly receive creditor approval for the Revised Consensual Plan(s) and minimizing the risk of litigation challenging the plan(s) and respective implementation.
- **Reasonable and Market-Based Fee Structure:** Unlike other plans proposed by the shareholders and supported by certain cross holders for the restructuring of the Oi Group,

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<sup>1</sup> While the Term Sheet provided by the Oi Creditor Groups is non-binding and further subject to the terms and conditions set forth therein, the Oi Creditor Groups have consistently indicated that they are prepared to engage right away to finalize restructuring plan(s) that have fully committed put right financing.

the Revised Consensual Plan(s) propose reasonable and market-based compensation for the investors that are serving as backup purchasers for the capital increase.

The Ad Hoc Group of Oi Bondholders, the International Bondholder Committee and the ECAs are the largest organized group of creditors of the Oi Group, and are in constant communication with the Oi Group's principal bank creditors and regulator. As a result, we are confident that the Revised Consensual Plan(s) will garner the support of a significant majority of the Oi Group's creditors, including those that are not currently members of the Oi Creditor Groups. We also believe that the Revised Consensual Plan(s) would get approval in foreign jurisdictions including the Netherlands and the U.S.

The Oi Creditor Groups respectfully believe the Revised Consensual Plan(s) present a unique opportunity to consensually and expeditiously resolve the Oi Group's financial and operational issues, and is in the best interest of the Oi Group and their various stakeholders. The Revised Consensual Plan(s) represent the only realistic option that is implementable in the U.S., Europe and Brazil that resolves all litigation. In contrast, the plan proposed by certain shareholders and allegedly supported by cross holders does not have the support of any of the major creditors of the Oi Group, notably because it is unviable, inequitable and illegal. Moreover, such holders are not significant creditors of the Company. Thus, we find it unlikely that such plan has any prospect of garnering sufficient support for approval in Brazil or other jurisdictions, including the Netherlands. The equity backstop provided in such plan requires payment of exorbitant break-up fees that would be payable even if such plan is not approved, representing a waste of valuable corporate resources that could risk precipitating an intervention by Anatel, not to mention protracted litigation disputing its terms and implementation.

We therefore urge the Board of Oi S.A., consistent with its fiduciary duties, to consider and approve the Revised Consensual Plan(s) and we note that if they were to be approved, our clients are prepared to move expeditiously with Company management, to document the transactions contemplated by the Term Sheet, including negotiating and entering into a plan support agreement and any other relevant agreements, in order for the Revised Consensual Plan(s) to be promptly submitted and considered by the general meeting of creditors scheduled for November 10 and 27, 2017 ("GMC"). We note, on behalf of our clients, with disappointment that, to date, the Board has disregarded its fiduciary duties towards the Company by not acting in the best interest of the Company and its key stakeholders, as a result of its conflicts of interest. We hope that the Revised Consensual Plan(s) will provide the Board an opportunity to correct course and finally begin acting in the best interest of the Company and its key stakeholders.

We look forward to hearing from you and the Oi Group at your earliest convenience. We are ready to continue working with the Company and senior management, including meetings during the week starting October 30, 2017, to finalize the plan(s) of reorganization that would be voted at the upcoming GMC. The Oi Creditor Groups expressly reserve all their respective rights.



Sincerely,

MOELIS ASSESSORIA FINANCEIRA LTDA.



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Otavio Guazzelli

G5 EVERCORE



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Corrado Varoli

FTI CONSULTING CANADA ULC



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Brock J. Edgar

Cc: Richard J. Cooper, Cleary Gottlieb Steen & Hamilton LLP  
Giuliano Colombo, Pinheiro Neto Advogados  
Allan Brilliant, Dechert LLP  
Marcelo Lamego Carpenter, Sergio Bermudes Advogados  
Nick Angel, Milbank, Tweed, Hadley & McCloy LLP  
Marcelo Ricupero, Mattos Filho, Veiga Filho, Marrey Jr e Quiroga Advogados

Exhibit A  
Term Sheet

Settlement proposal without prejudice and subject to U.S. Federal Rule of Evidence 408 and all similar applicable rules. Non-binding/for discussion purposes only. The terms, conditions, form and structure of implementation of any proposal(s), plan(s) or agreement(s) are subject to negotiations, acceptable documentation and approvals (including credit committee approvals for the ECA group). Subject to Settlement Meeting Agreement dated as of August 8, 2017

