

**PUBLIC REPORT ON THE SUSPENSION OF PAYMENTS OF
OI BRASIL HOLDINGS COÖPERATIEF U.A.**

NUMBER: 1

DATE: 23 September 2016

Company details	:	Oi Brasil Holdings Coöperatief U.A.
Trade register registration	:	52578518
Suspension of payments number	:	S.13/16/41
Date on which the silent administrator was appointed	:	28 July 2016
Date on which the provisional suspension of payments was granted	:	9 August 2016
District Court	:	Amsterdam
Administrator	:	<i>mr.</i> J.R. Berkenbosch
Supervisory Judge	:	<i>mr.</i> W.F. Korthals Altes
Company operations	:	Financial holdings; holding company and financing activities
Reporting period silent administration	:	28 July 2016 to 8 August 2016
Reporting period suspension of payments	:	9 August 2016 to 16 September 2016

1. PRELIMINARY OBSERVATIONS

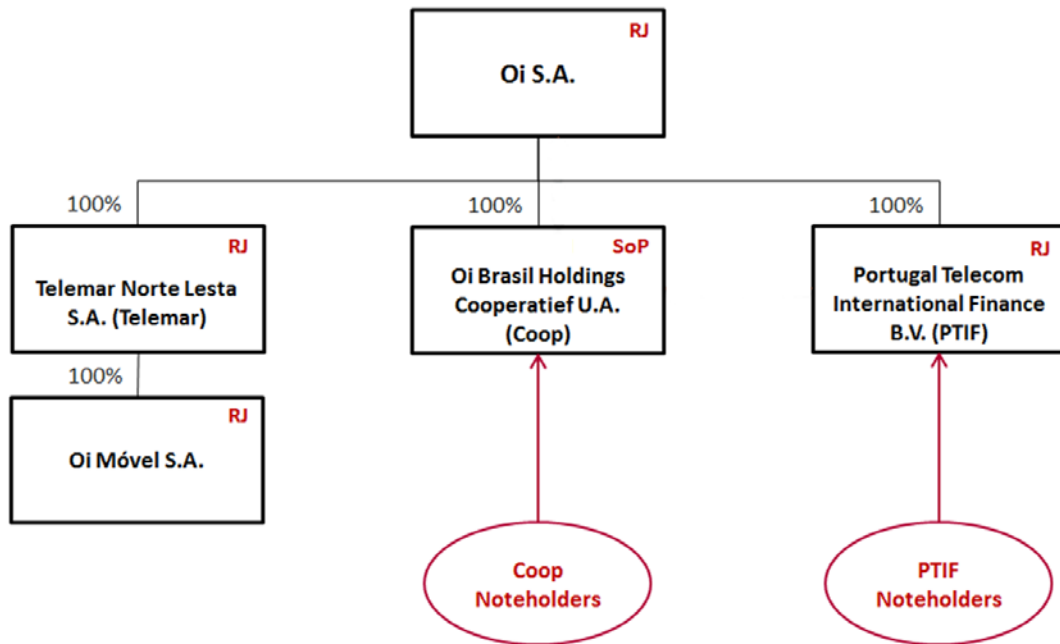
- 1.1 This is the first public report of the Administrator of Oi Brasil Holdings Coöperatief U.A. (“**Coop**”). This report addresses the developments at Coop during the following periods:
- 28 July 2016 to 8 August 2016 (the period of silent administration); and
 - 9 August 2016 to 16 September 2016 (the first reporting period in the suspension of payments).
- 1.2 In this report, the Administrator represents the current state of affairs of the suspension of payments in simplified terms based on the Dutch reporting guidelines. The data and information included in this first report have been obtained from various sources and have largely yet to be verified. Amounts stated are rough estimates and may change due to currency fluctuations. We cannot express an opinion on either the completeness or the correctness of this data and information. No rights can be derived from this report. Nothing in this report can be interpreted as an acknowledgement of liability, nor as a waiver of any right.
- 1.3 Public reports are published in the Central Insolvency Register (<http://insolventies.rechtspraak.nl>) and on the website that the Administrator uses to communicate with Coop’s creditors and Noteholders (as defined below) (www.oibrasilholdingscoop-administration.com) (the “**Website**”). Relevant information and documents regarding the developments surrounding Coop and the provisionally granted suspension of payments are made available on the Website. We strongly recommend that interested parties visit the Website regularly.
- 1.4 This report and the subsequent reports will be published in Dutch and in English. The Dutch version will prevail.
- 1.5 Given the complexity and the cross-border aspects of this file, the Administrator’s colleagues from his firm’s offices in, inter alia, the United States and Brazil are assisting him in the performance of his duties. The Administrator has furthermore engaged the services of Soares Bumachar Chagas Barros Advogados (“**SB**”), local legal advisors who advise on Brazilian law.

