TO THE HONORABLE JUDGE OF LAW OF THE 7TH COMMERCIAL COURT OF THE JUDICIAL DISTRICT OF THE CAPITAL CITY OF RIO DE JANEIRO

Case No. 0203711-65.2016.8.19.0001

JEAN LEON MARCEL GROENEWEGEN ("Mr. Groenewegen" or "Trustee"), already identified in the case records of the Judicial Recovery of OI S.A. – Undergoing Judicial Recovery ("Oi"), TELEMAR NORTE LESTE S.A. – Em Recuperação Judicial ("Telemar"), OI MÓVEL S.A. – Em Recuperação Judicial ("Oi Móvel"), COPART 4 PARTICIPAÇÕES S.A. – Em Recuperação Judicial, COPART 5 PARTICIPAÇÕES S.A. – Em Recuperação Judicial, OI BRASIL HOLDINGS COOPERATIF U.A. ("Coop") and PORTUGAL TELECOM INTERNATIONAL FINANCE B.V. ("PTIF" and, jointly with the others, "Oi Group" or "Debtors"), according to the legal duties assigned to him as trustee of PTIF, appointed by the Court of Appeals of Amsterdam, hereby, represented by his attorneys, based on Article 55 da Law No. 11.101/2005, submits to your Honor crucial developments

about the restructuring of the Oi Group and presents his objection to the Judicial Recovery Plan presented by the Oi Group on pages 94.054/94.157 ("Plan"), for the reasons set forth below:

TIMELINESS

1. Considering that the publication of the call notice with the list of the creditors presented by the Judicial Administrator occurred on May 29, 2017, the period of thirty (30) days provided in Article 55 of Law No. 11.101/2005 for submission of the objection to the Plan began to flow on May 30, 2017 and shall end on July 12, 2017, for which reason this objection is manifestly timely.

BANKRUPTCY OF THE DUTCH ENTITIES: FINAL, IRREVOCABLE AND UNCONDITIONAL

2. On April 19, 2017, the Amsterdam Court of Appeals decreed the bankruptcy of PTIF, appointing Mr. Groenewegen as trustee in bankruptcy. As a result, PTIF's administrative structure was significantly changed, most notably in the allocation of the management and representation powers of such entity: if, during the suspension of payments proceeding, that anticipated the bankruptcy, the Trustee (then administrator) had to consent with the management and disposal of PTIF's assets[1], now in the bankruptcy he has **exclusive and universal powers** for the practice of the acts of management and disposal of PTIF's assets pursuant to Dutch law, withdrawing, as a consequence, all the powers of the statutory administrators of PTIF in this respect.

3. The Court of Appeal's decision was not enough to compel the Oi Group to recognize the gravity of the situation and to genuinely cooperate with Mr. Groenewegen in order to find a common view about how PTIF's debts and assets should be restructured.

[1] See motion filed on January 25, 2017 on pages 128,700 / 128,734.

4. Almost ninety days have passed, and the Oi Group's representatives are yet to make a single contact with Mr. Groenewegen or his advisors. Quite the opposite, as a reaction to the bankruptcy decree, Oi informed its shareholders that everything was fine (as its notices released to the market), appealed against the second degree decision with the Dutch Supreme Court and submitted outrageous requests to your Honor (pages 198,409 / 198,414) simply wishing to pretend that it can be immune to the consequences of its previous acts and commitments. Instead of open and productive cooperation, Oi bet on arrogance, intransigency and conflict.

5. It did not – and it will not – work. On 7 July 2017, **the Dutch Supreme Court, the highest court in the Netherlands, confirmed the bankruptcy ruling by the Amsterdam Court of Appeals** (doc. 1). The Dutch Supreme Court perfectly understood the underlying reasons of the Oi Group and didactically rebutted all of its arguments.

6. First, the Dutch Supreme Court established that Dutch bankruptcy law applies to PTIF – a Dutch entity –, and that the fact that it is part of a group of which most companies are located in Brazil and that the judicial reorganization is opened in Brazil, does not in any way imply that PTIF's board and the Oi Group can disregard Dutch bankruptcy law.

