

Rio de Janeiro, March 27, 2015.

Brazilian Securities and Exchange Commission  
Rua Sete de Setembro, 111, 5º andar, Centro  
Rio de Janeiro, RJ  
20050-901

Attn: Mr. Fernando Soares Vieira  
Corporate Relations Superintendent  
Mr. Guilherme Rocha Lopes  
Corporate Monitoring Manager – 2 (acting)

Re: Letter 117/2015/CVM/SEP/GEA-2

Dear Sirs,

Oi S.A. (“Oi” or “Company”), in response to Letter 117/2015/CVM/SEP/GEA-2 from the Brazilian Securities and Exchange Commission (a copy of which is attached to this response), in which the CVM requested a statement from the Company regarding the news published in the newspaper *Valor Econômico* and on *Folha Online*, both on March 26, 2015, under the headlines “Oi to propose converting preferred shares to common shares” and “Oi to offer voting rights to shareholders”, respectively, hereby presents its considerations and clarifications with respect to these reports.

The Company would like to clarify that on March 26, 2015, before the start of trading on the BM&FBovespa, it released a Material Fact that in large part specified the reasons that the Company and Telemar Participações S.A. (“TmarPart”) would be unable to continue the incorporation of the Company’s shares by TmarPart and that Oi’s management had been evaluating and proposed to TmarPart and its shareholders some transitional structures to be adopted prior to the migration to the Novo Mercado that would allow, among other things, anticipating many rights to which Oi’s shareholders would be entitled when the shares migrated to the Novo Mercado and higher corporate governance standards were adopted, including the anticipation of TmarPart’s election of the Board of Directors at Oi, as well as the dispersion of voting rights, without a defined controlling shareholder.

The Company also states that one of the transitional structures proposed by Oi’s management consists of a voluntary conversion of Oi’s preferred shares into common shares (at the discretion of the shareholder in possession of the preferred shares), at a conversion rate of 0.9211 common shares for every preferred share issued by Oi.

In addition, the Company hereby states that it has not yet defined and there has been no decision by Oi's Board of Directors with respect to the proposed transitional structure, nor when or under what conditions such a structure will be implemented, including with respect to possible changes to Oi's Bylaws or limiting the voting rights at Oi.

The Company hereby reiterates that if any of the transitional structures under consideration is approved, such a structure will be subject to all of the applicable regulatory and corporate approvals.

Oi will keep its shareholders and the market informed of any developments related to the issues covered herein.

Sincerely,

**Oi S.A.**

Bayard De Paoli Gontijo

Chief Executive Officer, Chief Financial and Investor Relations Officer

Rio de Janeiro, March 26, 2015.

To:  
BAYARD DE PAOLI GONTIJO  
Investor Relations Officer at  
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Subject: **Request for Clarification**

Mr. Gontijo,

1. We refer you to the news reported in the newspaper *Valor Econômico* and on *Folha Online*, both on March 26, 2015, under the headlines “Oi to propose converting preferred shares to common shares” and “Oi to offer voting rights to shareholders”, respectively, transcribed below:

**Oi to propose converting preferred shares to common shares**

*By Graziella Valenti / From São Paulo*

Oi will propose to its shareholders the voluntary conversion of preferred shares to common shares. The incorporation of the controlling holding company, TmarPart, will also be announced by the Company.

Under a scenario of full compliance with the proposal, Oi will be a company with shares widely distributed throughout the market and it will be ready for listing on the Novo Mercado.

As was anticipated by Valor PRO, the conversion rate will be the same as the rate adopted for the October 2013 restructuring, where one preferred share will entitle the holder to 0.9295 common shares.

Oi’s proposal is expected to be disclosed to the market next week, according to Valor. The information will only be announced to the market following approval from the Company’s board of directors, which has not yet taken place.

The measures are a way for Oi to fulfill market expectations of modifying its corporate structure, despite the delay in registering CorpCo in the United States.

CorpCo will be the successor company to Oi at the end of the restructuring, which began more than a year ago when the goal was still an operational and corporate union between the Brazilian telecommunications Company and Portugal Telecom. That was the original plan prior to PT’s loss of €897 million in debt certificates held by the non-financial holding company of the Espírito Santo Group (GES), Rioforte.

There was a delay in CorpCo’s documentation because the SEC registration requires a form (F4) that includes the 20F with 2013 PT SGPS audited balance sheet.

PT SGPS is the holding company that holds Rioforte’s bad loans and Oi’s shares, which, after a renegotiation due to the loss with GES, fell from 39% to 25.7%. The audited balance for 2013 has not yet been approved by the lead regulator in the United States.

The original reorganization plan has been almost completely modified and PT's operating division was sold by Oi, for €7.4 billion, to the French group Altice. The deal will be completed pending the approval of industry bodies in Europe. With this, Oi's net debt of R\$48 billion will be cut in half.

Even though the planned merger with PT has been wrecked because of GES, Oi's management is making efforts to replicate CorpCo's effect on the Novo Mercado. The Company assumed this commitment to its investors in the stock offering that raised R\$8.2 billion on the market in May 2014.

The goal remains the registration of CorpCo with the US Securities and Exchange Commission (SEC).