2. GENERAL INFORMATION

Background and organisation

- 2.1 Coop was founded on 20 April 2011. Until 16 September 2016, Coop’s board was formed by Mr F. Nicolay Guimaraes and Mr A.J. Lavatori Correa (the “**Board**”). Mr A.J. Lavatori Correa is Coop’s sole employee. Mr F. Nicolay Guimaraes was also the CFO of Oi S.A. Mr. F. Nicolay Guimaraes resigned as board member on 16 September 2016. Mr. R. Malavazi Martin was appointed as board member of Coop on that same day. He has also replaced Mr. F. Nicolay Guimaraes as CFO and Investor Relations Officer of Oi S.A. Mr. R. Malavazi Martin used to be a board member of Oi S.A. Oi S.A. is the sole member of Coop.

2.2 Coop is part of the Oi group, which is headed by Oi S.A. (the “**Oi Group**”). The Oi Group is one of the largest integrated telecommunications services providers in the world. The Oi Group operates primarily in Brazil, but previously also conducted operations in Portugal and various African countries. Oi S.A.’s stock is traded on the São Paulo Mercantile stock exchange and in American Depositary Receipt (ADR) format on the New York Stock Exchange. A major part of the Oi Group’s financing runs through its two Dutch subsidiaries: Coop and Portugal Telecom International Finance B.V. (“**PTIF**”). The relevant part of the Oi Group can be represented as follows:



2.3 The Board has explained that Coop’s business consists of:

- (i) raising funds on the international capital markets, primarily by issuing publicly traded bonds (the “**Notes**”);
- (ii) receiving funds from PTIF under a credit agreement that Coop and PTIF concluded on 2 June 2015 and which has been amended from time to time (the “**PTIF Loan**”); and
- (iii) issuing loans to pass on funds raised by Coop via the Notes or monies received from PTIF (under the PTIF Loan).

2.4 Coop has issued two series of Notes: the USD 1,500,000,000 5.75% Senior Notes due 2022 under the indenture agreement dated 10 February 2012 and the first supplemental indenture dated 27 July 2012 (the “**2022 Notes**”), and the EUR 600,000,000 5.265% Senior Notes due 2021 under the indenture agreement dated 22 June 2015 (the “**2021 Notes**”).

2.5 The Notes are not covered by security rights, but have been guaranteed by Oi S.A. Under Oi S.A. guarantee, the Noteholders have a direct claim on Oi S.A. As such, they qualify as direct creditors of Oi S.A. and are also entitled to vote on the Brazilian RJ Plan (as defined below) in that capacity.

2.6 The Board has informed the Administrator that on 20 June 2016 Coop had a total amount of approximately EUR 1.9 billion outstanding under the Notes. The group of beneficial

owners of the Notes consists of a broad public of both professional and retail investors (the “**Noteholders**”).

Immediate cause for the suspension of payments

- 2.7** According to the Board, the Oi Group’s situation has deteriorated over the past years as a consequence of a variety of factors. This has led to Oi S.A. and six other group companies – including PTIF and Oi Móvel S.A. (“**Oi Móvel**”) – being subjected to a *Recuperação Judicial* (the “**RJ**”) since 29 June 2016. The RJ is a judicial restructuring proceeding under Brazilian law, which is to a certain extent comparable to a Dutch suspension of payments. On 21 July 2016 the RJ was acknowledged under US law as a foreign main proceeding under Chapter 15 of the US Bankruptcy Code.
- 2.8** Despite the RJ in Brazil, various Noteholders filed for Coop’s bankruptcy in the Netherlands. The bankruptcy applications were pre-empted by Coop’s request for a suspension of payments. Where an application for bankruptcy and a request to be granted a suspension of payments are pending before the court at the same time, the application for a suspension of payments is handled first (section 218(6) of the Dutch Bankruptcy Act (“**DBA**”).
- 2.9** Prior to submitting the request to be granted a provisional suspension of payments, on 26 July 2016 Coop requested that the district court appoint a so-called ‘silent administrator’ (for more information on this topic see Chapter 3 ‘Silent Administration’). The suspension of payments was subsequently requested and provisionally granted on 9 August 2016, whereby the Administrator and the Supervisory Judge were appointed. The Board has explained that Coop’s suspension of payments was requested to prevent the negotiations on the reorganisation plan to be offered in the RJ (the “**Brazilian RJ Plan**”) from being disrupted by measures taken against Coop in the Netherlands.