7. Moreover, the Dutch Supreme Court considers that whilst the bankruptcy trustee is allowed (but therefore not obliged) to consider the interests of the group and its creditors as a whole, "***the individual legal personality of the members of a group must be taken as the starting point in insolvency proceedings***".

8. The Dutch Supreme Court also ruled that the submission of a judicial reorganization plan on 5 September 2016 and any subsequent amendment thereof relating to PTIF is an act of management of the estate and disposition of assets, to

which PTIF's managers have absolutely no authority under the bankruptcy, as Mr. Groenewegen is the only and exclusively authorized to fulfill such acts.

9. This decision of the Dutch Supreme Court is final, irrevocable and unconditional. PTIF's bankruptcy and the subsequent appointment of Mr. Groenewegen as trustee of PTIF's estate have therewith become final and irrevocable. There is simply no way to deny or avoid it.

AN INFLECTION POINT FOR THE OI GROUP:
GLOBAL RESTRUCTURING AT RISK

10. The Oi Group continues to represent to its stakeholders that the judgments rendered by Dutch courts – including its highest court, the Supreme Court –"*do not have effects in Brazil*" and "*do not have any impact on the Company's day by day and operational activities*" (doc. 2). Apparently believing that it can insulate the business in Brazil and the judicial reorganization from the rest of the world, the Oi Group continues to disregard foreign jurisdictions, commitments undertaken in the past and the powers of Mr. Groenewegen.

11. This strategy is doomed to failure, as the developments of the last days prove. The decision of the Dutch Supreme Court has multiple worldwide effects and is a major event for the pursued global restructuring of the Oi Group, significant enough to severely undermine prospects of a successful outcome – except, of course, if the Oi Group starts to cooperate with the Dutch trustee seeking a fair and reasonable resolution to the many issues concerning the Dutch entities' assets and liabilities.

12. None of these effects depend on the homologation of the Dutch Supreme Court decision by the Brazilian Court of Justice (STJ). It is irrelevant, for that purposes, whether PTIF is formally considered bankrupt (and thus is excluded from the judicial reorganization) or not within the Brazilian territory, what would

indeed demand previous homologation by the STJ. The key factor lies in the cooperation between affected jurisdictions.

13. As of today, if the Plan were to be approved at the general creditors' meeting in Brazil and later confirmed by your Honor, **the Plan** – to the extent PTIF's and Coop's assets and liabilities are concerned – **would not be recognized and implemented in any other country where the Oi Group maintains any kind of activity**.

14. T**he Plan would not be recognized or implemented in the Netherlands**, where PTIF's and Coop's centres of main interest are located, **nor in any other countries of the European Union**, because the common legislation of insolvency procedures between these countries[2] has as a principle the recognition of all main insolvency proceedings opened within the country that is the "center of main interests" of a given debtor – which, in the case of PTIF and Coop, is the Netherlands. That means even if the Plan is duly approved in Brazil, around R$ 35 billion worth of indebtedness would be completely outstanding and enforceable in the whole territory of the European Union.

15. In short, to successfully complete the Oi Group's global restructuring, it is necessary to respect the Dutch jurisdiction regarding PTIF and Coop. One cannot deny that the judicial recovery of the Oi Group is in itself a transnational fact, when it is certain that the impossibility of recognition of a Plan tainted by major illegalities in other jurisdictions causes it to be impossible for the Oi Group to recover.

16. There is only one way to avoid such legal uncertainty. The Oi Group must immediate reconsider the aggressive approach towards the Trustees and start understanding international cooperation as a tool to improve chances of a global successful restructuring and maximize the recovery of creditors, not as an enemy. This

[2] Concerns EU Regulation 2000/of the Council of the European Union on insolvency proceedings.

should be a turning point in how cross-border issues of this judicial reorganization have been handled so far.

17. It is within this context that this objection is placed. Although entitled to pursue liquidation, Mr. Groenewegen is still committed to a restructuring of the Oi Group as a going concern by means of a composition negotiated with the creditors both in Brazil and in the Netherlands, provided that basic rights of PTIF and its creditors are duly observed. The Plan, as submitted by Oi, violates such basic rights. In the following pages, the Trustee will summarize, in a clear and concise form, the main illegalities of the Plan. The Trustee is confident that, by addressing these issues, the Oi Group would take a meaningful step towards a successful global restructuring.