Draft of October 26, 2017

## Oi S.A. and Subsidiaries

### Joint Alternative Restructuring Plan(s) - Term Sheet

The following non-binding term sheet (“**Term Sheet**”) summarizes the key terms of a consensual alternative restructuring plan or plans (“**Plan(s)**”) for Oi S.A. (“**Oi**” or the “**Company**”) and its subsidiaries, including Telemar Norte Leste S.A. (“**Telemar**”), Oi Móvel S.A. (“**Oi Móvel**”), Copart 4 Participações S.A. (“**Copart 4**”), Copart 5 Participações S.A. (“**Copart 5**”), Portugal Telecom International Finance B.V. (“**PTIF**”) and Oi Brasil Holdings Cooperatief U.A. (“**Coop**”) (jointly, “**Oi Group**” or “**Debtors**”). The terms set out herein are preliminary and indicative of the proposal contemplated herein, for the purposes of promoting discussion of the structure and other terms applicable to the Plan(s), subject to applicable conditions precedent and required approvals, including by creditors of the Oi Group pursuant to applicable law. The terms and conditions of this Term Sheet are not intended to be comprehensive or exhaustive and are subject to, among other things: (A) completion of satisfactory due diligence by each of the members of the Supporting Creditors; (B) internal approvals of each of the members of Supporting Creditors in their respective sole discretion; and (C) definitive documentation acceptable to each of the Supporting Creditors. The definitive documentation for the transactions contemplated herein may contain terms that vary from the terms described herein. In case of conflict between the terms of this Term Sheet and the final documentation, the final documentation shall prevail. This communication and any discussions resulting from it (1) are entitled to all of the benefits of Rule 408 of the United States Federal Rules of Evidence and any similar applicable laws or rules, and (2) have been drafted only for negotiation and informational purposes and do not contain and shall not be construed as any admission, waiver, release or reduction of claims or rights whatsoever. The Plan(s) and voting contemplated by this Term Sheet to be on a non-substantively consolidated basis and as such classes of claims and interests will be treated as against each of the individual Debtors for voting and distribution purposes,<sup>1</sup> consistent with the applicable ruling of the Court of Appeals of Rio de Janeiro (decision numbers 0048011-65.2017.8.19.0000, 0052171-36.2017.8.19.0000 and 0052769-87.2017.8.19.0000). The Term Sheet treats all of the Company’s creditors and stakeholders fairly and equitably, while taking into account and reflecting a settlement of the legal and economic rights of the various constituencies. The Supporting Creditors do not waive and hereby expressly reserve all rights with respect to substantive consolidation of the Debtors for any purpose and any and all other claims, rights, and remedies, regardless of jurisdiction or forum. None of the Supporting Creditors is a temporary insider or fiduciary of Oi or any of its subsidiaries or affiliates, and each Supporting Creditor expressly disclaims any purported fiduciary duty to Oi or any of its subsidiaries or affiliates, or any other creditor. This Term Sheet is not a solicitation for approval of any plan under the Brazilian Bankruptcy Law-Law No. 11,101 of 2005 (“**Brazilian Bankruptcy Law**”), any plan of reorganization pursuant to title 11 of the United States Code or to any other applicable law (including any U.S. securities or other laws), but the terms and conditions described herein are intended to become the basis for plan(s) under the Brazilian Bankruptcy Law, subject to the support of the requisite creditors. This Term Sheet shall be governed by and construed in accordance with the laws of the State of New York, without regard to any choice or conflict of laws principles or rules (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

#### OVERVIEW

OVERVIEW	
<b>Definitions</b>	<ul style="list-style-type: none"> <li>▪ <b>“AHG SC”</b>: The Bondholders that comprise the steering committee of the Ad Hoc Group of Bondholders represented by Moelis &amp; Company as financial advisors, Cleary Gottlieb Steen &amp; Hamilton LLP as international counsel and Pinheiro Neto Advogados as Brazilian counsel.</li> <li>▪ <b>“ANATEL”</b>: Agência Nacional de Telecomunicações (National Telecommunications Agency).</li> <li>▪ <b>“Banks”</b>: (i) holders of unsecured bank debt, including Banco do Brasil (“<b>BB</b>”), Caixa Econômica Federal (“<b>Caixa</b>”), Banco Itaú (“<b>Itaú</b>”), and (ii) Banco Nacional de Desenvolvimento Econômico e Social (“<b>BNDES</b>”), as holder of secured bank debt.</li> <li>▪ <b>“Bondholders”</b>: holders of the following series of notes issued by the Company</li> </ul>

<sup>1</sup> The application and scope of these terms may be subject to review depending on developments in each of the Brazilian, U.S., and Dutch Proceedings.

	<p>and its affiliates: (i) the 9.750% Notes due 2016 issued by Oi, (ii) the 5.125% notes due 2017 issued by Oi and guaranteed by Telemar, (iii) the 9.500% notes due 2019 issued by Oi and guaranteed by Telemar, (iv) the 5.500% notes Due 2020 issued by Oi and guaranteed by Telemar, (v) the 5.625% notes due 2021 issued by Coop and guaranteed by Oi, (vi) the 5.750% notes due 2022 issued by Coop and guaranteed by Oi, (vii) the 6.250% notes due 2016 issued by PTIF and guaranteed by Oi, (viii) the 5.242% notes due 2017 issued by PTIF and guaranteed by Oi, (ix) the 4.375% notes due 2017 issued by PTIF and guaranteed by Oi, (x) the 5.875% notes due 2018 issued by PTIF and guaranteed by Oi, (xi) the 5.000% notes due 2019 issued by PTIF and guaranteed by Oi, (xii) the 4.625% notes due 2020 issued by PTIF and guaranteed by Oi, and (xiii) the 4.500% notes due 2025 issued by PTIF and guaranteed by Oi (collectively, the “<b>Bonds</b>”).</p> <ul style="list-style-type: none"> <li>▪ “<b>Bondholder Committees</b>”: the AHG SC and the IBC SC.</li> <li>▪ “<b>Debtors</b>”: jointly Oi, Telemar, Oi Móvel, Copart 4, Copart 5, COOP and PTIF.</li> <li>▪ “<b>IBC SC</b>”: The Bondholders that comprise the steering committee of the International Bondholder Committee (the “<b>IBC</b>”) represented by G5/Evercore as financial advisors, Dechert LLP as international counsel and Sergio Bermudes Advogados as Brazilian counsel.</li> <li>▪ “<b>ECAs</b>”: all of the export credit agencies, facilities agents and banks, in each case which are creditors of the Company and its affiliates under certain credit facilities with one or more Debtors (including guaranties provided by one or more Debtors) that are represented by FTI Consulting as financial advisor, Milbank Tweed Hadley &amp; McCloy as international counsel and Mattos Filho, Veiga Filho, Marrey Jr e Quiroga Advogados as Brazilian counsel.</li> <li>▪ “<b>Plan(s)</b>”: the joint restructuring plan(s) formulated by the Bondholder Committees, along with the ECAs.</li> <li>▪ “<b>Supporting Creditors</b>”: the AHG SC, the IBC SC and the ECAs.</li> </ul>
<p><b>General Principles and Assumptions</b></p>	<ul style="list-style-type: none"> <li>▪ This Term Sheet was constructed based on a revised business plan prepared by the Company (the “<b>Business Plan</b>”). The Company’s management and advisors believe that the terms and conditions contained herein create viable, fully funded and implementable Plan(s). The Company’s management has confirmed they believe that, together with the increased capital raise, the Company’s projected cash flows provide for a fully funded business plan for the next several years, and that with the increase in the new capital to R\$4 billion, the Company is viable and the plan is fully funded. The Plan(s) represent the only option that is implementable in the U.S., Europe and Brazil that resolves all litigation.</li> <li>▪ Supporting Creditors intend to continue to work together with the Company, which will file the Plan(s) (as a more viable, beneficial and implementable alternative to the plan previously filed by the Company on September 5, 2016, as modified by the updated economic terms filed by the Company on March 28, 2017 and on October 11, 2017 (“<b>Company Plan</b>”), and obtain support for the Plan(s).</li> <li>▪ Supporting Creditors intend to continue to work cooperatively together and with the Debtors to (i) conduct confirmatory due diligence and further analysis of the</li> </ul>