3. SILENT ADMINISTRATION

- 3.1** On 26 July 2016 the Board requested the District Court of Amsterdam to appoint what is known as a silent administrator. On 28 July 2016 the district court informed the Board that, if insolvency proceedings were opened in respect of Coop, the district court intended to appoint the Administrator as the bankruptcy trustee or administrator. The purpose of this arrangement is to afford the Administrator the opportunity to, in the interest of Coop’s joint creditors, form an opinion and express his views on:
- Coop’s choices regarding a potential draft composition;
 - setting deadlines and the decisions to be made by the district court regarding those deadlines.
- 3.2** Next, the Administrator commenced his duties as silent administrator. He used the period of silent administration primarily to familiarise himself with Coop and the Oi Group, and to prepare for Coop’s suspension of payments. He did so by, inter alia, conducting extensive conversations with and collecting information from the Board and Coop’s Dutch legal advisor (Resor N.V.).
- 3.3** Coop relayed its intention to the Administrator to request the district court to (i) not have the meeting on the grant of the definitive suspension of payments, (ii) immediately set the final date by which claims must be filed, and (iii) set 18 May 2017 as the date on which the vote on the Dutch Plan will take place. The Administrator reviewed those requests based on

the information obtained from the Board and its advisor. The Administrator then presented the district court with his advice regarding Coop's requests, following which the district court made the decisions as set out below at 4.10 of this report.

- 3.4 During the period of silent administration, the Administrator based his advice and work on the facts and information known to him and conveyed to him at the time. The Administrator is aware that the information received in that period might offer a one-sided view of the state of affairs, which is why he has contacted other parties for information after his formal appointment as administrator.
- 3.5 If at any time the Administrator believes that it is in the interest of Coop's creditors to revisit a decision made by the district court, he will submit a request to that effect to the Supervisory Judge.

4. THE SUSPENSION OF PAYMENTS

General information regarding the suspension of payments

- 4.1 The suspension of payments is an insolvency proceedings under Dutch law that can be characterised as a general deferral of payment in the interest of the debtor and its creditors. The purpose of a suspension of payments is to bridge a temporary liquidity problem and to give the debtor the opportunity to deal with its financial problems. A suspension of payments may lead to payment of the creditors, a composition or bankruptcy. The suspension of payments is requested by the debtor.
- 4.2 The most important implications of a suspension of payments are listed below.
- The debtor is not entitled to conduct any act of management or disposal regarding the estate without cooperation, authorisation or assistance from the administrator.
 - The debtor cannot be obliged to pay its debts that fall within the scope of the suspension of payment and any actions to levy execution that have commenced to recover such debts will be suspended (section 233 DBA).
 - All prejudgment and enforcement attachments levied are lifted as soon as the suspension of payments becomes final, or on an earlier date if so requested by the administrator (section 230 DBA). The Administrator's request to that effect was filed on 18 August 2016 and was granted on that same day. As a consequence, any existing and future attachments levied on Coop's bank account were lifted effective 18 August 2016.
 - The suspension of payments does not stay any pending proceedings, nor does it prevent any new proceedings from being instituted (section 231 DBA).
 - The debtor can offer a composition plan to its creditors.

Administrator's duties

- 4.3 When the district court grants a suspension of payments, it appoints an administrator. The debtor is not entitled to conduct any act of management or disposal with regard to the estate without cooperation, authorisation or assistance from the administrator. The administrator's appointment provides a way of direct supervision of the estate. The Administrator acts in the interests of Coop's joint creditors.

- 4.4 The administrator has several tools to protect the interests of the joint creditors and to effectively supervise the estate. For example, he may request the district court to make such provisions as he deems necessary to safeguard the creditors' interests (section 225 DBA) and, under certain circumstances, he may request that the suspension of payments is withdrawn and that the debtor is simultaneously declared bankrupt (section 242 DBA). The Administrator will also advise on the composition plan to be offered to creditors at the meeting where the vote on the adoption of that plan will take place (section 265 DBA).
- 4.5 The Administrator may request the district court to 'convert' the suspension of payments into a bankruptcy if Coop acts in bad faith when managing its estate, seeks to prejudice its creditors, acts without the Administrator's consent or fails to comply with the Administrator's instructions, or if no prospect exists that the creditors will be satisfied in due course.
- 4.6 A 'conversion' of a suspension of payments into a bankruptcy does not necessarily lead to the liquidation of the estate. Coop may also offer its creditors a composition when it is in bankruptcy. Such a composition has the same effect as a composition that would have been adopted in a suspension of payments. A major difference between a suspension of payments and a bankruptcy is that the bankruptcy trustee in a bankruptcy is solely and exclusively authorized with regard to the estate.