Adherence to the exchange's highest level of corporate governance will be carried out in the most rapid manner possible: by Oi, in case of the conversion of preferred shares into common shares have full adhesion, or by CorpCo, following registration with SEC.

**Oi's statute does not contain a poison pill, impeding or preventing hostile takeovers of the Company. There is a single obligation that any offering party make a proposal for 100% of the shares.** However, there is no prior determination of prices.

**The regulations will have a voting limitation of approximately 13% of the capital. This percentage is above the 7.5% forecast for CorpCo (which will be maintained when the Company is registered).**

**In practice, PT SGPS's vote will be limited. The 13% share was negotiated with the Portuguese party so that, at this moment prior to the establishment of CorpCo, a balance of power could be assured with the Caravelas fund and BNDES. Caravelas is a BTG Pactual fund with funding from the institution and the shareholders who until now hold the control Oi - Andrade Gutierrez and La Fonte, of the Jereissati family.**

This limitation will be automatically terminated in the event of a merger or incorporation involving Oi or in the event of a new round of fundraising with shares. Everything is set for a possible scenario of consolidation in the industry. Since August, BTG has been contracted by Oi to organize the purchase of TIM Brasil.

## **Oi should offer voting rights to all shareholders**

*By JULIO WIZIACK/ From São Paulo*

Unable to register on the Exchange to exclusively trade shares with voting rights, as was promised when it merged with Portugal Telecom, Oi is studying an alternative.

**The first idea discussed this Wednesday in a meeting between the partners was to give voting rights to all shareholders, even those who only have preferred shares (without voting rights). But –the idea was not considered feasible as it would be detrimental to the shareholders who currently have voting rights.**

**Momentum gathered behind the proposal for a voluntary exchange of preferred shares for common shares at a higher rate than would be offered in the future, when the exchange will be mandatory.**

Thus, the Company intends to signal to the market that it is committed to officially being listed on the Novo Mercado, Exchange's segment that exclusively deals with shares of companies with high levels of transparency and corporate governance.

Having only voting shares is one of the requirements.

Under the agreement signed between the current controlling shareholders of Oi and PT, the merger should have already been completed and the Company

should request registration for inclusion in the Novo Mercado. In order to do this, Oi's shares would be exchanged for those of a new company resulting from the merger, which was named CorpCo.

However, during the process, an unpaid debt of €897 million arose with a company connected to one of PT's partners and PT itself. The Brazilian partners claimed that they were unaware of this debt, which nearly ruined the merger.

To prevent the process was completed, the Portuguese partners accepted a reduction in their shareholding stake from 38% of the total capital stock to 25%, with the possibility to repurchase the difference from Oi if the debt was repaid.

**On Thursday this week, Oi will receive PT's shares as collateral. The shares will be held in treasury (out of free market).**

The Brazilian Securities and Exchange Commission (CVM) did not see problems with this transaction. But in the US, where Oi also trades its shares, the US capital markets regulator (SEC) has not released PT's accounts.

As a result, the migration to the Novo Mercado in Brazil could not be completed until March 31, as promised to the investors who injected more than R\$8 billion into the Company in 2014.

**Assuming the maturity of the deadline, PT triggered a clause known as the "TPar remedy", which ensures a 25% vote in meetings with, as opposed to 7.5% (the agreed-upon maximum to prevent a shareholder from exercising control). The Brazilians accepted discussing a compromise – 15% - until the migration, but the negotiations have not been completed.**

2. Regarding this fact, we require a statement from you regarding the accuracy of the statements published in the news reports, particularly with respect to the passages in bold print, but without prejudice to the other statements contained in the news, and, if the veracity is confirmed, an explanation of the reasons for which this was not considered a Material Fact, under the terms of CVM Instruction 358/2002.

**3. This statement must include a copy of this Letter and be sent to the IPE System, under the category "Notice to the Market", and type "Clarifications regarding CVM/BOVESPA queries".**

4. Note that pursuant to Article 3 of CVM Instruction 358/02, it is incumbent upon the Investor Relations Officer to disclose and communicate to the CVM and, if applicable, the stock exchange and over-the-counter market on which the Company's securities are admitted for trading, any material act or fact related to its business, as well as ensure its full and immediate dissemination, simultaneously on all of the markets in which such securities are admitted for trading. Note also the requirement contained in the sole paragraph of Article 4 of CVM Instruction 358/02, to inquire among the Company's management and controlling shareholders in order to determine if they are aware of information that should be disclosed to the market.

5. We certify that for the established purposes, it will be incumbent upon the Superintendency of Corporate Relations, in the exercise of its statutory duties and based on section II of Article 9, of Law 6385/1976, and Article 7 through Article 9 of CVM Instruction 452/2007 to determine the application of a punitive fine, in the amount of one thousand reais (R\$1,000.00), without prejudice to other administrative sanctions for non-compliance with this letter, which was also sent by fax and email, within one (1) business day.

Sincerely,

GUILHERME ROCHA LOPES  
*Corporate Monitoring Manager 2 (acting)*

FERNANDO SOARES VIEIRA  
*Corporate Relations Superintendent*