

Anexo 5.3.9

OI S.A. – Em Recuperação Judicial (“OP”) TERMS OF RESTRUCTURING TRANSACTION

This term sheet (this “Term Sheet”) is a summary of indicative terms regarding a proposed capital increase of Oi S.A. and a consolidated restructuring plan to be filed by Oi S.A. on behalf of each other Debtor (as defined below). This Term Sheet does not include a description of all of the terms, conditions and other provisions to be negotiated, and contemplates that such provisions remain subject to negotiation and completion in one or more Transaction Documents (as defined below) or other definitive documents. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Plan Support Agreement to which this Term Sheet is attached or such meanings ascribed to them in the section herein entitled “Certain Defined Terms.”

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| <p>The Debtors</p> | <p>Oi S.A. – Em Recuperação Judicial (“<u>Oi</u>” or the “<u>Company</u>”); Oi Móvel S.A. – Em Recuperação Judicial (“<u>Oi Móvel</u>”); Telemar Norte Leste S.A. – Em Recuperação Judicial (“<u>Telemar</u>”); Copart 4 Participações S.A. – Em Recuperação Judicial (“<u>Copart4</u>”); Copart 5 Participações S.A. – Em Recuperação Judicial (“<u>Copart5</u>”); Portugal Telecom International Finance BV – Em Recuperação Judicial (“<u>PTIF</u>”) and Oi Brasil Holdings Coöperatief U.A. – Em Recuperação Judicial (“<u>Oi Coop</u>”, and collectively with Oi, Oi Móvel, Telemar, Copart4, Copart5 and PTIF, the “<u>Debtors</u>”)</p> |
| <p>The Capital Increase</p> | <p>In connection with the approval and confirmation (<i>homologação judicial</i>) of an agreed restructuring plan with respect to all debtors on a consolidated basis and in the form and substance of the plan filed by the Debtors on November 27, 2017 (such agreed plan, including all exhibits and annexes thereto, as may be amended or modified solely in accordance with this Term Sheet and the PSA this Term Sheet is attached to, the “<u>Agreed Plan</u>”), the Company will conduct a private equity cash capital increase (the “<u>Capital Increase</u>”) between R\$7,100 million and R\$11,157 million, of which between R\$3,500 million and R\$5,500 million (the “<u>Cash Raise</u>”) will be contributed in cash and between R\$3,600 million and R\$5,657 million in equitized debt (the “<u>Equitized Debt</u>”), which amount shall be set to maintain the same proportion of the total Capital Increase as would exist with the minimum Cash Raise and minimum Equitized Debt. The amount of Equitized Debt will represent part of the recovery of the Investors with respect to the Claim Value (as defined below) of certain bonds issued by the Debtors listed on <u>Schedule I</u> hereto that are currently outstanding (the “<u>Existing Notes</u>”). Each Beneficial Owner (as defined below) of Existing Notes (a “<u>Holder</u>”) that executes a plan support agreement among such Holder and the Debtors (each, a “<u>PSA</u>”) and an equity commitment agreement between such Holder (each, an “<u>Investor</u>”) and the Company (each, a “<u>Commitment Agreement</u>”) will</p> |

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| | <p>be entitled to participate in the Capital Increase by committing to exercise Warrants (as defined below) for new common shares of the Company, which shall be identical to the shares trading in the B3 under the ticker “OIBR3” (the “<u>Common Shares</u>” and such Common Shares underlying the Warrants, the “<u>New Shares</u>”) as part of the distribution to the Investors as members of the Collaborative Creditors Subclass (as defined below) under the Agreed Plan.</p> |
| <p>The Warrants</p> | <p>Under the Agreed Plan, the Company will issue <i>bônus de subscrição</i> under Brazilian law (the “<u>Warrants</u>”) to the Investors. The exercise price of each Warrant shall be R\$100 (the “<u>Warrant Exercise Price</u>”), payable in cash in Brazilian Reais, and upon exercise the Investor shall receive such number of New Shares per Warrant equal to the Warrant Exercise Price divided by the Per Share Price (as defined below).</p> <p>Under the Commitment Agreements, each Investor will, severally and not jointly, subject to (1) the satisfaction of certain Conditions Precedent (as defined below), or (2)(x) the satisfaction of all Conditions Precedent other than Condition Precedent (1), (3)(i) or (10), and (y) the waiver of any of Condition Precedent (1), (3)(i) or (10) that have not been satisfied by the Required Holders, agree to pay the aggregate exercise price of its Warrants in exchange for New Shares pursuant to its Warrant Commitment (as defined below) (such required exercise of the Warrants, the “<u>Mandatory Warrant Exercise</u>”).</p> <p>The Warrants will only be exercisable (1) upon the satisfaction of all Conditions Precedent, (2) on the Long Stop Date in the event that all Conditions Precedent have been satisfied other than Condition Precedent (1), (3)(i) or (10), and each of Conditions Precedent (1), (3)(i) or (10) that have not been satisfied have been waived by the Required Holders, or (3) on the Extended Long Stop Date in the event that all Conditions Precedent have been satisfied other than Condition Precedent (1), (3)(i) or (10), and each of Conditions Precedent (1), (3)(i) or (10) that have not been satisfied have been waived by the Required Holders. The procedures for the Mandatory Warrant Exercise and related notice periods shall be set forth in the Commitment Agreements.</p> <p>The terms of the Warrants shall be consistent with Schedule [●] of the PSA to which this Term Sheet is attached.</p> |
| <p>Per Share Price</p> | <p>The “<u>Per Share Price</u>” for each Warrant will be the product of (i) the Applicable VWAP and (ii) the Discount Factor.</p> <p>The “<u>Applicable VWAP</u>” will be the lower of the 15-day or 45-day Volume Weighted Average Price of the OIBR3 (common) shares in the B3 for the 15-</p> |