	<p>Company’s contingencies, including tax, regulatory and commercial claims, as well as of the Business Plan assumptions, and (ii) agree on necessary resolution of regulatory regime to enable the Company to operate without the cash flow, liability and operational burdens of the current regime, all as described further below.</p> <ul style="list-style-type: none"> <li>▪ All Bondholders to receive <i>pari passu</i> treatment under the Plan(s), based on claims amounts set forth on the list of creditors presented by the Brazilian Judicial Administrator in May 2017.</li> <li>▪ The Plan(s) will conform with all applicable requirements of Brazilian insolvency law. The effectiveness and implementation of the Plan(s) will be conditioned on sufficient creditors electing to obtain the treatment described in this Term Sheet (as applicable).</li> <li>▪ In the interest of providing equal treatment among unsecured financial creditors, if there are any changes in any terms that affect the recovery of any of the treatment options, the final recovery under the other options shall be adjusted in order to ensure that such creditors receive the same recovery. All terms and conditions of the Plan(s) are mutually dependent.</li> <li>▪ Bondholders and ECAs/Banks/other unsecured financial creditors shall have the option to choose among the different Class III treatment options.</li> <li>▪ Approval and implementation of the consensual Plan(s) and the insolvency cross-border protocol would resolve the on-going bondholder litigation against the Company.</li> <li>▪ Supporting Creditors will work cooperatively and in consultation with other key parties.</li> <li>▪ This Term Sheet and the related Plan(s) are based on the assumptions that ANATEL prepetition claims do not exceed R\$21,200 million (including R\$5,600 million in tax claims).</li> </ul>
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**TERMS OF RESTRUCTURED OUTSTANDING PRE-PETITION CLAIMS<sup>2</sup>**

**SECURED BANK DEBT (CLASS II CLAIMS)**

▪ Aggregate R\$[3,327] million of Secured Bank Debt to be restructured on the terms set forth below:

<b><i>Borrowers and Guarantors</i></b>	▪ Same as existing Secured Bank Debt
<b><i>Principal Amount</i></b>	▪ R\$[3,327] million, denominated and payable in R\$
<b><i>Term</i></b>	▪ 15 years
<b><i>Amortization</i></b>	▪ Years 1-6: grace period

<sup>2</sup> Amounts of claims set forth herein are based on the preliminary list of creditors presented by the Brazilian Judicial Administrator in May 2017 and remain subject to the release of the final creditors list by the Court.

<i>Interest</i>	<ul style="list-style-type: none"> <li>▪ Years 7-11: 20%, with straight line amortizations of 4% per year</li> <li>▪ Years 12-15: 80%, with straight line amortizations of 20% per year</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Existing contractual interest rates</li> <li>▪ Grace period: years 1-4</li> </ul>
<i>Other Terms</i>	<ul style="list-style-type: none"> <li>▪ Consistent with standard BNDES covenant package, with financial covenants consistent to those of Option 1 for reinstated Class III Claims.</li> </ul>
<b>CLASS III CLAIMS</b>	
<ul style="list-style-type: none"> <li>▪ Bondholders, ECAs, Banks, and other unsecured financial creditors shall have the option to elect one of the different Class III treatment options set forth below up to the maximum amount of each option, and to the extent, any such creditor does not timely elect any of the Class III treatment options and to the extent any creditors filed proofs of claim after the deadline, all such creditors would receive the consideration set forth under Default Option (Class III Claims). Bondholders, ECAs, Banks and other unsecured financial creditors shall have the option to allocate their claims among the different Class III treatment options set forth below, provided that the total amount of their claims allocated must be equal to 100% of their Class III claims.</li> </ul>	
<b>OPTION 1</b>	
<ul style="list-style-type: none"> <li>▪ Aggregate R\$[8,211] million of Unsecured Bank Debt and aggregate US\$[1,614] million of ECA and other unsecured lenders Debt to be restructured as set forth below:</li> </ul>	
<i>Borrowers and Guarantors</i>	<ul style="list-style-type: none"> <li>▪ Same obligors as Restructured Bond Debt (as defined below)</li> </ul>
<i>Principal Amount</i>	<ul style="list-style-type: none"> <li>▪ Banks: R\$[8,211] million debt, denominated and payable in R\$</li> <li>▪ ECAs and other unsecured lenders: US\$[1,614] million, denominated and payable in US\$.</li> </ul>
<i>Term</i>	<ul style="list-style-type: none"> <li>▪ 17 years</li> </ul>
<i>Amortization</i>	<ul style="list-style-type: none"> <li>▪ Years 1-5: grace period</li> <li>▪ Years 6-10: 20%, with straight line amortizations of 4% per year</li> <li>▪ Years 11-17: 80%, with straight line amortizations of 11.4285% per year</li> </ul> <p>Payments made semi-annually</p>
<i>PIK Interest Period</i>	<ul style="list-style-type: none"> <li>▪ Years 1-5: compounding PIK interest (“<b>PIK Interest Period</b>”)</li> <li>▪ Years 6-17: cash interest</li> </ul> <p>Payments made semi-annually</p>
<i>Interest Rate</i>	<ul style="list-style-type: none"> <li>▪ Banks: 85% of CDI during the PIK Interest Period, 100% of CDI thereafter</li> </ul>

