

BRASIL TELECOM SA  
Form F-4  
August 13, 2009  
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As filed with the Securities and Exchange Commission on August 12, 2009

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form F-4**

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

**BRASIL TELECOM S.A.**

(Exact name of registrant as specified in its charter)

**BRASIL TELECOM COMPANY**

(Translation of Registrant's name into English)

Federative Republic of Brazil  
(State or other jurisdiction of

incorporation or organization)

4813  
(Primary Standard Industrial

Classification Code Number)  
SIA/Sul, ASP, Lote D, Bloco B

71215-000 Setor de Indústria, Brasília, DF, Brazil

(55 61) 3415-1414

Not Applicable  
(I.R.S. Employer

Identification Number)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**Puglisi & Associates**

**850 Library Avenue, Suite 204**

**P.O. Box 885**

**Newark, Delaware 19715**

**(302) 738-6680**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*With copies to:*

**Mark O. Bagnall, Esq.**

**White & Case LLP**

**Wachovia Financial Center, Suite 4900**

**200 South Biscayne Boulevard**

**Miami, FL 33131-2352**

**(305) 371-2700**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) "

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) "

**CALCULATION OF REGISTRATION FEE**

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Title of Each Class of Securities to Be Registered	Amount to be Registered (1)	Proposed	Proposed	
		Maximum Offering Price Per Share	Maximum Aggregate Offering Price (4)	Amount of Registration Fee
Common shares, no par value, of Brasil Telecom S.A. (2)	17,743,714	US\$8.16	US\$144,824,108	US\$8,081.19
Preferred shares, no par value, of Brasil Telecom S.A. (3)	91,218,810	US\$8.06	US\$735,110,068	US\$41,019.14

- (1) Calculated, in each case, based on the maximum number of shares of Brasil Telecom S.A., or Brasil Telecom, to be issued to (1) holders of American Depositary Shares, or ADSs, of Brasil Telecom Participações S.A., or Brasil Telecom Holding, each representing five preferred shares of Brasil Telecom Holding, and (2) holders of common and preferred shares of Brasil Telecom Holding who are U.S. residents, in connection with the merger described in the accompanying prospectus, assuming that none of the holders exercise their right of withdrawal in connection with the merger.
- (2) 14,191,813 of these shares will initially be represented by ADSs of Brasil Telecom, each of which represents one common share, or Brasil Telecom Common ADSs, and which may be evidenced by American Depositary Receipts, or ADRs, that will be issued in exchange for Brasil Telecom Holding ADSs. The remaining 3,551,901 common shares will not be represented by Brasil Telecom Common ADSs.
- (3) 75,050,136 of these shares will initially be represented by ADSs of Brasil Telecom, each of which represents three preferred shares, or Brasil Telecom Preferred ADSs, and which may be evidenced by ADRs that will be issued in exchange for Brasil Telecom Holding ADSs. The remaining 16,168,674 shares will not be represented by Brasil Telecom Preferred ADSs.
- (4) The Proposed Maximum Aggregate Offering Price (estimated solely for purposes of computing the amount of the registration fee pursuant to Rule 457(c) and Rule 457(f) under the U.S. Securities Act of 1933, as amended) is calculated in accordance with (1) the number of Brasil Telecom Holding common shares held directly by U.S. residents to be cancelled in the merger in exchange for common shares of Brasil Telecom and US\$14.326, the average of the high and low prices of the common shares of Brasil Telecom Holding as reported on the Brazilian Securities, Commodities and Futures Exchange (*BM&FBOVESPA S.A. Bolsa de Valores Mercadorias e Futuros*, or the *BOVESPA*) on August 6, 2009, converted into U.S. dollars based on an exchange rate of R\$1.8348=US\$1.00, the PTAX selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*) on August 6, 2009, (2) the exchange ratio of 1.081624 shares of Brasil Telecom (consisting of 0.1720066 common shares and 0.9096173 preferred shares, resulting in, solely for purposes of computing the amount of the registration fee, 0.840937 of the value of each Brasil Telecom Holding preferred share being attributed to the Brasil Telecom preferred shares issued in exchange therefor, and 0.1590263 of the value of each Brasil Telecom Holding preferred share being attributed to the Brasil Telecom common shares issued in exchange therefor) to be exchanged in the merger for each preferred share held directly by a U.S. resident of Brasil Telecom Holding that will be cancelled in the merger, and US\$8.698, the average of the high and low prices of the preferred shares of Brasil Telecom Holding as reported on BOVESPA on August 6, 2009, converted into U.S. dollars at the exchange rate described above, and (3) 1.081624 shares of Brasil Telecom (consisting of 0.1720066 common shares underlying Brasil Telecom Common ADSs and 0.9096173 preferred shares underlying Brasil Telecom Preferred ADSs) to be exchanged in the merger for each of the five Brasil Telecom Holding preferred shares underlying a Brasil Telecom Holding ADS that will be cancelled in the merger, and US\$43.605, the average of the high and low prices of the Brasil Telecom Holding ADSs as reported on the New York Stock Exchange on August 6, 2009.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and is not soliciting an offer to buy these securities, in any jurisdiction where such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