| | <p>day or 45-day period preceding the Exercise Notice Date.¹</p> <p>The “<u>Discount Factor</u>” will be the product of the Discount Factor Adjustment multiplied by the Price Adjustment calculated from the table below:</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><i>Days from Plan Confirmation Date to Exercise Notice Date</i></th> <th style="text-align: left;"><i>Price Adjustment</i></th> </tr> </thead> <tbody> <tr> <td>≤ 365</td> <td>142%</td> </tr> <tr> <td>> 365 and ≤ 730</td> <td>142% + ((11.2% / 365) x (Days from Plan Confirmation Date to Exercise Notice Date – 365))</td> </tr> <tr> <td>> 730</td> <td>153.2% + ((9.1% / 365) x (Days from the Plan Confirmation Date to Exercise Notice Date – 730))</td> </tr> </tbody> </table> | <i>Days from Plan Confirmation Date to Exercise Notice Date</i> | <i>Price Adjustment</i> | ≤ 365 | 142% | > 365 and ≤ 730 | 142% + ((11.2% / 365) x (Days from Plan Confirmation Date to Exercise Notice Date – 365)) | > 730 | 153.2% + ((9.1% / 365) x (Days from the Plan Confirmation Date to Exercise Notice Date – 730)) |
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| <i>Days from Plan Confirmation Date to Exercise Notice Date</i> | <i>Price Adjustment</i> | | | | | | | | |
| ≤ 365 | 142% | | | | | | | | |
| > 365 and ≤ 730 | 142% + ((11.2% / 365) x (Days from Plan Confirmation Date to Exercise Notice Date – 365)) | | | | | | | | |
| > 730 | 153.2% + ((9.1% / 365) x (Days from the Plan Confirmation Date to Exercise Notice Date – 730)) | | | | | | | | |
| <p>Roadshow and Bookbuilding</p> | <p>The Company’s management will use commercially reasonable efforts to propose to significant Holders that are (1) a “qualified institutional buyers” (as defined under Rule 144A under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or (2) “qualified investors” (as defined under the Prospectus Directive in the EEA), as applicable, in a private process (“<u>Roadshow</u>”), either individually or in organized groups, the opportunity for each such Holder to enter into a PSA and a Commitment Agreement (“<u>Bookbuilding</u>”).</p> <p>The Company’s objective during the Roadshow will be to obtain the support of a significant group of Investors who are willing to participate in the Capital Increase and support its restructuring process. A Holder that has executed a PSA and executes a Commitment Agreement may participate in the Capital Increase.</p> <p>Any Holder seeking to become an Investor must execute, deliver and become a party to a valid and effective PSA and a Commitment Agreement with the Company in a form that is consistent with this Term Sheet and the PSA to which this Term Sheet is attached, or the Commitment Agreement to be executed with other Investors pursuant to the PSA to which this Term Sheet is attached.</p> <p>The Company shall ensure that, in conducting the Roadshow and Bookbuilding, it does not engage in any activity that could be construed to be</p> | | | | | | | | |

¹ The definitive documentation shall provide that in the event Oi is unable by decision of a governmental authority to use the Applicable VWAP, then the Applicable VWAP shall be the 30-day Volume Weighted Average Price of the OIBR3 shares in B3 for the 30-day period preceding the Exercise Notice Date. The definitive documentation shall also provide that the VWAP observation period will be remeasured if there is 30% movement in the trading price of the Common Shares on any day during the last 15 days of the VWAP period.

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| | <p>a “tender offer” under the U.S. federal securities laws.</p> |
| <p>The Warrant Commitment</p> | <p>Under each Commitment Agreement, each Investor will identify the Existing Notes for which it is the Beneficial Owner and that such Investor desires to be included in its recovery as a member of the Collaborative Creditors Subclass (as defined below) (the “<u>Committed Claims</u>” and the Claim Value thereof, the “<u>Committed Claims Amount</u>”).</p> <p>Pursuant to the Commitment Agreements and the Agreed Plan, each Investor will receive, and be obligated to exercise pursuant to the Mandatory Warrant Exercise, a number of Warrants equal to the quotient of its Committed Claims Amount divided by the Claim Value per Warrant (the “<u>Warrant Commitment</u>” and such number of Warrants multiplied by the Warrant Exercise Price, the “<u>Warrant Commitment Amount</u>”).</p> <p>Under the Agreed Plan and subject to the Agreed Plan being confirmed by the Bankruptcy Court (as defined below) (“<u>Plan Confirmation</u>” and such date, the “<u>Plan Confirmation Date</u>”), each Investor will be entitled to receive a Commitment Premium (as defined herein) and, upon the occurrence of certain events, a Break-Up Fee (as defined herein). Each Investor shall also be entitled to receive certain expenses under such Investor’s PSA.</p> |
| <p>Determination of Size of Capital Increase</p> | <p>If, as a result of the Bookbuilding, Investors are willing to commit Existing Notes representing more than 25% of the Claim Value of all of the Existing Notes, the amount of the Cash Raise and the Equitized Debt shall be increased proportionally and according to such greater demand up to a maximum Capital Increase of R\$11,157 million, corresponding to a R\$5,500 million Cash Raise, R\$5,567 million in Equitized Debt and an aggregate Committed Claims Amount equal to R\$12,530,397,794. If the Committed Claims Amount exceeds such amount, the number of each Investor’s Allocated Warrants will be reduced pro rata based on such Investor’s Committed Claims Amount.</p> <p>After the conclusion of the Bookbuilding, the Company will provide written notice to each Investor stating (i) the amount of the Cash Raise and the Equitized Debt and the aggregate number of Warrants to be issued in the Capital Increase, (ii) the number of such Investor’s Allocated Warrants and the aggregate Warrant Exercise Price, and (iii) the aggregate Committed Claims Amount by all Investors and the corresponding Warrant Commitment Amount. The Company shall also simultaneously publish a press release containing such information other than each Investor’s respective amounts under clause (ii).</p> |