**Tax**

**Ranking**

**Covenants**

- ECAs: 2.0% fixed during the PIK Interest Period, 3% fixed thereafter
- Customary tax gross-up provisions to be agreed.
- On a *pari passu* basis with other unsecured debt (including the Restructured Bond Debt)
- Financial Covenants:
  - Additional Capital Markets Financing and Additional Vendor Financing shall be permitted (both as described below).
  - After the PIK Interest Period, debt incurrence covenants with baskets and exceptions to be agreed
  - After the PIK Interest Period, net financial debt to operating EBITDA not to exceed [7x]<sup>3</sup>
- No change of control provisions
- Other standard covenants, with customary carve outs and qualifications to be negotiated, including:
  - during the PIK Interest Period, no declaration, payment or distribution of cash dividends (except for minimum mandatory dividends);
  - obtain/maintain all relevant authorizations necessary for operations;
  - notification of events of default;
  - no change of business;
  - compliance with all environmental laws;
  - comply with all applicable legislation;
  - comply with all applicable regulatory filing requirements, including compliance with its obligations to make certain filings with the U.S. Securities and Exchange Commission;
  - annual audit by independent auditor and maintenance of accounting system in accordance with Brazilian accounting practices;
  - no material changes in accounting policies in violation of applicable laws;
  - no related party transactions unless on arms-length terms as determined by independent board members (and excluding customary board

<sup>3</sup> Ratio and timing to be agreed, subject to due diligence and discussions with and input from the Banks and ECAs.

compensation and other similar customary carve outs);

- prior notice of suspension of operations;
- compliance with, and notification of violation of, anti-corruption laws/compliance laws;
- notice of any lawsuit filed against debtor or guarantor, above a material amount to be agreed in the definitive documentation;
- maintain adequate insurance;
- notice of material adverse changes;
- (i) during PIK Interest Period, 100% of asset sales proceeds above a material amount to be agreed to be reinvested within 3 years; (ii) after the PIK Interest Period 100% of asset sales proceeds above a material amount to be agreed to be applied to redeem indebtedness and to reinvestments (in percentages to be agreed);
- make financial and other relevant documents and reports available to the creditor; and
- customary cross-acceleration provisions.

**Call Option**

Restructured Unsecured Bank / ECA Debt can be redeemed at a discount on the debt's face amount beginning after the closing of the restructuring, pursuant to the following schedule:<sup>4</sup>

<b>Year</b>	<b>Call Price</b>
years 1-5	50% of face + accrued interest
years 6-7	65% of face + accrued interest
years 8-17	100% of face + accrued interest

If the Call Option is exercised, any redemption must be made on a *pari passu* basis across all debt subject to the call option. Restructured Unsecured Bank / ECA Debt may be redeemed without redeeming the Restructured debt under the Default Option as set forth below.

**Other Terms**

- All existing letters of credit and guarantees currently provided by unsecured creditors shall remain in place after emergence from restructuring, on the same terms.
- Other terms customary for transactions of this type to be agreed, and to include customary events of default provisions, KYC provisions, and that all debt issued is to be freely transferable.

**OPTION 2**

<sup>4</sup> Subject to discussions with and input from the unsecured Banks.



	<ul style="list-style-type: none"> <li>▪ The equivalent of R\$26,108<sup>5</sup> Bond Debt converted into ordinary shares of the Company (holders of such equity, the “<b>Converted Bondholders</b>”), representing 88% of the ordinary and preferred shares of the Company prior to any dilution from New Equity (as defined below). Converted Bondholders to receive equity in the form of ordinary shares or ADRs representing ordinary shares.</li> <li>▪ R\$6,300 Bond Debt exchanged into US\$/€equivalent of R\$6,300 million of new bond debt, in the amount of US\$ [•]/€[•], respectively, on the terms set forth below (“<b>Restructured Bond Debt</b>”):<sup>6</sup></li> </ul>								
<b>Issuers and Guarantors</b>	<ul style="list-style-type: none"> <li>▪ Same Obligors as new Bank/ECA Debt (which may, for the avoidance of doubt, include a newly incorporated offshore finance subsidiary with a guarantee from Oi)</li> </ul>								
<b>Principal Amount</b>	<ul style="list-style-type: none"> <li>▪ US\$/€equivalent of R\$6,300 million.</li> </ul>								
<b>Term</b>	<ul style="list-style-type: none"> <li>▪ 7 years</li> </ul>								
<b>Amortization</b>	<ul style="list-style-type: none"> <li>▪ Bullet at maturity</li> </ul>								
<b>Interest</b>	<ul style="list-style-type: none"> <li>▪ 10% cash payment; or</li> <li>▪ At the option of the Company during years 1-3, the Company may elect 8% cash payment and 4% PIK.</li> </ul>								
<b>Tax</b>	<ul style="list-style-type: none"> <li>▪ Customary tax gross-up provisions to be agreed</li> </ul>								
<b>Ranking</b>	<ul style="list-style-type: none"> <li>▪ On a <i>pari passu</i> basis with other unsecured debt</li> </ul>								
<b>Call Option</b>	<p>Restructured Bonds can be redeemed pursuant to the following schedule:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Call Price</th> </tr> </thead> <tbody> <tr> <td>years 1-5</td> <td>Non-callable</td> </tr> <tr> <td>year 6</td> <td>105% + accrued interest</td> </tr> <tr> <td>year 7</td> <td>103% + accrued interest</td> </tr> </tbody> </table>	Year	Call Price	years 1-5	Non-callable	year 6	105% + accrued interest	year 7	103% + accrued interest
Year	Call Price								
years 1-5	Non-callable								
year 6	105% + accrued interest								
year 7	103% + accrued interest								
<b>Other Terms</b>	<ul style="list-style-type: none"> <li>▪ Oi S.A. shares held by PTIF to be distributed to bondholders on a pro rata basis</li> <li>▪ Other terms customary for transactions of this type to be agreed</li> </ul>								
<b>Covenants</b>	<ul style="list-style-type: none"> <li>▪ Similar to the covenants package of the new Option 1 debt</li> </ul>								
<b>DEFAULT OPTION (CLASS III CLAIMS)</b>									
<p>To the extent, any creditor in Class III does not timely elect any of the Class III treatment options above and to the extent any creditors filed proofs of claim after the deadline, all such creditors shall be treated in the Default Option and shall receive a new note with the terms set forth below in this Default Option; provided that the aggregate amount of new notes that shall be issued under the default option shall be limited to R\$[•]. To the extent the amount of claims that are required to be treated under this Default Option exceeds R\$[•], the amount of new notes to be issued and outstanding under this option shall be reduced on a one for one basis in the amount by which the amount of</p>									

<sup>5</sup> Note to Draft: this figure subject to change based on exchange rate variations.