FIRST OBJECTION:
IMPOSSIBILITY OF SUBSTANTIVE CONSOLIDATION

18. Despite the numerous oppositions against the presentation of a single and unique plan, having also an explicit recommendation of the *Ministério Público* for the presentation of individual plans for each of the entities of the group (pages 100.800/100.801), and although it has not been requested or authorized the substantive consolidation of its assets and liabilities, the Oi Group presented a Plan that treats all its entities as if they were one, promoting a forced consolidation of its all its assets and liabilities.

19. The fact of admitting the judicial reorganization process in joint filing by different entities that belong to Oi Group (purely procedural matter) cannot and should not serve as a justification to ignore legal autonomy of each one of these companies (substantial treatment of the assets and liabilities). Despite the existence of corporate relation between the Debtors and the practical reasons for their judicial reorganization to be processed jointly, they are still independent entities, each one with its own assets and liabilities – as also reiterated by the Dutch Supreme Court decision.

20. It is not possible to presume the solidarity between the Debtors, as it was made in the Plan, and the fact that they are in the same corporate group does not alter this assumption. In this regard, Law 6.404/76 expressly states that "*each entity will maintain its personality and equity distinct*". That is, "*the companies belonging to the group retain their legal independence, being, therefore, holders of rights and responsible for obligations incurred in its name (...) each only responding to its own obligations*" [3].

21. Such treatment could not be modified in the context of the judicial reorganization, as STJ has already ruled on the matter in the judgment of the Medida Cautelar no. 20.733/GO (Provisional Measure), stating that "*in any circumstance, however, each company maintains its independent personality and its patrimony, in the terms of the art. 266 [of Law 6.404/76] (...)"* and "*such independency (...) gains* ***relevance in the context of judicial reorganization****"* so that *"****the accountability of the corporate group for debts incurred by one of its members demands an explicit legal provision***".

22. In addition, there is no economic rationale in the present case that justifies the disregard of the legal and patrimonial autonomy of such entity. Despite the enormous difficulty of information related to the debt profile of each entity of Oi Group, which is much related to Oi's illegal strategy to submit only a unique list of creditors, it is possible to state that the seven entities of Group Oi have a completely different debt profile, in such a way that confusion between these companies assets and liabilities privileges certain creditors to the detriment of others, disregarding that each creditor should have access to the cash of its respective debtor.

23. Finally, it should be noted that the possibility of elaboration of a single plan of Oi Group's debts is not excluded, provided that this plan respects the different financial conditions of the Oi Group's entities and provides for different conditions for the creditors of each one of them, as has been done in the judicial reorganization plans

[3] Nelson Eizirik, A Lei das S/A Comentada, vol. IV, 2ª ed., São Paulo, Quartier Latin, 2015, p. 437.

of OGX, OSX and OAS, in order to avoid serious damages to creditors. This was also the understanding of the Court of Appeal of Rio de Janeiro in the Abengoa case, in which it was decided on the need to individualize the provisions of the reorganization plan to creditors of each company under judicial reorganization, taking into account the interests of creditors[4] and the understanding provided by the legal doctrine in such cases[5].

SECOND OBJECTION:
PARI PASSU CONSIDERATION OF THE INTERCOMPANY CREDITS

24. Intercompany claims are governed under the Plan by clauses 4.6 and 4.6.1 thereof. Although clause 4.6[6] admits the existence of such credits (as does the Creditors' List published by the Judicial Administrator), the ruling intended for such claims under clause 4.6.1 is completely inadmissible.

[4] AI nº 0014865-67.2016.8.19.0000. Rel. Des. Carlos Santos de Oliveira, j. 26.07.2016.