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| <p>Treatment of Creditors under the Agreed Plan</p> | <p><u>Treatment of Class III Creditors (General Unsecured Creditors).</u></p> <p>The Agreed Plan shall provide, as one of the payment options available to the unsecured class of creditors, the option to exchange existing unsecured credits (including the Existing Notes) for a <i>pro rata</i> allocation of: (a) new secured notes issued by the Company in a total face amount of R\$5.8 billion, on terms and conditions further detailed below (the “<u>New Notes</u>”) and (b) convertible debentures (<i>Debentures Conversíveis</i>) issued by the Company, in a total face amount of R\$3.0 billion, on terms and conditions further detailed below (the “<u>Convertible Debentures</u>”).</p> <p><u>Treatment of Collaborative Creditor Subclass.</u></p> <p>The Agreed Plan shall provide for specific payment terms, by means of creating a subclass, or similar provision therein, within the class of the unsecured creditors, which will apply to all the Investors (the “<u>Collaborative Creditors Subclass</u>”). Each member of the Collaborative Creditors Subclass shall receive consideration composed of (i) its <i>pro rata</i> share of New Notes and Convertible Debentures, and (ii) the number of Warrants allocated to such Investor pursuant to the terms of this Term Sheet.</p> <p><u>Treatment of Other Classes</u></p> <p>Holders of all other classes of claims shall receive treatment substantially similar to the treatment set forth in the Agreed Plan.</p> |
| <p>Warrant Offering</p> | <p>As promptly as practicable following the date on which the New Notes and the Convertible Debentures are issued (the “<u>Consummation Date</u>”), which shall be the fifth business day following the last to occur of the recognition of the Agreed Plan by the U.S. Bankruptcy Court and the U.K. Bankruptcy Court, the Board of Directors of the Company shall authorize the issuance of the Warrants and the Company shall commence a preemptive offering of the Warrants pursuant to which each holder of the Common Shares and the Company’s preferred shares (the “<u>Preferred Shares</u>”) will be entitled to subscribe for its <i>pro rata</i> portion of the Warrants (the “<u>Warrant Offering</u>”) at a purchase price per Warrant in cash equal to R\$102.857143 (the “<u>Warrant Purchase Price</u>”). For the avoidance of doubt, the Warrant Purchase Price is in addition to the Warrant Exercise Price required to exercise the Warrants.</p> <p>Upon the expiration of the Warrant Offering, to the extent that any Warrants are subscribed by holders of Common Shares and Preferred Shares, each Investor shall be entitled to subscribe and receive a number of Warrants issued to such Investor under its Warrant Commitment, of a number of the non-subscribed Warrants by the holders of Common Shares and Preferred Shares on a <i>pro rata</i> basis. In exchange for the Equitized Debt not issued to the Investors as a result of the Warrants subscribed to by the holders of Common Shares and Preferred Shares, the cash proceeds</p> |

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| | <p>of such subscriptions from the Warrant Offering will be distributed to the Investors <i>pro rata</i> in accordance with Warrant Commitment. The terms and conditions of the Warrant Offering shall be subject to the requirements of Brazilian, or U.S. law.</p> |
| <p>Conditions Precedent to the Mandatory Warrant Exercise</p> | <p>The obligations of the Investors to exercise their Warrants upon the Mandatory Warrant Exercise shall be subject to certain conditions precedent (the “<u>Conditions Precedent</u>”), each of which must be satisfied (or, in the case of Conditions Precedent (1), (3)(i) or (10), waived as described above under “The Warrants” according to waiving mechanics to be provided in the Commitment Agreements), including:</p> <ol style="list-style-type: none"> 1) The Court of Appeals of the State of Rio de Janeiro shall have overruled all material challenges filed against the decision issued by the Rio de Janeiro lower trial court competent to confirm the decision of the General Assembly of Creditors of the Debtors (“<u>Bankruptcy Court</u>”) that confirmed the Agreed Plan in respect of each of the Debtors or against a decision regarding any aspect of the transactions contemplated herein or in the Agreed Plan (the “<u>Transactions</u>”) that, if any of such challenges was successful, would impair the implementation of the Capital Increase and/or materially impact the terms of the Transactions; 2) No material breach of the Agreed Plan, no material impediment to the consummation of the Transactions, and no material disruption of the Company’s activities, as currently conducted, shall have occurred; 3) (i) Agência Nacional de Telecomunicações (“<u>Anatel</u>”) shall have not declared or initiated any intervention in the RJ (<i>Recuperação Judicial</i>) Proceedings or in the Company, and (ii) the outstanding obligations of the Company before Anatel shall have been duly (A) restructured in a manner consistent with the residual payment mode in the Agreed Plan, (B) refinanced according to the original provisions of Provisional Measure No. 780 as published on May 19, 2017, or in a manner similar thereto, or (C) subject to a <i>Termo de Ajustamento de Conduta</i> or <i>Termo de Compromisso</i> executed with Anatel; 4) The New Notes and Convertible Debentures shall have been issued by the Company and delivered to holders of Claims in accordance with the Agreed Plan, and no events of default (or circumstances that, but for the issuance of notice or the passage of time, would become events of default) thereunder shall have occurred and be continuing thereunder; 5) The Company shall have obtained all material relevant approvals or waivers, as applicable, including without limitation from applicable regulatory entities; 6) The Agreed Plan shall have been approved by creditors in the |