<sup>6</sup> Allocation of Restructured Bond Debt and shares as between US Dollar and Euros based on exchange rates as of June 20, 2016 (USD-BRL = 3.3947 and EUR-BRL = 3.8399).

claims exceeds R\$[•].									
<b>Default Terms for Class III Creditors</b>	<ul style="list-style-type: none"> <li>▪ Term: 19 years</li> <li>▪ Amortization: <ul style="list-style-type: none"> <li>○ Years 1-10: grace period</li> <li>○ Years 11-12: 15%, with straight line amortizations of 7.5% per year</li> <li>○ Years 13-14: 20%, with straight line amortizations of 10.0% per year</li> <li>○ Years 15-19: 65%, with straight line amortizations of 13.0% per year</li> </ul> </li> <li>▪ Interest Rate: <ul style="list-style-type: none"> <li>○ USD/EUR denominated claims: 0.5% p.a.</li> <li>○ BRL denominated claims: TR + 0.5% p.a.</li> </ul> </li> </ul>								
<b>Call Option</b>	<p>Restructured debt under the Default Option can be redeemed at a discount on the debt's face amount beginning after the closing of the restructuring, pursuant to the following schedule:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Call Price</th> </tr> </thead> <tbody> <tr> <td>years 1-7</td> <td>50% of face + accrued interest</td> </tr> <tr> <td>years 8-12</td> <td>65% of face + accrued interest</td> </tr> <tr> <td>years 13-19</td> <td>100% of face + accrued interest</td> </tr> </tbody> </table> <p>Restructured debt under the Default Option is not required to be redeemed automatically upon redemption of the Restructured Unsecured Bank / ECA Debt.</p>	Year	Call Price	years 1-7	50% of face + accrued interest	years 8-12	65% of face + accrued interest	years 13-19	100% of face + accrued interest
Year	Call Price								
years 1-7	50% of face + accrued interest								
years 8-12	65% of face + accrued interest								
years 13-19	100% of face + accrued interest								
<b>FEDERAL/PUBLIC CREDITORS (CLASS III CLAIMS)</b>									
<b>Public Claims (ANATEL/AGU)</b>									
<b>Treatment of Administrative Fines and Registered Fines</b>	<ul style="list-style-type: none"> <li>▪ Registered and non-registered fines related to ANATEL to be addressed in accordance with applicable laws and regulations, including, as much as possible, conversion into CAPEX obligations over the following years in compliance with applicable terms of conduct adjustment mechanism("TAC"), as provided in Law no. 9472/97, if and when finally registered against the Company.<sup>7</sup></li> <li>▪ Any judicial deposits related to such claims to be utilized for the Company's cash flow in the manner most expedient under applicable laws and regulations.</li> </ul>								
<b>Terms of TAC</b>	<ul style="list-style-type: none"> <li>▪ In line with applicable law.</li> </ul>								
<b>Regulatory Claims</b>									
<ul style="list-style-type: none"> <li>▪ Tax claims related to (i) R\$4,500 million related to regulatory tariffs/taxes and (ii) R\$1,100 million related to fines, to the extent Oi is found liable in any final judicial decision, shall be paid in accordance with applicable law</li> </ul>									

<sup>7</sup> Existence of any pre-petition regulatory liabilities to be discussed, with the objective of establishing a sustainable path forward for the Company and stabilizing the substantial cash outflows experienced by the Company in recent years.

<p>and court decisions.</p> <ul style="list-style-type: none"> <li>▪ Any judicial deposits related to tax claims are expected to be used to reduce debt or to be returned to the Company upon full payment of claims.</li> <li>▪ Company shall retain the right to use any refinancing program legally available, including any contemplated in any new MP (once approved) or any other REFIS/amnesty program available at the time.</li> </ul>	
<b>OTHER NON-FINANCIAL CREDITORS</b>	
<p><b>Labor Claims</b> <i>(Class I Claims)</i></p>	<ul style="list-style-type: none"> <li>▪ <i>General Labor Claims</i>: R\$ [352] million paid in full over 2018 (within 1 year after confirmation of the Plan(s) by the Reorganization Court).</li> <li>▪ <i>Fundação Atlântico Claims</i>: R\$ [560] million with 5 year PIK interest followed by 6 year linear amortization. Interest rate of INPC +5.5%.<sup>8</sup></li> </ul>
<p><b>Small Company Claims</b> <i>(Class IV Claims)</i></p>	<ul style="list-style-type: none"> <li>▪ R\$ [68] million paid in full over 2018, subject to confirmation of the Company's cash on hand, the amount of claims and other conditions precedent to support the Plan(s), subject to any other advanced payments made by Oi during the course of the proceedings, pursuant to the mediation program approved by the Reorganization Court.</li> </ul>
<p><b>Strategic Suppliers</b> <i>(Class III Claims)</i></p>	<ul style="list-style-type: none"> <li>▪ Criteria for creditors to be considered as "Strategic Suppliers" subject to further discussions with the Company</li> <li>▪ Capped at R\$ [TBD] million [with linear amortization in 2018 and 2019].<sup>9</sup> In the event that the claims exceeds such cap, treatment of claims to be agreeable to the Supporting Creditors.</li> </ul>
<p><b>Other Suppliers</b> <i>(Class III Claims)</i></p>	<ul style="list-style-type: none"> <li>▪ Paid in [8] years in US\$ or R\$ (as applicable)</li> <li>▪ Amortization schedule as follows: <ul style="list-style-type: none"> <li>○ Years 1-2: 50%, with amortization of 30.0% in Year 1 and 20% in Year 2</li> <li>○ Years 3-8: 50%, with straight line amortizations of 8.333% per year</li> </ul> </li> <li>▪ Interest Rate: <ul style="list-style-type: none"> <li>○ USD/EUR denominated claims: 0.5% p.a.</li> <li>○ BRL denominated claims: TR + 0.5% p.a.</li> </ul> </li> </ul>
<p><b>Judicial Deposit Claims</b></p>	<ul style="list-style-type: none"> <li>▪ Treated in a manner acceptable to the Supporting Creditors.</li> </ul>
<b>EXISTING SHAREHOLDERS</b>	
<p><b>Existing Shareholders</b></p>	<ul style="list-style-type: none"> <li>▪ After dilution on account of the Bonds conversion into equity under the Plan(s), existing shareholders of Oi shall retain 12% of Oi's total capital stock, prior to any dilution from any New Money (as defined below).</li> </ul>

<sup>8</sup> Subject to resolution of the dispute whether the Fundação claims should be in Class III rather than Class I.

