

A Companhia informa que disponibilizará a versão traduzida para o português deste documento tão logo seja possível.

**Settlement proposal without prejudice and subject to U.S. Federal
Rule of Evidence 408 and all similar applicable rules.**

December 12, 2017

CONFIDENTIAL

Oi S.A. – In Judicial Reorganization
Rua Humberto de Campos, 425 7th Floor – Leblon
Rio de Janeiro – RJ 22430-190
Brazil

Ladies and Gentlemen:

We write with respect to a potential issuance by Oi S.A (“Oi”) of common shares of Oi (“Common Shares”) in connection with the judicial reorganization of Oi and certain of its subsidiaries (together with Oi, the “Debtors”). The Debtors’ cases are currently pending before the 7th Lower Commercial Court of Rio de Janeiro/RJ (the “Reorganization Court”) (*Case Records No. 0203711-65.2016.8.19.0001*). We and you have been engaged in negotiations regarding the terms of such potential judicial reorganization and issuance of Common Shares, to further capitalize the Debtors, pursuant to the plan of reorganization filed with the Reorganization Court on December 12, 2017, which you have informed us reflects the main commercial indicative terms attached hereto as Exhibit A (the “Summary Commercial Term Sheet”).

Based on such negotiations, discussions with other creditor groups and other stakeholders that have supported such negotiations and the terms set forth in the Summary Commercial Term Sheet, this letter (“Letter”) confirms our agreement with the Summary Commercial Term Sheet and sets forth certain of the terms and conditions under which the signatories below will work in good faith with Oi to promptly provide or arrange for firm commitments from themselves, affiliates, and/or their designees, for the purposes of fully backstopping the offering of R\$4 billion of new Common Shares of Oi (the “Offered Shares”) to Oi’s shareholders pursuant to a rights offering (the “Rights Offering”), which is contemplated in the Summary Commercial Term Sheet and shall be documented in Subscription and Commitment Agreements as contemplated below (the “Commitment Agreements”).

1. Commitment Right and Commitments. The signatories to this Letter intend to work in good faith and use commercially reasonable efforts to prepare and negotiate the Commitment Agreements and to execute (or cause their affiliates or designees to execute) the Commitment Agreements on or before the business day prior to the General Meeting of Creditors of the Debtors scheduled for December 19, 2017 (assuming the Debtors’ presentation on or prior to such date of a plan of reorganization consistent with the Summary Commercial Term Sheet and otherwise in form and substance reasonably acceptable to the signatories hereto in their discretion (the “Plan”). Such Commitment Agreements shall set forth the terms and conditions under which (1) Oi would be obligated on an unconditional basis once the Plan has been approved at the General Meeting of Creditors, except to the extent not permitted under any applicable securities laws, regulations, and rules or to the extent provided under the Commitment Agreements, to issue the Offered Shares under the Rights Offering on the terms contemplated herein and in the Summary Commercial Term Sheet and pay the related fees and expenses of each investor or fund manager (“Investor”) in accordance with the terms of the Commitment Agreements (as described below), and (2) each Investor would, subject to the terms and conditions set forth in the Commitment Agreements, agree

to subscribe and pay in the Offered Shares consistent with the terms set forth in the Summary Commercial Term Sheet and the applicable preemptive rights (the “Commitment Right”), on a several and not joint basis (with respect to each Investor, its “Commitment”).