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| | <p>General Assembly of Creditors of the Debtors and confirmed by the Bankruptcy Court in respect of each of the Debtors, and the Warrants shall have been issued to the Investors in accordance with the terms and conditions set forth in the Commitment Agreements and the Agreed Plan;</p> <p>7) The Debtors and the Investors shall have entered into satisfactory documentation reflecting the terms contained herein, including, without limitation, the Commitment Agreements and the PSAs, all of which documentation shall remain in full force and effect;</p> <p>8) Each of the PSA, Commitment Agreement and other agreements contemplated thereby or by the Agreed Plan (each, a "<u>Transaction Document</u>") to which an Investor is a party shall be in full force and effect, and no default by any of the Debtors or other circumstance that (setting aside any requirement to issue notice or the passage of time) would give rise to an Investor's right to terminate any of its Transaction Documents shall have occurred or be continuing thereunder; and</p> <p>9) The Debtors shall have minimum "routine" EBITDA over the 12-month period prior to the funding of the Capital Increase that is no less than R\$5.75 billion;</p> <p>10) Recognition by Final Order² of the Brazilian bankruptcy proceeding in any and all ancillary restructuring proceedings filed by the Debtors for the recognition of the effects of the Agreed Plan in foreign jurisdictions, including without limitation Chapter 15 recognition in the US and the recognition proceedings currently pending with respect to the Debtors in the United Kingdom.</p> |
| <p>Commitment Premiums</p> | <p>The Commitment Agreements and the Agreed Plan shall provide that as consideration for the Warrant Commitment, which is an essential part of the Agreed Plan, each Investor shall be entitled to</p> <p>(i) an initial commitment premium equal to 14% of the product of (A) the number of such Investor's Allocated Warrants on the Plan Confirmation Date, (B) the Warrant Exercise Price and (C) the True-Up Percentage (the "<u>Initial Commitment Premium</u>"), and</p> <p>(ii) if any Warrants are held by an Investor on the first or second anniversary of the Plan Confirmation Date, an annual commitment</p> |

² "Final Order" means, as applicable, (a) an order or judgment of the United States Bankruptcy Court for the Southern District of New York or other court of competent jurisdiction with respect to the relevant subject matter that has not been reversed, stayed, modified or amended, and as to which the time to appeal has expired and no appeal has been timely taken, or as to which any appeal that has been taken has been resolved by the Second Circuit Court of Appeals and has resulted in no modification of such order or has otherwise been dismissed with prejudice, or (b) a final judgment of the High Court of England and Wales or the Court of Appeal of England and Wales (or, if relevant, a final judgment of the Supreme Court of the United Kingdom if an appeal has been made directly to it from a judgment of the High Court of England and Wales) following court hearing or any appeal, with respect to the relevant subject matter following the expiration of any period in which any person might appeal against such judgment without an appeal having been lodged.

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| | <p>premium equal to 8% of the product of (A) the number of such Investor’s Allocated Warrants on the Plan Confirmation Date, (B) the Warrant Exercise Price and (C) the True-Up Percentage (an “<u>Annual Commitment Premium</u>”) and, together with the Initial Commitment Premium, the “<u>Commitment Premiums</u>”).</p> <p>The Initial Commitment Premium shall be earned on the Plan Confirmation Date and each Annual Commitment Premium shall be earned on the applicable anniversary of the Plan Confirmation Date, starting with the first anniversary of the Plan Confirmation Date. The Initial Commitment Premium and the first Annual Commitment Premium shall be due and payable at the earlier of:</p> <p>(1) the issuance of the New Shares pursuant to a Mandatory Warrant Exercise, or</p> <p>(2) the Long Stop Date.</p> <p>The second Annual Commitment Premium, if any, shall be due and payable at the Extended Long Stop Date.</p> <p>The Commitment Premiums are payable, at the Company’s election, in cash in U.S. dollars, Common Shares or a combination thereof. For any amount paid in cash, the amount shall be converted to U.S. dollars at the PTAX Rate on the business day prior to the date on which such payment is due. For any amount paid in Common Shares, the number of Common Shares to be issued shall be equal to the quotient of such amount in Brazilian Reais divided by the product of (I) 70.0% multiplied by (II) the Applicable VWAP, calculated with reference to (A) in the case of a Mandatory Warrant Exercise, the Exercise Notice Date, (B) in the case of payment in connection with the occurrence of the Long Stop Date, the Long Stop Date, or (C) in the case of payment in connection with the occurrence of the Extended Long Stop Date, the Extended Long Stop Date.</p> | | |
| <p>Illustrative Example</p> | <p>As an illustrative example, the following table shows the number of Warrants and the applicable Initial Commitment Premium that a hypothetical “Example Investor” with a Committed Claims Amount of R\$100 million would receive based on different levels of participation in the Bookbuilding.</p> | | |
| <p>Aggregate Committed Claims Amount as a Percentage of all Existing Bonds</p> | <p>39.29%</p> | <p>50.00%</p> | <p>57.14%</p> |
| <p>Aggregate Committed Claims Amount</p> | <p>R\$12,530,397,794</p> | <p>R\$15,947,779,010</p> | <p>R\$18,226,033,154</p> |

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| Aggregate Cash Raise | R\$5,500,000,000 | R\$5,500,000,000 | R\$5,500,000,000 |
| Aggregate Number of Warrants | 55,000,000 | 55,000,000 | 55,000,000 |
| Claim Value Per Warrant | R\$227.825414 | R\$289.959618 | R\$331.382421 |
| Allocated Warrants to the Example Investor | 438,933 | 344,876 | 301,766 |
| True-Up Percentage | 100.0% | 100.0% | 114.3% |
| Initial Commitment Premium Earned by the Example Investor | R\$6,145,056 | R\$4,828,259 | R\$4,828,259 |
| Covenants of the Company | <p>The Company shall agree to covenants under the Commitment Agreements that are customary for a company entering into an equity commitment agreement and that are otherwise satisfactory to the Required Investors as of the date of such Commitment Agreement. These covenants shall include, without limitation, agreement by the Company to not issue any Preferred Shares or Common Shares (or any other shares of the Company's capital stock or securities or instruments convertible into, or exchangeable or exercisable for, Common Shares, Preferred Shares or such other shares of the Company's capital stock) from the date of execution of the PSAs through the first date after the issuance of the Warrants on which no Warrants are outstanding, other than (1) in connection with a capital increase conducted by the Company in which it issues equity securities with gross proceeds at least equal to the amount of the Cash Raise in the Capital Increase (an "Alternative Equity Transaction"), or (2) with the consent of the Required Investors at the time of the proposed issuance of capital stock or in accordance with the Agreed Plan.</p> | | |
| Representations and Warranties of the Investors | <p>In addition to certain other terms and conditions contained therein, each Investor will provide representations regarding the availability to such Investor of financial resources sufficient to fund the exercise of the Warrants to be issued to such Investor, and customary representations regarding its status as either (1) a "qualified institutional buyer", or (2) a "qualified investor" (as defined under the Prospectus Directive in the EEA), as applicable.</p> | | |
| Termination by the Company | <p>Each Commitment Agreement shall permit the Company to terminate such Commitment Agreement upon the Company's termination of the relevant Investor's PSA in accordance with its terms.</p> | | |
| Termination by the Investors | <p>Each Investor's Commitment Agreement will terminate automatically (i) upon the termination of such Investor's PSA, or (ii) on the date that is 730 days after the Plan Confirmation Date (the "<u>Long Stop Date</u>") unless the</p> | | |