<sup>9</sup> TBD potential amortization extension.

**NEW MONEY**

<b>New Money Commitments</b> <sup>10</sup>	<ul style="list-style-type: none"> <li>▪ Plan(s) to contemplate Put Right (as defined below) for a capital increase, raised through a fixed-price public offering (“<b>Public Offering</b>”) registered with the Brazilian SEC – Comissão de Valores Mobiliários (“<b>CVM</b>”) , pursuant to CVM Ruling (<i>Instrução</i>) 400 and automatic registration EGEM (and potentially with the U.S. SEC) to fund the Company’s liquidity needs (including for capex needs, below the line outflows related to off-balance sheet liabilities, capital needed for conversion from concession to authorization regime and growth prospects) in an amount of R\$4.0 billion (“<b>New Equity</b>”).</li> <li>▪ The Company to have right to require certain new money providers (the “<b>Backup Equity Purchasers</b>”), including the members of the IBC and the members of the AHG SC, to purchase New Equity not otherwise subscribed for in the Public Offering, on terms to be agreed between the Bondholder Committees and Oi, to be funded upon closing of Oi’s restructuring, subject to certain conditions precedent (including with respect to post-closing Governance arrangements and Board composition) and provided that participation in the offering will be transferable (“<b>Put Right</b>”). Bonds and Put Right may be transferred together or separately.</li> <li>▪ In consideration of the commitments they are making as anchor investors in the Public Offering and the time and resources devoted to, and expenses incurred in connection with, the implementation of the Plan(s), Backup Equity Purchasers to be entitled to (i) a pro rata put premium payable in cash by the Company equal to 8.0% of their Put Rights that shall be earned upon execution of commitment letters and shall be payable upon completion of the Public Offering pursuant to the Plan(s) or upon the effectiveness of any other plan and other customary dates, and (ii) subscribe for 100% of the new shares issued in the Institutional Tranche (as defined below) of the Public Offering, in their capacity as “anchor investors” on a pro rata basis based on their respective share of new money commitments.</li> </ul>
<b>Pro Forma Equity Ownership</b> <i>(post-Capital Increase)</i> <sup>11</sup>	<ul style="list-style-type: none"> <li>▪ New Money: 57.53% <ul style="list-style-type: none"> <li>– Priority Tranche: 28.77%</li> <li>– Institutional Tranche: 23.01%</li> <li>– Retail Tranche: 5.75%</li> </ul> </li> <li>▪ Converted Bondholders and Existing Shareholders<sup>12</sup>: 42.47%</li> <li>▪ As contemplated below, Existing Shareholders and Converted Bondholders will have the right to participate in the New Money, as part of the Priority Tranche and, if applicable, the Retail Tranche.</li> </ul>
<b>Public Offering</b>	<ul style="list-style-type: none"> <li>▪ As soon as practicable after the consummation of the restructuring of its pre-</li> </ul>

<sup>10</sup> NTD: Changes in nomenclature are intended to relate purely to mechanics.

<sup>11</sup> Assumes a R\$4.0 billion Public Offering, and that Backup Equity Purchasers, in their capacity as such, only subscribe for the full amount of the Institutional Tranche.

<sup>12</sup> Both Converting Bondholders and Existing Shareholders will have the opportunity to subscribe for New Money.

<b>Mechanics<sup>13</sup></b>	<p>petition debt following approval and confirmation of the Plan(s), but no later than an agreed date (“<b>Outside Date</b>”), Company to launch a registered Public Offering of Oi shares for a capital increase of the New Equity.</p> <ul style="list-style-type: none"> <li>▪ Public Offering to be structured as a “Fixed Price Public Offering”.<sup>14</sup></li> <li>▪ Distribution plan of new shares issued through the Public Offering as follows: <ul style="list-style-type: none"> <li>– “<b>Priority Tranche</b>”: new shares corresponding to 50% of New Equity, reserved to existing shareholders at the time of the Public Offering on a <i>pro rata</i> basis (including Converted Bondholders).</li> <li>– “<b>Institutional Tranche</b>”: new shares corresponding to 40% of New Equity, reserved to the Backup Equity Purchasers as “anchor investors”.</li> <li>– “<b>Retail Tranche</b>”: new shares corresponding to 10% of New Equity, reserved to retail investors.</li> </ul> </li> <li>▪ Unsubscribed shares in the Retail Tranche and Priority Tranche would be allocated back to the Institutional Tranche, to be subscribed for by the Backup Equity Purchasers.</li> </ul>
<b>Additional Future Financing</b>	<ul style="list-style-type: none"> <li>▪ To the extent necessary, the Company may pursue through 2020, as determined by the board of the Company at the time, up to R\$2.5 billion of capital markets financing (“<b>Additional Capital Markets Financing</b>”). The Additional Capital Markets Financing will be based on the best pricing and terms available in the market.</li> <li>▪ Additional cash may be generated by sales of non-core assets and additional releases of existing judicial deposits in excess of those projected in the Company’s Business Plan.</li> <li>▪ FTI Consulting has provided a letter, attached as Annex 1, confirming on a non-reliance basis that, assuming full implementation of the Plan(s) described in the Term Sheet, the Business Plan premise to obtain a R\$2 billion of additional equipment financing during the third year after Plan(s) confirmation is in its view a reasonable assumption (“<b>Additional Vendor Financing</b>”). Company to pursue all avenues of such Additional Vendor Financing available to it, including directly with vendors or with commercial banks on market terms.</li> </ul>
<b>OTHER TERMS</b>	
<b>Conversion of Preferred Shares</b>	<ul style="list-style-type: none"> <li>▪ All preferred shares of Oi S.A. to be converted to common shares of Oi S.A. prior to, or as soon as practicable following, the Public Offering. Conversion of the preferred shares of Oi S.A. will occur if and when the exercise of related withdrawal rights will not have an adverse impact on the Company’s cash flows.</li> </ul>

<sup>13</sup> Overall mechanics of capital increases in connection with bondholders conversion into equity and new money offering TBD in working session among advisors.