***PRELIMINARY PROSPECTUS (Subject to Completion)***

***Dated August 12, 2009***

## **Brasil Telecom S.A.**

Brasil Telecom S.A., or Brasil Telecom, and its affiliate Brasil Telecom Participações S.A., or Brasil Telecom Holding, have proposed a merger (*incorporação*) under Brazilian law of Brasil Telecom Holding with and into Brasil Telecom. Brasil Telecom provides a range of integrated telecommunications services in Region II of Brazil (which consists of the Federal District of Brazil and nine states of Brazil located in the western, central and southern regions of Brazil). Brasil Telecom Holding is a holding company whose principal assets consist of shares of capital stock of Brasil Telecom.

If the merger is approved:

direct holders of common shares of Brasil Telecom Holding will automatically receive, without any further action by those holders, 1.2190981 common shares, no par value, of Brasil Telecom for each common share they hold plus cash in lieu of any fractional Brasil Telecom common share;

direct holders of preferred shares of Brasil Telecom Holding will automatically receive, without any further action by those holders, 0.1720066 Brasil Telecom common shares and 0.9096173 preferred shares, no par value, of Brasil Telecom for each Brasil Telecom Holding preferred share they hold plus cash in lieu of any fractional Brasil Telecom common share or preferred share; and

holders of American Depositary Shares, or ADSs, of Brasil Telecom Holding (each representing five preferred shares of Brasil Telecom), or Brasil Telecom Holding ADSs, will receive, subject to the procedures described herein, 0.860033 ADSs of Brasil Telecom (each representing one common share of Brasil Telecom), or Brasil Telecom Common ADSs and 1.516028 ADSs of Brasil Telecom (each representing three preferred shares of Brasil Telecom), or Brasil Telecom Preferred ADSs for each Brasil Telecom Holding ADS they hold plus cash in lieu of any fractional Brasil Telecom Common ADS or Brasil Telecom Preferred ADS.

Approval of the merger will require (1) the affirmative vote of holders representing a majority of the total number of outstanding common shares of Brasil Telecom Holding at duly convened extraordinary general shareholders' meeting, and (2) the affirmative vote of holders representing a majority of the number of outstanding common shares of Brasil Telecom present at the extraordinary general shareholders' meeting called to consider the merger.

The extraordinary general shareholders' meetings of Brasil Telecom Holding and Brasil Telecom to vote on the merger are scheduled to occur on \_\_\_\_\_, 2009. **Telemar Norte Leste S.A., or Telemar, the indirect controlling shareholder of Brasil Telecom Holding and Brasil Telecom, has all of the voting power necessary to approve the merger without the support of any other holders of common shares of Brasil Telecom Holding or Brasil Telecom. Telemar has informed Brasil Telecom Holding and Brasil Telecom that it intends to cause all common shares held by its subsidiaries to be voted in favor of the merger.**

**Neither Brasil Telecom Holding nor Brasil Telecom is asking you for a proxy and you are requested not to send Brasil Telecom Holding or Brasil Telecom a proxy.**

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The common shares and preferred shares of Brasil Telecom are listed on the Brazilian Securities, Commodities and Futures Exchange (*BM&FBOVESPA S.A. Bolsa de Valores Mercadorias e Futuros*), which we refer to as the BOVESPA, under the ticker symbols BRT03 and BRT04, respectively. The Brasil Telecom Preferred ADSs are listed on the New York Stock Exchange, or the NYSE, under the symbol BTM. We will apply to list the Brasil Telecom Common ADSs and Brasil Telecom Preferred ADSs to be received by holders of Brasil Telecom Holding ADSs on the NYSE and the Brasil Telecom Common ADSs and Brasil Telecom Preferred ADSs are expected to trade under the symbols BTM.C and BTM, respectively.