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| | <p>Company and such Investor agree to extend such date until the date that is 1,095 days after the Plan Confirmation Date (the “<u>Extended Long Stop Date</u>”).</p> <p>The Commitment Agreements shall permit each Investor to terminate the Commitment Agreements upon violation by the Company of its covenants or obligations thereunder or upon violation by the Debtors of their covenants or obligations under the Agreed Plan, irrespective of any externalities, negligence or misconduct by the Company, subject to such materiality thresholds and cure periods (if any) as may be agreed among the Company and the Investors in the Commitment Agreements.</p> |
| <p>Assignment of the Capital Increase Commitment</p> | <p>Prior to the date on which the Warrants are issued, an Investor may assign its rights and obligations under its Commitment Agreement (i) to any Investor, (ii) to any person approved by the Company (including the persons listed on <u>Schedule II</u> hereto), such approval not to be unreasonably withheld, delayed or conditioned, which approval shall be deemed to have been given if the Company does not object to an assignment to such person within 3 business days after receiving written notice thereof including sufficient information for the Company to verify that such assignee can make the representations set forth above under “Representations and Warranties of the Investors,” (iii) to any person that has previously been approved by the Company (any person covered in clause (ii) or this clause (iii), an “<u>Approved Assignee</u>”) or (iv) so long as the assigning Investor retains its obligation to fund the exercise of its allocation of Warrants upon the Mandatory Warrant Exercise, to any person; <i>provided, however</i>, that the assignee has sufficient claims against the Debtors, in accordance with the terms of its PSA, to satisfy the assigned obligations under the Commitment Agreement.</p> <p>Upon or after the date on which the Warrants are issued, an Investor may assign its Warrants and the corresponding rights and obligations under its Commitment Agreement (i) to any Investor, (ii) any Approved Assignee or (iii) so long as the assigning Investor retains its obligation to fund the exercise of its Allocated Warrants upon the Mandatory Warrant Exercise, to any person.</p> <p>As a condition to any such assignment, the assignee will be required to deliver to the Company a joinder agreement confirming that it has assumed the obligations under the applicable Commitment Agreement.</p> |

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| <p>Break-Up Fee</p> | <p>If, after Plan Confirmation, the Company issues Preferred Shares or Common Shares (or any other shares of the Company’s capital stock or securities or instruments convertible into, or exchangeable or exercisable for, Common Shares, Preferred Shares or such other shares of the Company’s capital stock) in an Alternative Equity Transaction, (1) the Company shall pay on the closing date of such Alternative Equity Transaction to each Investor a break-up fee (the “<u>Break-Up Fee</u>”) in an amount equal to (A) 12.7% of the Capital Increase Amount multiplied by (B) such Investor’s Allocated Warrant Percentage, and (C) the True-Up Percentage, and (2) all outstanding Warrants (or entitlements thereto under the Commitment Agreements and the Agreed Plan) shall be cancelled.</p> <p>If, after Plan Confirmation, the Mandatory Warrant Exercise does not occur before the Long Stop Date, other than as a result of the Company’s failure to satisfy Condition Precedent (1), (3)(i) or (10) set forth above (unless Condition Precedent (1), (3)(i) or (10) set forth above have been waived by the Required Holders), the Company shall pay on the Long Stop Date to each Investor that has not agreed with the Company to extend its commitment until the Extended Long Stop Date a break-up fee (the “<u>Break-Up Fee</u>”) in an amount equal to (A) 12.7% of the Capital Increase Amount multiplied by (B) such Investor’s Allocated Warrant Percentage, and (C) the True-Up Percentage.</p> <p>In the event that the Company and any Investor agree to extend such Investor’s commitment until the Extended Long Stop Date and the Mandatory Warrant Exercise does not occur before the Extended Long Stop Date, other than as a result of the Company’s failure to satisfy Condition Precedent (1), (3)(i) or (10) set forth above (unless Condition Precedent (1), (3)(i) or (10) set forth above have been waived by the Required Holders), the Company shall pay on the Extended Long Stop Date to each Investor that agrees to extend such Investor’s commitment until the Extended Long Stop Date, a Break-Up Fee, except that in calculating the amount of such Break-Up Fee, 9.7% shall be substituted for 12.7%.</p> <p>Upon the issuance of the Warrants, the Company’s obligation to pay the Break-Up Fee shall manifest as an obligation to cancel an Investor’s Warrants and pay a cancellation fee upon the Long Stop Date or the Extended Long Stop Date, as applicable, in an amount per Warrant equal to the aggregate Break-Up Fee divided by the aggregate number of Warrants issued.</p> <p>The Break-Up Fee will payable, at the Company’s election, in cash in U.S. dollars, Common Shares or a combination thereof, in the same manner as the Commitment Premiums.</p> |
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| | <p>As an illustrative example, if the amount of the Cash Raise is R\$3,500,000,000, the amount of Equitized Debt would be R\$3,600,000,000, and (A) the Mandatory Warrant Exercise does not occur before the Long Stop Date, other than as a result of the Company's failure to satisfy Condition Precedent (1), (3)(i) or (10) set forth above, the aggregate Break-Up Fee would be 12.7% of the sum of such amounts, or R\$901,700,000, and (B) if all Investors agree to extend their commitments until the Extended Long Stop Date and the Mandatory Warrant Exercise did not occur before the Extended Long Stop Date, other than as a result of the Company's failure to satisfy Condition Precedent (1), (3)(i) or (10) set forth above, the aggregate Break-Up Fee would be 9.7% of such sum, or R\$688,700,000.</p> <p>For the avoidance of doubt, the Break-Up Fee shall not be due and payable if the Company enters into agreements or arrangements relating to, or elects to prosecute or implement, any Alternative Transaction (as defined in the PSA to which this Term Sheet is attached) in accordance with the proviso contained in Section 4(c)(iii) of the PSA to which this Term Sheet is attached.</p> |
| <p><u>R\$5.8 Billion New Notes</u></p> | |
| <p>Issuer</p> | <p>The Company</p> |
| <p>Currency</p> | <p>The New Notes will be denominated in U.S. dollars.</p> |
| <p>Amount</p> | <p>The New Notes will be issued for an aggregate principal amount equivalent to R\$ 5,800,000,000 (five billion eight hundred Brazilian Reais), to be converted into U.S. Dollars as set forth in the Agreed Plan.</p> |
| <p>Maturity</p> | <p>The New Notes shall mature on the tenth anniversary of the date of the issuance of the New Notes, which date shall be the Plan Confirmation Date or as soon as practicable thereafter (the "<u>Closing Date</u>").</p> |
| <p>Interest</p> | <p>10% <i>per annum</i>, payable 8% in cash and 2% in kind (PIK). The first coupon shall be payable 15 months following the Closing Date, and subsequent coupon payments shall be due each 12 months thereafter until maturity.</p> <p>Interest on the New Notes shall accrue from the Plan Confirmation Date. If the Closing Date is later than the Plan Confirmation Date, then interest through and including the date of issuance of the New Notes shall accrue on a payment-in-kind basis (such interest, the "<u>Gap Period New Notes Interest</u>"). The Gap Period New Notes Interest shall be paid in full, 8% in cash in U.S. dollars and 2% in kind (PIK), on the first annual interest payment date (in addition to any post-issuance interest payable on the New Notes on such interest payment date).</p> |