<sup>14</sup> A fixed-price public offering is a public offering of securities duly registered with the CVM (and potentially the U.S. SEC) where the issuance price per share is pre-determined and not subject to a book-building process.

<b>Listing and Transferability of Common Stock and Restructured Bond Debt</b>	<p>The common stock received in the Public Offering and upon conversion of the Bonds, as well as the Restructured Bond Debt will be freely transferable (<u>i.e.</u>, unrestricted). The common stock received in the Public Offering and upon conversion of Bonds shall be listed on current exchanges where the Company's shares (and ADRs) are listed.</p>
<b>Governance</b>	<p>Company's governance structure to be revised on terms agreeable to the Supporting Creditors to require independence and transparency. Specific measures would include, without limitation, the following:</p> <ul style="list-style-type: none"> <li>▪ <u>Replacements</u>: Where appropriate, augmentation and/or replacement of existing management and appointment of a new board with qualified professional management and board members, in each case selected with the assistance of an internationally recognized executive search firm.</li> <li>▪ <u>Board Composition and Terms</u>: <ul style="list-style-type: none"> <li>– 9-member board, of which 6 shall be nominated by Converted Bondholders and 3 shall be independent members, in consultation with the Banks and the ECAs. Board candidates to have significant industry, financial, legal and/or business expertise and appointments shall be subject to Anatel approval procedures.</li> <li>– New board to be in place upon consummation of the restructuring and conversion of the pre-petition debt into equity and in any event before funding of New Equity.</li> <li>– Board members to serve for an initial term of at least 2 years with reelection permitted</li> <li>– All independent board members to meet the <i>Novo Mercado</i> Listing Segment rules for director independence.</li> </ul> </li> <li>▪ <u>Other Terms</u>: <ul style="list-style-type: none"> <li>– Other governance principles to be determined to ensure the transformation of Oi into a modern telecommunications provider run by a world-class professional management team.</li> <li>– Appropriate changes in the Company's by-laws, either by operation of the Plan(s) or at a specific shareholders' meeting, shall be made to allow for the governance changes set forth above.</li> <li>– Terms of management incentive compensation to be determined.</li> </ul> </li> <li>▪ <u>Advisory Committee of Relevant Restructured Financial Creditors (other than Bondholders)</u>: Committee of relevant restructured financial creditors (other than Bondholders) to have access to Company on a quarterly basis, on terms to be discussed, including through provision of information and update meetings on results and other relevant matters.</li> </ul>

<p><b>Discharge</b></p>	<p>Plan(s) to provide for the discharge of third party claims against the Company and its subsidiaries on customary terms, <u>provided</u> that such discharge shall not waive or release of any claims against shareholders, officers and directors of the Company.</p> <p>Plan(s) shall contain releases, in form and substance acceptable to the Supporting Creditors, for the benefit of the Supporting Creditors, the IBC, and the Ad Hoc Group of Bondholders and their respective members and their and their members' respective representatives, officers, directors, employees, advisors, agents and affiliates from (A) the Debtors and their representatives, officers, directors, employees, advisors, agents and shareholders, and (B) all creditors, in each case in connection with any and all claims and causes of action arising from or related to the Debtors, the Notes, the bank debt, the restructuring of the Notes and bank debt, the Dutch proceedings, the RJ proceedings, the Chapter 15 cases, and all negotiations, statements, actions, or omissions related to any of the foregoing; provided that such releases shall not extend to claims related to (i) any binding agreements entered into by the Supporting Creditors and (ii) any claims resulting from willful misconduct, fraud or gross negligence.</p>
<p><b>Judicial Deposits</b></p>	<p>To be treated in a manner to be agreed after further diligence by the Supporting Creditors, provided that any such treatment should expedite the release, and maximize the value of, the judicial deposits, all while minimizing the amount of liabilities to be paid by the Company.</p>
<p><b>Exchange Rates</b></p>	<p>Claims amounts to be converted to R\$ as of the RJ petition date exchange rates for the purposes of implementation of the Plan(s) (i.e. June 20, 2016).</p>
<p><b>Conditions Precedent</b></p>	<p>Conditions precedent to be agreed between the Supporting Creditors customary for transactions of this type, including, without limitation, the following:</p> <p><u>Conditions Precedent to Submission of Plan(s) and Vote<sup>15</sup></u></p> <ul style="list-style-type: none"> <li>▪ Definitive documentation for the Plan(s) and related required documentation to be in agreed form, including a cross border insolvency protocol to resolve all relevant insolvency proceedings.</li> <li>▪ Completion of satisfactory confirmatory due diligence by the Supporting Creditors and their advisors, including, but not limited, to the premises and assumptions of the Business Plan presented by the Company.</li> </ul> <p><u>Conditions Precedent to Plan Implementation (which may be waived, in certain circumstances, by a minimum quorum of creditors to be agreed)</u></p> <ul style="list-style-type: none"> <li>▪ Creditor approval and court confirmation of the Plan(s) pursuant to applicable law, including in the Netherlands (including the approval of the Dutch trustees for Coop and PTIF, as necessary for the confirmation of the Plan(s)), in the RJ proceedings, and in the U.S. bankruptcy Court, in each case with respect to the applicable Debtors that are Debtors in and subject to the foregoing proceedings.</li> </ul>

<sup>15</sup> These conditions precedent, as is customary, shall be satisfactory to each Supporting Creditor in its discretion.