[5] "*As far as the reorganization plan is concerned, this one, although unique – and, therefore, turned to the reality that is an economic group, and, therefore, there are common interests to be respected and a group objective to be pursued - must, on the other hand, respect the individuality of each member of the group. Remember, by purpose, that the group does not have legal personality, but is formed for legal entities, endowed, consequently, with their own patrimony. There is no reason to disregard their legal personality, even because the plan, especially in the case of an economic group of fact, cannot contain patrimonial confusion*". (Paulo Fernando Campos Salles de Toledo, Recuperação Judicial de Grupos de Empresas in Temas de Direito Empresarial e Outros Estudos, São Paulo, Malheiros, 2014, pp. 351-357) and "*This is what can be called an 'unique plan', that is, a single document describing the means of recovery that each debtor intends to use, but this does not represent any affront to the autonomy of each of them. In this sense, one may say that one takes care of a formal union between the parties, in as much as, although the means of recovery are set out in the same document, they do not include a disregard for the autonomy of each of the debtors, whose assets answer to the respective creditors of each reorganization*". (Sheila Neder Cerezetti, Grupos de Socieddes e Recuperação Judicial: O Indispensável Encontro entre Direitos Societário, Processual e Concursal, in Flávio Luiz Yarshell e Guilherme Setoguti J. Pereira (coord.), Processo Societário II, São Paulo, Quartier Latin, 2015, pp. 762-763).

[6] "*4.6. The financial funds OI GROUP raised to support the activities of the COMPANIES UNDERGOING REORGANIZATION, which reinforces the integration and consolidation of their operations (...). Companies from the OI GROUP took out loans among themselves as a way of cash management and transfer of funds among different companies composing the OI GROUP. Such loans were made with funds resulting from fund raisings made in the international market by COMPANIES UNDERGOING REORGANIZATION from Creditors in the List of Creditors of the Companies undergoing reorganization. (...)".*

25. The reading of such clause shows that the Plan chooses to govern the **main claim of the judicial reorganization** in an obscure and unintelligible way, giving the Oi Group full discretion to unilaterally determine what to do with these credits – as previously noted, PTIF's and Coop's intercompany claims correspond to aprox. R$ 35 billion. This treatment only makes it clearer, what was already suspicious, that the Oi Group tries to hide, without any shame, the biggest claims of this judicial reorganization, directly violating the Dutch entities' and its creditors' rights. Although the List of Creditors presented in these case records by the Trustee indicates as it being owned by PTIF, on the date of the filing of the judicial reorganization, claims **of EUR 3.811.387.307,84 (pages 198.843) against Coop**, the Plan sets forth the possibility of the Oi Group, if it so wishes in the future, erasing such credits and treat them as if they never existed in order to avoid "*overpayment*".

26. One could argue that what the Oi Group means by avoiding "overpayment" is that the creditors of PTIF could not receive more than the full amount of their claims – which would indeed be correct. However, except if the Oi Group were to fully compensate the holders of bonds issued by PTIF and therefore provide for their full recovery, **the vague and imprecise concept of *"overpayment"* simply does not exist**. It is a contradiction in itself, a conceptual mistake of the Oi Group.

27. Since the Oi Group is not offering full compensation to any of its creditors, the reference to "overpayment" in the Plan seems that the Oi Group intends that PTIF is not compensated for its billionaire claims against Coop, and thus the creditors of PTIF are paid only once under their claim against Oi, and not under their claim against PTIF itself, the primary obligor. Otherwise, if PTIF receives any compensation under the Plan and the proceeds thereof are used to pay its own creditors, such creditors would allegedly receive an "overpayment" – **in spite of the total compensation being less than the value of the relevant claims.**

28. As it has already been explained in the case records, this line of reasoning is totally groundless, as Brazilian judicial reorganization law (Law no. 11.101/2005) expressly provides in article 49, paragraph 1º that even if the debtor is under a judicial reorganization proceeding, the creditor conserves its claims against the debtor and the guarantor, and can be compensated under both claims until the total amount.

29. Further, all the intercompany claims, which are valid and existing claims included in the Judicial Administrator Creditors' List, must be ranked and paid *pari passu vis-à-vis* other unsecured claims against the same Debtor. There are no legal grounds to simply ignore their existence under the Plan.

30. The intercompany claims cannot be set off with any claim Oi would receive following payment to PTIF's creditors – as clarified in detail in the Trustee's response to the Goldentree petition (pages 210,076 / 210,094 – items 35 / 44). And this is impossible because: (i) the trust deed of the bonds issued by PTIF expressly bars any setting of, which is allowed under article 375 of the Civil Code, except in case of total payment of the bonds[7]; and (ii) it is absent the indispensable reciprocity between the creditor and debtor of the liabilities offset demanded by article 368 of the Civil Code, as PTIF has not a direct claim against Oi (only against Coop) to be set off.