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| Security | <p>The New Notes will be secured by a pledge over all Common Shares issued by Pharol and held by the Debtors. Additionally, the indenture governing the New Notes shall contain a reasonable and customary negative pledge covenant.</p> | |
| Ranking / Guarantees | <p>The New Notes shall constitute senior obligations of the Company and will be equal in right of payment with the Convertible Debentures. The New Notes shall be guaranteed by each subsidiary of the Company that incurs or guarantees any financial debt, whether such financial debt is issued under the Agreed Plan or is incurred during the term of the New Notes.</p> | |
| Call Protection | <p>The Company will have the option, in its own discretion, to include or not in the indenture governing the New Notes a prepayment provision. Such prepayments shall only be permitted subject to the below stated limitations and premiums, expressed as a percentage of the outstanding principal amount of the New Notes being prepaid as set forth below opposite the relevant period from the Closing Date:</p> | |
| | <u>Period</u> | <u>Percentage</u> |
| | <p>Prior to the date that is eighteen months following the Closing Date.</p> | <p>101%</p> |
| | <p>From the date that is eighteen months following the Closing Date to the fourth anniversary of the Closing Date.</p> | <p>Make-whole call</p> |
| | <p>From fourth anniversary of the Closing Date to the seventh anniversary of the Closing Date.</p> | <p>105%</p> |
| | <p>Thereafter</p> | <p>100%</p> |
| Liquidity of New Notes | <p>The New Notes shall be freely tradable by the Investors upon the issuance thereof, subject only to limitations imposed by the U.S. securities laws and the applicable securities laws of the European Economic Area (the EEA”). In addition, the New Notes and the Convertible Debentures shall be freely tradable separate from each other and separate from the other rights and obligations described herein, including, without limitation, the Warrants.</p> | |

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| Terms and Conditions | Covenants, mandatory prepayments and other terms of the New Notes (including with respect to liquidity, rights to provide financial information, securities reporting status and other U.S. securities law implications) will be those provided for in the Agreed Plan. The Company shall use commercially reasonable efforts to make the New Notes eligible for clearance through DTC, Euroclear, and Clearstream. |
| Governing Law | The documentation governing the debt obligations on the New Notes shall be governed by New York law. |
| <u>R\$3 billion Convertible Debentures</u> | |
| Issuer | The Company |
| Currency | The Convertible Debentures will be denominated in Brazilian Reais, but all amounts owed thereunder will be bound to the variation of the foreign exchange rate of the U.S. Dollar relative to the Brazilian Real (cumulative PTAX Rate variation), as provided by Article 54(1) of Brazilian Federal Law 6,404. |
| Amount | The Convertible Debentures will be issued for an aggregate principal amount of R\$3,000,000,000.00 (three billion Brazilian Reais). |
| Maturity | The Convertible Debentures shall mature on the tenth anniversary of the Closing Date. |
| Interest | <p>10% <i>per annum</i>, payable 8% in cash and 2% in kind (PIK). The first coupon shall be payable 15 months following the Closing Date, and subsequent coupon payments shall be due each 12 months thereafter until maturity.</p> <p>Interest on the Convertible Debentures shall accrue from the Plan Confirmation Date. If the Closing Date is later than the Plan Confirmation Date, then interest through and including the date of issuance of the Convertible Debentures shall accrue on a payment-in-kind basis (such interest, the “<u>Gap Period Convertible Debentures Interest</u>”). The Gap Period Convertible Debentures Interest shall be paid in full, 8% in cash in U.S. dollars and 2% in kind (PIK) on the first annual interest payment date (in addition to any post-issuance interest payable on the Convertible Debentures on such interest payment date).</p> |