The application for a suspension of payments, draft composition and application pursuant to section 255 read in conjunction with section 218 DBA

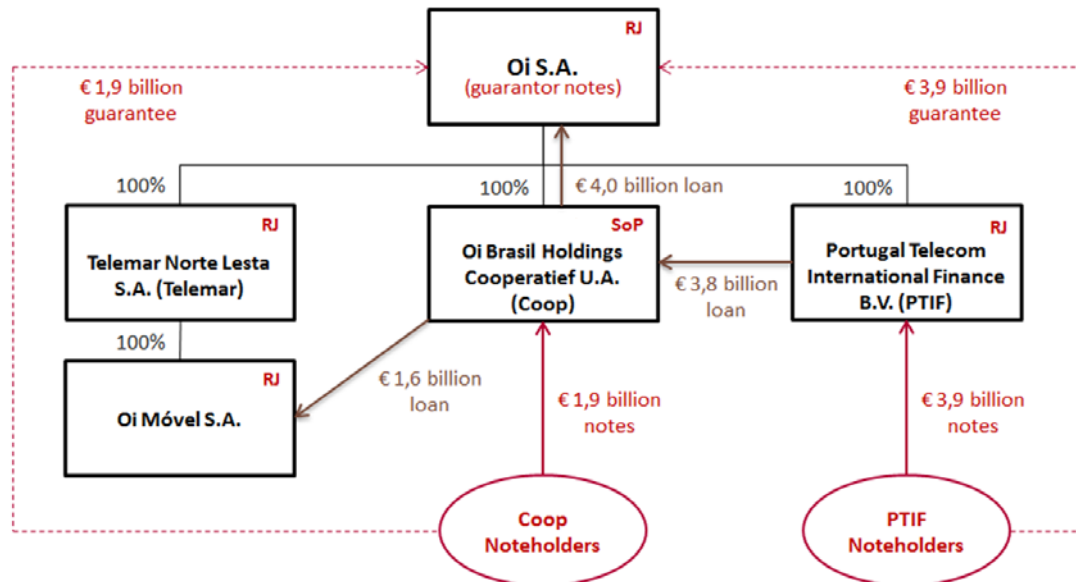
- 4.7 On 9 August 2016 Coop filed the application requesting that it be granted a suspension of payments. Coop's application included a draft composition (the "**Dutch Plan**"). The Dutch Plan aligns with the Brazilian RJ Plan and will, as the Board has informed the Administrator, warrant that the restructuring of debt as envisaged in the Brazilian RJ Plan will be acknowledged in the Netherlands and in other EU Member States as far as it concerns Coop.
- 4.8 In addition, pursuant to section 255 read in conjunction with section 218 DBA, Coop requested that the district court (i) not have the meeting on the grant of the definitive suspension of payments, (ii) immediately set the final date by which claims must be filed, and (iii) set 18 May 2017 as the date on which the vote on the Dutch Plan will take place.
- 4.9 According to the Board, this was done in order to be able to await the outcome of the vote on the Brazilian RJ Plan. The Board fears that voting on the Dutch Plan before voting on the Brazilian RJ Plan will disrupt the negotiation process in the RJ. In addition, all payments offered to creditors under the Dutch Plan would have to come from the Brazilian entities (for more information on this topic, see Chapter 5 'Assets'), which in turn would be contingent on the outcome of the RJ.

Decision of the District Court of Amsterdam

- 4.10 On 9 August 2016, in its decision granting the provisional suspension of payments, the District Court of Amsterdam held that it would take into account the vote in the Brazilian RJ when setting the date for the vote on the Dutch Plan. Insofar as is relevant here, the district court furthermore ruled that:
- the creditors have to file their claims with the Administrator by 4 May 2017; and
 - the creditors' consultation and vote regarding the Dutch Plan will take place in the presence of the Supervisory Judge in the Herzberg courtroom of the District Court of Amsterdam at 10.00am on 18 May 2016.