31. Moreover, there is **not any legal provision that establishes the subordination of related parties' claims in a judicial reorganization proceeding**. The cases provided for in Article 83, VIII, "b" of Law nº 11,101/2005 apply only to

[7] See clause 7 (F) of the Ninth Supplemental Trust Deed dated of May, 26, 2015, related to the issuance of te notes by PTIF: *"The Guarantor shall be subrogated to all rights of the Noteholders against the Issuer in respect of any amounts paid by such Guarantor in respect of the Issuer pursuant hereto;* ***provided that the Guarantor shall not without the consent of the Trustee be entitled to enforce, or to receive any payments arising out of or based upon or prove in any insolvency or winding up of the Issuer in respect of, such right of subrogation until such time as all the principal of and interest on all outstanding Notes, Receipts and Coupons and all other amounts due under these presents and the Notes, Receipts and Coupons have been paid in full.*** *Furthermore, until such time as aforesaid, the Guarantor shall not take any security or counter indemnity from the Issuer in respect of the Guarantor's obligations under this Clause 7*".

the case of **bankruptcy,** and not to a judicial reorganization. Moreover, because the claims held by PTIF are not "*credits of partners and managers who do not have any employment relationship*" as PTIF does not hold an equity stake in Oi, but only an indirect corporate relationship and does not have any administration role in that company. And if there is no legal subordination, the Plan shall take into account the isonomic treatment to creditors of the same class, without giving any disadvantage or privilege to a determinate creditor[8].

32. This conclusion was explicitly shared by the directors of PTIF – and their Brazilian, American and Dutch lawyers themselves - who (in PTIF's board minutes concerning the request to admit PTIF to the RJ Proceedings) asserted that PTIF's claims would be respected and considered under an eventual judicial reorganization:

> *"**The Company will be accepted as a creditor of Coop and thus it is not precluded by law from being able to receive a consideration under the RJ Plan as any other creditor in the same class as the Company**."* (doc. 3)

33. Finally, as already presented to Your Honor in pages 210,076 / 210,094, the Trustee reiterates that the Plan should reflect the actual legal and economic position of PTIF and its creditors. As such, the Plan should reflect that PTIF's note holders have a claim on Oi and on PTIF, based on the trust deed that governs the notes that PTIF has issued (pages 101,124 / 101,668). Secondly, it should reflect that PTIF has intra group claims on Coop, as mentioned above. Therefore, in reflecting the actual legal and economic position of PTIF and its creditors, the Plan must respect (i) the intra group claims of PTIF – as has been confirmed by the Oi

[8] This conclusion was explicitly shared by the directors of PTIF – and their Brazilian, American and Dutch lawyers themselves - who (in PTIF's board minutes concerning the request to admit PTIF to the RJ Proceedings) asserted that PTIF's claims would be respected and considered under an eventual judicial reorganization: *"The Company will be accepted as a creditor of Coop and thus it is not precluded by law from being able to receive a consideration under the RJ Plan as any other creditor in the same class as the Company."* (doc. 3)

Group as indicated in footnote 12 herein – and (ii) the claims of the note holders on PTIF under the indentures, and must provide adequate compensation for both types of claims.

THIRD OBJECTION

POWERS TO PRESENT A PLAN REGARDING PTIF'S CLAIMS

34. The abovementioned objections should be taken into account by Your Honor, not only based on their merit, but also because the Trustee is solely authorized to manage and dispose of PTIF's assets worldwide.

35. One does not ignore the decision rendered by Your Honor in pages 198.409/198.414, which was partially suspended by the later decision rendered by the Court of Appeals of the State of Rio de Janeiro, limiting its effects to brazilian territory and isolating Brasil from the consequencies of the insolvency proceedings in the Netherlands. However, considering that the decision rendered by Your Honor can still be entirely modified, and also taking into account that the recognition of foreing jurisdictions and international cooperation are mandatory to guarantee the sucess of this proceeding, the following considerations are still pertintent.