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| <p>Conversion</p> | <p>The Convertible Debentures shall convert into 119 million Common Shares identical to the New Shares. Customary anti-dilution protections shall apply.</p> <p>The Convertible Debentures will be convertible at the option of a holder, on any one of the following dates:</p> <ul style="list-style-type: none"> - Immediately on the Closing Date; - Sixth months after the Closing Date; - Twelve months after the Closing Date |
| <p>Security</p> | <p>The Convertible Debentures shall be secured on a <i>pari passu</i> basis with the New Notes.</p> <p>Additionally, the indenture governing the Convertible Debentures shall contain a reasonable and customary negative pledge covenant.</p> |
| <p>Ranking / Guarantees</p> | <p>The Convertible Debentures shall constitute senior obligations of the Company and will be equal in right of payment with the New Notes. The Convertible Debentures shall be guaranteed by each subsidiary of the Company that incurs or guarantees any financial debt, whether such financial debt is issued under the Agreed Plan or is incurred during the term of the Convertible Debentures.</p> |
| <p>Call Protection</p> | <p>The Company will have the option, in its own discretion, to include or not in the indenture governing the Convertible Debentures a prepayment provision. The Convertible Debentures shall be non-callable for the first twelve months following the Closing Date, after which the terms of the call protection for the Convertible Debentures shall be the same as for the New Notes.</p> |
| <p>Liquidity of Convertible Debentures</p> | <p>The Convertible Debentures shall be freely tradable by the Investors upon the issuance thereof, subject only to limitations imposed by the U.S. securities laws and the applicable securities laws of the EEA. In addition, the Convertible Debentures and the New Notes shall be freely tradable and separate from each other and separate from the other rights and obligations described herein, including, without limitation, the Warrants.</p> |

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| <p>Terms and Conditions</p> | <p>Covenants, mandatory prepayments and other terms of the Convertible Debentures (including with respect to liquidity, rights to provide financial information, securities reporting status and other U.S. securities law implications) will be those provided for in the Agreed Plan. The Company shall use commercially reasonable efforts to list the Convertible Debentures on a Brazilian Securities Exchange, to enter into a Deposit Agreement under which American Depositary Receipts representing Convertible Debentures will be issued, and to make such American Depositary Receipts eligible for clearance through DTC, Euroclear, and Clearstream.</p> |
| <p>Governing Law</p> | <p>The documentation governing the debt obligations on the Convertible Debentures shall be governed by Brazilian law.</p> |
| <p><u>Other</u></p> | |
| <p>Withholding Taxes</p> | <p>The Commitment Agreement will provide customary gross up to the Investors for Brazilian withholding taxes.</p> |
| <p>Volcker Rule</p> | <p>The Company will represent in the Commitment Agreements that it is not a “covered fund” as such term is defined in the final regulations promulgated under Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, 12 C.F.R. 248.10(b)(1) (the “<u>Volcker Rule</u>”). Further, the Company will covenant in the Commitment Agreements that the Company will not become a “covered fund” as such term is defined in the Volcker Rule.</p> |
| <p>Certain Defined Terms</p> | <p>“<u>Allocated Warrants</u>” means, with respect to an Investor, the aggregate number of Warrants required to be exercised by such Investor pursuant to its Warrant Commitment. An Investor’s Allocated Warrants shall be decreased to give effect to any cancelations pursuant to the procedures described under “Warrant Offering.”</p> <p>“<u>Allocated Warrant Percentage</u>” means, with respect to an Investor, the percentage obtained by dividing such Investor’s number of Allocated Warrants by the number of Allocated Warrants for all Investors.</p> <p>“<u>Beneficial Owner</u>” means, with respect to any Existing Notes, any person who (i) is the legal owner or beneficial owner of such Existing Notes, or the investment advisor or manager to such legal or beneficial owner, or (ii) has all necessary investment or voting discretion with respect to such Existing Notes.</p> <p>“<u>Capital Increase Amount</u>” means the sum of the Cash Raise and the Equitized Debt, such amount to be not less than R\$7,100,000,000.</p> <p>“<u>Claim Value</u>” means, with respect to any amount of Existing Notes, the value of such Existing Notes calculated using the amounts set forth in</p> |

the second list of creditors presented by the judicial administrator before the Bankruptcy Court with such amounts not denominated in Reais converted to Reais using the USD/BRL Rate or EUR/BRL Rate as applicable.

“Claim Value per Warrant” means with respect to an aggregate Committed Claims Amount, (i) if such Committed Claims Amount is less than or equal to R\$12,530,397,794, then the result of dividing R\$12,530,397,794 by the Maximum Number of Warrants or (ii) otherwise, such Committed Claims Amount divided by the Maximum Number of Warrants.

“True-Up Percentage” means with respect to an aggregate Committed Claims Amount, the percentage set forth in the table below:

| Committed Claims Amount | True-Up Percentage |
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| Less than or equal to R\$15,947,779,010 | 100.0% |
| Greater than R\$15,947,779,010 and less than or equal to R\$18,226,033,154 | such Committed Claims Amount divided by R\$15,947,779,010 |
| Greater than R\$18,226,033,154 | R\$18,226,033,154 divided by R\$15,947,779,010 |

“Discount Factor Adjustment” means 0.492957 (which has been calculated as the result of dividing the minimum amount of the Cash Raise (R\$3,500 million) by the minimum Capital Increase Amount (R\$7,100 million)).

“EUR/BRL Rate” equals 3.8502 Brazilian Reais for €1.00 in Euros.

“Maximum Number of Warrants” means the maximum Cash Raise, or R\$5,500 million, divided by the Warrant Exercise Price, resulting in 55 million Warrants.

“PTAX Rate” means the U.S. dollar purchase exchange rate PTAX currency code 220, as disclosed by the Brazilian Central Bank on its website.

“Required Holders” means, as on any date of determination, Investors holding at least 60% of the outstanding Warrants.