5. ASSETS

- 5.1 Coop's assets consist of intercompany claims on Oi S.A. and Oi Móvel, totalling to approximately EUR 5.6 billion (the "IC Claims"), and a bank balance that covers the current costs of the suspension of payments. The organisational chart below shows the relevant part of the intercompany relationships within the Oi Group.



- 5.2 The Administrator is currently examining which rights deriving from the IC Claims can be exercised. A distribution in respect of the IC Claims might be part of the Brazilian RJ Plan. Collecting the IC Claims may be rendered difficult as a result of Brazilian law, which governs the Brazilian RJ Plan.

6. NOTEHOLDERS & CREDITORS

- 6.1 Coop's activities consist primarily of raising funds via the Notes and passing on those funds and the monies received under the PTIF Loan to the Oi Group. Coop has issued Notes in the amount of roughly EUR 1.9 billion. In addition, Coop has received funds totalling to approximately EUR 3.8 billion through its Dutch sister company PTIF. As such, the Noteholders and PTIF are Coop's largest creditors.

- 6.2 The Noteholders are the beneficial owners of the Notes. Under Dutch bankruptcy law the general rule is that only legal owners of claims qualify as creditors. However, the Administrator is of the opinion that for purposes of, inter alia, voting, the beneficial owners should be considered creditors in Coop's suspension of payments. Such a solution is in line with the laws of the State of New York that govern the Notes, under which the beneficial owners of the Notes are regarded as creditors.

Communication

- 6.3 The Administrator will communicate general information regarding Coop's suspension of payments to creditors and Noteholders via the Website (www.oibrasilholdingscoop-administration.com). He will also use the following channels and media:

- Notices containing information for creditors and Noteholders (the “**Notices**”). The Notices will be made available on the Website and will be shared through the channels of the clearing institutions by the Indenture Trustee in accordance with the indentures.
- Public reports will be made available on the Website and through the Central Insolvency Register.
- Other notifications and information will be made available on the Website. The Administrator therefore advises interested parties to visit the Website regularly.

Other creditors

6.4 The Board has informed the Administrator that on 31 July 2016 Coop had a debt of roughly EUR 50,000 to other creditors (other than Notes or IC Claims).

7. THE RJ PLAN

7.1 On 5 September 2016 the board of Coop filed the Brazilian RJ Plan. The Administrator was informed on the draft RJ Plan by the Board and Oi’s advisors in telephone calls and subsequently during a meeting in Brazil on 1 September 2016. The Administrator needs more time to properly study the RJ Plan and consider its consequences. The RJ Plan will have no legal effect and will not be binding on the Coop estate as long as the Administrator does not give his consent to the RJ Plan.

8. LAWFULNESS & PROCEEDINGS

Lawfulness

8.1 Coop’s activities primarily consist of passing on the funds that it receives from the Notes and PTIF to the Oi Group. The funds were initially transferred to Oi S.A., and to Oi Móvel from March 2016. In the year prior to that in which the suspension of payments was granted, a significant amount was transferred to the Brazilian group companies.

8.2 Various Coop and PTIF creditors have stated that these transactions may be fraudulent. The Administrator believes it is in the interests of the joint creditors to investigate those transactions in more detail. If it becomes clear or there are strong indications that fraudulent acts were committed, the Administrator will, in consultation with the Supervisory Judge, take such actions as he deems necessary.

Capricorn proceedings

8.3 Capricorn Capital, Ltd. (“**Capricorn**”) instituted proceedings against Coop prior to the date on which the suspension of payments was granted. To summarize, Capricorn claimed that Coop refrains from transferring funds to the Oi Group. Capricorn’s claims were dismissed in both preliminary relief proceedings and in expedited appellate proceedings. The proceedings in first instance against Coop and other companies in the Oi Group are still pending. Coop has not yet taken legal action in those proceedings.

Acknowledgement under Chapter 15 US Bankruptcy Code

- 8.4** Under US law, the Brazilian RJ was acknowledged on 21 July 2016 as foreign main proceedings in respect of Coop and other parties. This means that the (outcome of the) RJ would currently be acknowledged in the US. The Administrator is examining the expediency of and the possibilities for acknowledging the Dutch suspension of payments under the US Bankruptcy Code Chapter 15.

9. MISCELLANEOUS

- 9.1** In the upcoming reporting period the Administrator will address and examine the topics outlined above in more detail. The next report will be published in about three months' time.