36. The Plan provides for the disposal of assets (i.e. the claims PTIF holds against Coop), creation of obligations and the restructuring of rights and prerogatives held by PTIF itself, without any involvement or consent of the Trustee, who is worldwide solely authorized to manage and dispose of assets that are included in the estate of PTIF, pursuant to Dutch law. As mentioned in paragraph 4, with its final, irrevocable and unconditional decision of 7 July 2017, this has been confirmed by the Dutch Supreme Court.

37. That the Trustee's position should also be taken into account pursuant to Brazilian law, follows from Article 11 of the LINDB – which states that the

applicable law to companies is that of the country of their incorporation[9] - as we have reiterated on several occasions. One must therefore recognize that the Trustee is the only one that could interfere in PTIF's assets. As a result, any and all acts of disposal of PTIF's assets as provided for in the Plan, should have been subject to the Trustee's authorization since the first submission of the Plan and, also, after the bankruptcy of PTIF, are subject to the exclusive discretion of the Trustee.

38. Having it clear that it is a duty of PTIF to comply with Dutch law, the law of the place of its incorporation, it is imperious to recognize that the filing of the Plan by the Oi Group on behalf of PTIF, disposing of its assets and creating obligations in its name without any ratification or consent of the Trustee, simultaneously consists of a violation to Dutch and Brazilian law. Thus, it is unquestionable that the Plan does not bind PTIF, its estate or its creditors – which obviously also applies to any amended plan that the Oi Group intends to file, to the extent such amended had not been approved by the Trustee.

CONCLUSION AND REQUEST

39. The Plan reflects the Oi Group's attitude towards the Dutch Trustees so far. It simply ignores PTIF's and its creditors individual position within Oi's economic group. Substantive consolidation, being the case exception in restructuring proceedings, is used as an eraser that magically extinguishes all credit analysis, rights and prerogatives (such as guarantees, rights of recourse, rights of set-off etc) arising from transactions entered into by two or more different legal entities, with separate assets and limited liabilities. No compensation is provided for PTIF's claims against Coop, which are unsecured claims as many others, and should be paid accordingly.

40. However, after the decision of the Dutch Supreme Court, there is still an effective chance of recovery of the Oi Group insofar as it respects the jurisdictions in

[9] LINDB, Article 11. "*The organizations that are intended for purposes of collective interest such as the companies and foundations follow the law of the Country in which are incorporated*".

which it has made its commitments in the past. This necessarily implies cooperation with the Dutch jurisdiction and, therefore, with the Trustee, and also the acknowledgement that he has competence to manage and dispose of PTIF's assets in the light of that jurisdiction. Therefore, the Trustee must agree upon any Plan before it is put to vote at a creditors' meeting. Even in the event the Brazilian jurisdiction disregards the Trustee's sole worldwide authority to dispose of PTIF's assets, a successful global restructuring of the Oi Group requires that Oi and the Trustee find common ground in respect to the Plan.

41. To this end, it is not possible to give another treatment to PTIF's claim than to consider it as an unsecured credit, observing its peculiarities and the consequences of recognizing that each company of Group Oi has specific assets and liabilities, in compliance with the access of each creditor to the equity of each one of these companies.

42. In observing such peculiarities, it must be recognized that the Plan, involving PTIF's main asset – the claims held against Coop – must respect the claims held by PTIF against Coop, notwithstanding the direct claims that PTIF's note holders have against Oi pursuant to the indentures that govern the respective notes.

43. In light of the above, the Trustee formally expresses an objection to Plan and requests that the Group Oi initiates serious and sincere negotiations with the Trustee, to correct the herein above mentioned illegalities, considering that the Plan, as in its actual form, does not bind PTIF and its creditors and cannot be validly submitted to vote on a General Meeting of Creditors.

Terms in which, approval is requested.

From São Paulo to Rio de Janeiro, on July 12, 2017.

Eduardo Secchi Munhoz
OAB/SP n° 126,764

Laura Mendes Bumachar
OAB/RJ n° 102,691
OAB/SP 185,255-A

João Vicente Lapa de Carvalho
OAB/SP n° 343,531

Lucas Paulino
OAB/SP n° 246,584

Carolina Kiyomi Iwamoto
OAB/SP n° 305,207

Rafael Paes Arida
OAB/SP n° 324,800

Ana Luiza Tesser Arguello
OAB/SP n. ° 356,135