“Required Investors” means, as on any date of determination, Investors holding at least 60% of the aggregate Committed Claims Amount of all Investors.

“USD/BRL Rate” equals 3.2300 Brazilian Reais for \$1.00 in U.S.

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| | dollars. ³ |
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³ The EUR/BRL Rate, USD/BRL Rate and the calculations of the aggregate Claim Value of all Existing Notes and other amounts derived therefrom in this Term Sheet are based on exchange rates published by the Brazilian Central Bank on its website on November 24th, 2017 (the exchange rates used in the filed Reorganization Plan).

Existing Notes

1. 9.75% Senior Notes due 2016 issued by the Company pursuant to that certain Indenture dated as of September 15, 2011 (as amended, supplemented or otherwise modified from time to time).
2. 5.125% Senior Notes due 2017 issued by the Company and guaranteed by Telemar pursuant to that certain Indenture dated as of December 15, 2010 (as amended, supplemented or otherwise modified from time to time).
3. 9.50% Senior Notes due 2019 issued by the Company and guaranteed by Telemar pursuant to that certain Indenture dated as of April 23, 2009 (as amended, supplemented or otherwise modified from time to time).
4. 5.50% Senior Notes due 2020 issued by the Company and guaranteed by Telemar pursuant to that certain Indenture dated as of September 15, 2010 (as amended, supplemented or otherwise modified from time to time).
5. 5.625% Senior Notes due 2021 issued by Oi Coop and guaranteed by the Company pursuant to that certain Indenture dated as of June 22, 2015 (as amended, supplemented or otherwise modified from time to time).
6. 5.75% Senior Notes due 2022 issued by Oi Coop and guaranteed by the Company pursuant to that certain Indenture dated as of February 10, 2012 (as amended, supplemented or otherwise modified from time to time).
7. 6.25% Senior Notes due 2016 issued by PTIF and guaranteed by the Company pursuant to a programme (the “Programme”) established by, or otherwise contemplated in, a Programme Agreement dated June 1, 2012 (as amended, supplemented or otherwise modified from time to time) for the issuance of notes, and constituted by a supplement to that certain Trustee Deed dated December 17, 1998 (as amended, supplemented or otherwise modified from time to time, the “Trust Deed”).
8. 4.375% Notes due 2017 issued by PTIF and guaranteed by the Company pursuant to the Programme and constituted by a supplement to the Trust Deed.
9. 5.242% Senior Notes due 2017 issued by PTIF and guaranteed by the Company pursuant to the Programme and constituted by a supplement to the Trust Deed.
10. 5.875% Senior Notes due 2018 issued by PTIF and guaranteed by the Company pursuant to the Programme and constituted by a supplement to the Trust Deed.
11. 5.00% Senior Notes due 2019 issued by PTIF and guaranteed by the Company pursuant to the Programme and constituted by a supplement to the Trust Deed.
12. 4.50% Notes due 2025 issued by PTIF and guaranteed by the Company pursuant to the Programme and constituted by a supplement to the Trust Deed.

13. 4.625% Senior Notes due 2020 issued by PTIF and guaranteed by the Company pursuant to the Programme and constituted by a supplement to the Trust Deed.]

Schedule II

Initial Approved Assignees

- AllianceBernstein L.P.
- Anchorage Advisors LLC
- Angelo, Gordon & Co.
- Appaloosa Management
- Apollo Global Management, LLC
- AQR Capital Management, LLC
- Archview Investment Group
- Arrowgrass Capital Partners (US) LP
- Aurelius Capital Management, LP
- Avenue Capital Group
- Babson Capital Management LLC
- Bain Capital
- Bank of America Merrill Lynch
- Barclays Capital Inc.
- BB&T Capital Markets
- BlueMountain Capital Management LLC
- Brigade Capital Management, LLC
- Brookfield Asset Management
- CIT Group, Inc.
- Citadel Investment Group, L.L.C.
- Citigroup Global Markets Inc.
- Claren Road Asset Management, LLC
- Credit Suisse Securities (USA) LLC
- Credit Value Partners, LP
- Cross Sound Energy Opportunity Fund, L.P.
- Czech Asset Management, L.P.
- D.E. Shaw & Co., L.P.
- Deutsche Bank AG
- Eaton Vance
- Elliott Management Corporation
- Fortress Investment Group LLC
- Franklin Mutual Advisers, LLC
- Golden Tree Asset Management
- PerryCapital LLC
- Goldman Sachs & Co.
- GSO Capital Partners LP
- Guggenheim Partners, LLC
- Highbridge Capital Management, LLC
- Highfields Capital Management LP
- King Street Capital Management, LLC
- Knighthead Capital Management

- Kohlberg Kravis Roberts & Co. L.P.
- Magnetar Capital LLC
- Marathon Asset Management, LP
- Marble Ridge Capital
- Merrill Lynch & Co., Inc.
- Monarch Alternative Capital LP
- Morgan Stanley
- Mudrick Capital Management, LP
- Och-Ziff Capital Management Group
- Octagon Credit Investors, LLC
- Owl Creek Asset Management, L.P.
- Paulson & Co. Inc.
- Perry Capital LLC
- PointState Capital LP
- Redwood Capital Management
- Silver Point Luxembourg Platform SARL
- Sola Ltd
- Solus Alternative Asset Management LP
- Solus Opportunities Fund 1 LP
- Solus Opportunities Fund 2 LP
- Solus Opportunities Fund 3 LP
- Solus Opportunities Fund 3 LP
- Solus Opportunities Fund 4 LP
- Solus Opportunities Fund 5 LP
- Solus VEI LLC
- Southpaw Asset Management LP
- Taconic Capital Advisors L.P.
- Tennenbaum Capital Partners, LLC
- Third Avenue Management, LLC
- TPG Capital, L.P.
- UBS Securities LLC
- Ultra Master Ltd
- Wayzata Investment Partners LLC
- Whitebox Advisors
- Wingspan Investment Management, LP
- York Capital Management, LLC