2. Consideration. As consideration for the Commitment and the time and resources devoted to, and expenses incurred in connection with, the negotiation of the transactions contemplated by the Summary Commercial Term Sheet and implementation of the Rights Offering, the granting of the Commitment Right and the other agreements and undertakings by each Investor and the cost of reserving capital for their Commitments, the Commitment Agreements shall specify that each Investor shall receive: (i) a commitment fee of either (x) cash equal to 8.0% of such Investor’s Commitment, or (y) Common Shares with a value equal to 10% of such Investor’s Commitment based on the same valuation of the shares in the Rights Offering (the “Commitment Fee”), which fee shall be earned upon effectiveness of its Commitment Agreement pursuant its terms and payable in connection with the Rights Offering, all on such terms and conditions to be agreed and provided in the Commitment Agreement; and (ii) the right to subscribe for its pro rata portion (based on its share of Commitments) of any shares of Oi that are not subscribed for in the first two rounds of the Rights Offering. The form of payment of the Commitment Fee (cash or Common Shares) will be at such Investor’s option, unless the per share price of the Common Shares is R\$10.0 or more (assuming no changes in the Company’s outstanding share capital) as of the date of issuance of such Common Shares, in which case the election with respect to the form of payment of the Commitment Fee will be at the option of the Debtors.

3. Investors. The Investors shall consist solely of the members of the Steering Committees of the AHG and IBC (or their affiliates or designees) that have executed Commitment Agreements by December 18, 2017. The Commitment Agreements shall specify that, thereafter, Oi shall not grant the right to backstop the Rights Offering to, nor enter into any additional Commitment Agreement or similar agreement with, any other person without the prior written consent of each of the Investors.

4. Conditions. The Commitment Agreements shall set forth certain specified conditions to the effectiveness of the Commitment Agreements and each Investors’ Commitment thereunder, to be mutually agreed by the Investors and the Debtors.

5. Termination. The Commitment Agreements shall set forth certain specified termination events, which, depending on the specified event (1) shall allow the Investors to terminate the Commitment Agreements and the corresponding Commitments on an individual basis with respect to a terminating Investor, (2) shall allow Investors holding the majority in aggregate principal amount of the Commitments (“Majority Investors”) to terminate the Commitment Agreements with respect to all Investors upon the direction of the Majority Investors at and after the time of the event or occurrence giving rise to such termination event, (3) shall allow the Debtors to terminate the Commitments and (4) shall cause the Commitment Agreements and corresponding Commitments to automatically terminate on the earliest to occur of certain specified dates, in each case to be agreed among the Investors and the Debtors. The Commitment Agreements shall specify certain milestones, which shall be deemed termination events if not achieved by specified dates, including, without limitation, those set forth on Exhibit B hereto and as otherwise to be agreed among the Investors and the Debtors.

6. Transferability of Commitments. The Commitments evidenced by the Commitment Agreements shall not be assignable, in whole or in part, by any party (other than to its affiliates) without the other parties' prior written consent, other than pursuant to a right of first offer to the other Investors, and on terms to be set forth in the Commitment Agreement; any such assignment shall not relieve the Investor of its obligations under the Commitment Agreement, other than as specified in the Commitment Agreement.

7. Governing Law; Submission To Jurisdiction; Selection of Forum; Waiver of Trial By Jury. The governing law of each Commitment Agreement will be agreed among the parties. All actions and claims arising out of or relating to the Commitment Agreement shall be heard and determined in such court or courts as are agreed among the parties (such courts, and any of the appropriate appellate courts therefrom, the "Chosen Courts"). The parties to each Commitment Agreement shall (a) irrevocably submit to the exclusive jurisdiction of the Chosen Courts, provided that the Investors shall have the right to bring any claim arising out of or related to the Commitment Agreement against Oi in the courts of Rio de Janeiro, Brazil, (b) waive any objection to laying venue in any such action or proceeding in the Chosen Courts, and (c) waive any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party. Each Party to a Commitment Agreement shall irrevocably waive any and all right to trial by jury in any legal proceeding arising out of or related to the Commitment Agreement or the transactions contemplated thereby.