	<ul style="list-style-type: none"> <li>▪ Final treatment of ANATEL claims in accordance with the Plan(s).</li> <li>▪ No pending appeals, lawsuits or other proceedings filed against the Plan(s) that could have a material adverse effect on or stay the implementation of the Plan(s).</li> <li>▪ All required CVM (and other required regulatory) approvals for Public Offering (as described above).</li> <li>▪ Tax treatment of the restructuring is consistent with Company’s and Supporting Creditors’ expectations, in order to permit the viability of the Company.</li> <li>▪ Regulatory approvals, including ANATEL and CADE (if applicable).</li> <li>▪ Definitive documentation for Public Offering to be in agreed form and satisfactory to the Backup Equity Purchasers.</li> <li>▪ Company to be in compliance with all financial reporting and SEC and CVM regulatory requirements.</li> </ul> <p><u>Conditions Precedent to Put Right and Public Offering</u></p> <ul style="list-style-type: none"> <li>▪ Satisfactory consummation of the restructuring, including the satisfaction or waiver of the conditions precedent set forth above and conversion of the Bonds into equity and implementation of the governance/operations changes.</li> <li>▪ Receipt of required approvals for Public Offering shall have been obtained, and no material lawsuits or proceedings pending that would materially adversely impact the Public Offering or the implementation of the Plan(s).</li> <li>▪ Resolution of regulatory regime acceptable to the Backup Equity Purchasers to enable the Company to operate without the cash flow and operational burdens of current regime.</li> <li>▪ Management roadshow and investor marketing consistent with a capital raise of this size.</li> <li>▪ The Outside Date shall not have occurred.</li> </ul>
<p><b>[Plan Support Agreement]</b></p>	<p>Agreement among the Supporting Creditors to take a specific actions in support of the Plan(s) as an alternative to the Company plan, entered into on or before [•].</p>



Annex 1  
FTI Letter



**F T I**®

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October 26, 2017

**STRICTLY CONFIDENTIAL**

**VIA EMAIL**

Oi S.A.  
Rua Humberto de Campos, 425 – 8º Andar  
22430-190 Rio de Janeiro – RJ  
Brazil

To: Marco Schroeder, Chief Executive Officer of Oi S.A  
Carlos Brandão, Chief Financial Officer and Investment Relations Officer of Oi S.A.

Cc: Laplace Finanças, Att.: Renato Carvalho, Francesco Marinoni

Re: Prospect of Future Vendor and/or Export Credit Agency style financing for Oi S.A.  
and/or its subsidiaries (“Oi”)

Dear Mr. Schroeder and Mr. Brandão:

As you are aware, FTI Consulting Canada ULC (“FTI”) represents export credit agencies, facility agents and banks that are lenders to Oi S.A. and certain of its subsidiaries.

You have asked FTI, given its relationship to banks and similar institutions which participate in the vendor financing market, for its views on the probability of Oi receiving vendor financing and/or export credit agency-style financing (“Vendor Financing”) beginning in 2020.

As you are aware, there are numerous variables that could affect the possibility of any Vendor Financing being made available to Oi in 2020, many of which are out of Oi’s control or of the control of institutions which may wish to provide Vendor Financing. Obvious, examples include the state of the Brazilian economy, Oi’s performance in 2018 and 2019 and the general market environment at that time (but of, course, the possibilities are not limited to these).

## **Criteria for a Financeable Post-Restructured Oi**

We have considered this question on the general assumptions that the Brazilian economy will perform no worse than current projections (3% GDP growth each year), Oi is restructured successfully on the basis of the term sheet submitted to you on October 26, 2017 on behalf of the Steering Committee of the Ad Hoc Group of Bondholders, the Steering Committee of the International Bondholder Committee and the ECA Committee (the “Joint Alternative Restructuring Plan Term Sheet”) and that Oi will achieve its business plans through to 2020.

In addition we have assumed the following specific requirements will have been achieved as part of the current restructuring process:

1. There has been a day one capitalization / debt forgiveness of a minimum of BRL 25 billion of Oi’s existing debt;
2. Oi’s has successfully exited from the RJ process, (and all associated litigation has been ended) upon terms substantially similar to the Joint Alternative Restructuring Plan Term Sheet;
3. There has been a satisfactory resolution of the Anatel fines levied against Oi;
4. Oi’s governance structure has been revised so that it adheres to the highest and best corporate governance practices;
5. A viable capital structure for Oi has been established; and
6. Oi has achieved its projected operating performance.

## **Reasonability of Availability of Vendor Financing to Oi in 2020**

We understand that, for the years 2018, 2019 and 2020, Oi is budgeting for total capital expenditure of approximately BRL 21 billion, of which approximately 35% will be equipment which historically would have had Vendor Financing. This equates to approximately BRL 7.4 billion of equipment purchases during those three years.

To the extent that the assumptions and minimum requirements described above are satisfied (and there are no other major events which disrupt the normal operation of Vendor Finance markets), it is, in our view, reasonable to assume that by 2020 Vendor Financing would be available to Oi given the quantum of equipment related expenditure forecast for the next 3 years<sup>1</sup>.

## **Quantum of Possible Vendor Financing in 2020**

Oi’s capital expenditure plan provides for BRL 7.0 billion of capital expenditure in 2020. We expect that approximately 35% of this sum would typically relate to equipment that would ordinarily be eligible for Vendor Financing and of that, some 80% would typically be financed. This equates to BRL 2.0 billion of potential financing, which based on the assumptions above, in our view, could reasonably be assumed to be available in 2020.

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<sup>1</sup> Note: any facilities from export credit agencies will, of course, be conditional upon and tied to equipment purchases from the home country of the relevant export credit agency to support exports from that country’s domestic production.

## General

In writing this letter, we are trying to assist you by providing our own views on the likely state of affairs in 2020 based on a number of assumptions and on information provided by you. We do not act for you and we owe you no duty of care. Our views are not intended to be (and are not) representations, warranties, guarantees, assurances, or commitments of any description whatsoever (either from us or any of our clients and whether in respect of the actual provision of, or consideration of the provision of, any financing to Oi, now or in the future or otherwise). And, while we are happy to share our views on this question, we do that without accepting any liability or responsibility to you. Conversely, Oi needs to form its own views on the matters addressed by this letter with its own advisors and is responsible for those views, and relies upon the contents of this letter, entirely at its own risk.

If you have any questions or clarifications, please do not hesitate to contact the undersigned.

Yours truly,

A handwritten signature in blue ink that reads "Brock J. Edgar". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Brock J. Edgar  
Senior Managing Director