8. Representations and Warranties. The Commitment Agreements shall set forth certain representations and warranties of each Investor, including without limitation that (a) it has all limited partnership or corporate power (or similar power) and authority to execute, deliver and perform the Commitment Agreement, (b) the execution, delivery and performance of the Commitment Agreement by it has been duly and validly authorized and approved by all necessary limited partnership action (or similar action) by it, (c) the Commitment Agreement has been duly and validly executed and delivered by it and constitutes a valid and legally binding obligation of it, enforceable against it in accordance with the terms of the Commitment Agreement, (d) the Investor has uncalled capital commitments or otherwise has available funds in excess of the sum of its Commitment thereunder plus the aggregate amount of all other commitments and obligations it currently has outstanding and (e) the execution, delivery and performance by the Investor of the Commitment Agreement do not (i) violate the organizational documents of the Investor or (ii) violate any law or judgment binding on the Investor. The Commitment Agreements shall also set forth certain customary representations and warranties of Oi, including, without limitation, with respect to the accuracy of information in all material respects provided by Oi or its representatives to the Investors and the valid issuance of, and absence of liens or other claims on, the Common Shares.

9. Covenants; Other Terms. The Commitment Agreements shall set forth covenants of the parties, including with respect to the governance of the Debtors, and other terms reasonable and customary for transactions of the type contemplated by the Commitment Agreements.

10. Specific Performance. The Commitment Agreements and the Plan will provide that the obligations to issue the shares in the Rights Offering and pay the Commitment Fee described in Section 2 hereof will be unconditional obligations of Oi (except to the extent not permitted under any applicable securities laws, regulations, and rules), enforceable in accordance with their terms.

Each party to the Commitment Agreement shall be entitled to specific performance and injunctive relief.


11. Expenses. The Commitment Agreements will provide that documented fees and expenses of the Investors related to the reorganization of the Debtors and the Rights Offering, including without limitation the fees and expenses of counsel, financial advisors and other advisors, to each Investor, shall be reimbursed by Oi, subject to the terms and conditions to be set forth in the Commitment Agreements.

12. Enforceability. This Letter is not intended to be, and shall not constitute a commitment, offer capable of acceptance or undertaking by any of the signatories hereto, nor a binding legal agreement. Any such commitment or undertaking or offer capable of acceptance or agreement would only arise when and if the Commitment Agreements are effective pursuant to their terms. Except as expressly provided herein, nothing contained in this Letter shall limit in any way the terms and conditions that may be ultimately be included in the Commitment Agreements. This Letter shall be governed by and construed in accordance with the laws of the State of New York.

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**BROOKFIELD CREDIT OPPORTUNITIES
MASTER FUND, L.P.**

BY: BROOKFIELD ASSET MANAGEMENT
PRIVATE INSTITUTIONAL CAPITAL ADVISER
(CREDIT), LLC ITS INVESTMENT MANAGER



Name: Anthony Bavaro
Title: Vice President
Address: 250 Vesey St.
NY, NY 10281

BENEFIT STREET PARTNERS LLC



Name: Alexander McMillan
Title: Chief Compliance Officer
Address: 9 West 57th Street, Fl 49
New York, NY 10019

GOLDENTREE ASSET MANAGEMENT LP



Name: Peter Alderman
Title: Vice President
Address: 300 Park Ave
New York, NY 10022

PEWTER IBIS, L.L.C.

By: King Street Capital Management, L.P.
Its Manager

By: King Street Capital Management GP, L.L.C.
Its General Partner

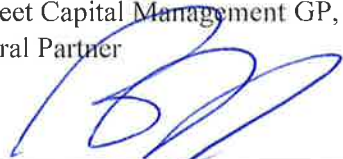


Name: Bruce S. Darringer
Title: Chief Operating Officer
Address: 65 East 55th Street, Floor 30
New York, NY 10022

CHARCOAL CRUX 4, L.L.C.

By: King Street Capital Management, L.P.
Its Manager

By: King Street Capital Management GP, L.L.C.
Its General Partner



Name: Bruce S. Darringer
Title: Chief Operating Officer
Address: 65 East 55th Street, Floor 30
New York, NY 10022

REDWOOD CAPITAL MANAGEMENT, LLC



Name: Ruben Kliksberg
Title: Authorized Signatory
Address: 910 Sylvan Ave
Englewood Cliffs, NJ 07632

SUMMARY COMMERCIAL TERM SHEET



Discussion Material

December 2017

Main Proposed Terms of the Reorganization Plan

Suppliers	<ul style="list-style-type: none"> Suppliers with credits up to R\$ 150k will receive 100% of their claim. Suppliers with credits greater than R\$ 150k will receive 100% of their claim up to R\$ 150k. A 10% discount will be applied to the remaining balance and the resulting value will be amortized linearly over 4 years adjusted by TR + 0.5% p.a., resulting in a 20% NPV¹ reduction when compared to the conditions of the plan filed on November 27, 2017. 										
Discount rate of liabilities	<ul style="list-style-type: none"> Discussion with accountants to confirm greater discount rate (17.1% considering pre-tax WACC vs 12.9% considering CDI+4%) 										
Default option	<ul style="list-style-type: none"> 25 year tenor (20-year grace period and linear amortization in years 21 to 25) Interest rate: TR flat Callable at 15% 										
Banks and ECAs	<ul style="list-style-type: none"> Obligors: same as originally contracted credit 17 tenor No call option Interest rate: 75% of CDI for banks (R\$) and 1.75% p.a. for ECAs (US\$) Alternative option for ECAs: 1.25% p.a. in US\$ <ul style="list-style-type: none"> – During grace period (5 years), 10% cash payment and 90% PIK <table border="1" data-bbox="741 1168 1425 1368"> <thead> <tr> <th>Semester</th> <th>% amortized per semester</th> </tr> </thead> <tbody> <tr> <td>1st to 10th</td> <td>0.0%</td> </tr> <tr> <td>11th to 20th</td> <td>2.0%</td> </tr> <tr> <td>21st to 33rd</td> <td>5.7%</td> </tr> <tr> <td>34th</td> <td>5.9%</td> </tr> </tbody> </table>	Semester	% amortized per semester	1st to 10th	0.0%	11th to 20th	2.0%	21st to 33rd	5.7%	34th	5.9%
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¹ Cash flows discounted at CDI + 4.0% a.a.

Expected Anatel NPV

- Expected net present value of negative cash flows from Anatel treatment of R\$ 4.0bn¹

Bondholders

- R\$ 6.3 bn take-back bonds
 - Amortization: 7-year bullet
 - Coupon: 8% cash + 4% PIK **or** 10% cash during the first 3 years; then 10% cash
- Equity conversion:
 - Distribution to bondholders of Oi shares held by PTIF
 - Bonds will convert into 65% of equity²
 - Penny warrants give the rights to converting into 5% of equity²

Capital Increase

- Total amount: R\$ 4.0 bn capital raise
- Price per share: R\$ 3.0 bn pre-money equity valuation
- Backstop structure
 - Fees: 8% backstop fee in cash or 10% in shares, at the creditors option, unless share price is above R\$ 10 / share, in which case the Company has the choice
 - On the capital increase, the second round of leftover shares will be allocated to backstoppers

¹ Cash flows discounted at CDI + 4.0% a.a.

² Participation in a fully diluted basis

MILESTONES

- Definitive documentation necessary to implement the transactions set forth in the Summary Commercial Term Sheet and the Plan, including the Rights Offering, is not in acceptable form and substance by a date or dates to be agreed
- Reorganization Court shall not have issued an acceptable confirmation order with respect to the Plan by a date or dates to be agreed
- Implementation of the governance/operations changes shall not have occurred by a date or dates to be agreed
- Failure by any of (A) the U.S. Bankruptcy Court, (B) the U.K. Bankruptcy Court and (C) if necessary to the implementation of the Plan, the Portuguese Court, to enter acceptable enforcement orders, respectively, by a date or dates to be agreed
- Closing of all transactions contemplated by the Plan (other than the Rights Offering) on the terms to be set forth in the Plan, including the conversion of a portion of the existing international debt securities into equity shall not have occurred by a date or dates to be agreed
- Failure to obtain any necessary regulatory approvals (including ANATEL or CADE if applicable) by a date or dates to be agreed
- Commencement of the Rights Offering shall not have occurred by a date or dates to be agreed