This prospectus has been prepared for holders of common shares and preferred shares of Brasil Telecom Holding residing in the United States and for holders of Brasil Telecom Holding ADSs to provide information about the merger and the securities to be offered pursuant thereto.

**You should read this prospectus carefully. In particular, please read the section entitled Risk Factors beginning on page 54 for a discussion of risks that you should consider in evaluating the transaction described in this prospectus.**

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense. This document does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where such an offer or solicitation would be illegal.

This prospectus is dated \_\_\_\_\_, 2009 and is expected to be mailed to shareholders of Brasil Telecom Holding on or about that date.

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This prospectus includes important business and financial information about Brasil Telecom Holding and Brasil Telecom that is not included in or delivered with this prospectus. This information is available without charge to security holders upon written or oral request. To obtain timely delivery, security holders must request the information no later than \_\_\_\_\_, 2009, the fifth business days before the scheduled date of the extraordinary general shareholders' meetings scheduled to approve the merger. See Incorporation by Reference.

You should rely only on the information incorporated by reference or contained in this prospectus. We have not authorized any person to provide you with any information or to make any representations in connection with the merger, other than the information contained or incorporated in this prospectus, and, if any person provides you with other information or makes a representation in connection with the merger, that information or representation must not be relied on as having been authorized by us.

This prospectus does not constitute an offer to any person in any jurisdiction in which an offer is unlawful. The offer is not being made to holders of shares in any jurisdiction in which the making or acceptance of the offer would not be in compliance with the laws of that jurisdiction. However, we may, in our sole discretion, take any action we may deem necessary to make the offer in any such jurisdiction and extend the offer to holders of shares in any jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the offer to be made by a licensed broker or dealer, the offer will be deemed to be made on our behalf by one or more registered brokers or dealers licensed under the laws of the relevant jurisdiction.

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**The delivery of this prospectus will not, under any circumstance, create an implication that our affairs have not changed since the date as of which information is furnished or since the date of this prospectus.**

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**INCORPORATION BY REFERENCE**

The U.S. Securities and Exchange Commission, or the SEC, allows us to incorporate by reference information that we file with it into this prospectus, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and certain later information that Brasil Telecom or Brasil Telecom Holding file with the SEC will automatically update and supersede earlier information filed with the SEC or included in this prospectus. We incorporate by reference the following documents:

Brasil Telecom's amended annual report on Form 20-F/A for the fiscal year ended December 31, 2008, filed with the SEC on August 7, 2009 (File No. 001-15256);

Brasil Telecom Holding's amended annual report on Form 20-F/A for the fiscal year ended December 31, 2008, filed with the SEC on August 7, 2009 (File No. 001-14477);

any future annual reports on Form 20-F filed by Brasil Telecom or Brasil Telecom Holding with the SEC after the date of this prospectus and prior to the completion of the merger;

Brasil Telecom's report on Form 6-K furnished to the SEC on August 12, 2009 (File No. 001-15256) containing (1) disclosure regarding its financial condition and results of operations at March 31, 2009 and for the three-month periods ended March 31, 2009 and 2008, and (2) its unaudited interim consolidated financial statements at March 31, 2009 and for the three-month periods ended March 31, 2009 and 2008;

Brasil Telecom Holding's report on Form 6-K furnished to the SEC on August 12, 2009 (File No. 001-14477) containing (1) disclosure regarding its financial condition and results of operations at March 31, 2009 and for the three-month periods ended March 31, 2009 and 2008, and (2) its unaudited interim consolidated financial statements at March 31, 2009 and for the three-month periods ended March 31, 2009 and 2008;

any future reports on Form 6-K that Brasil Telecom or Brasil Telecom Holding furnish to the SEC after the date of this prospectus and prior to the completion of the merger that are identified in such reports as being incorporated by reference into this prospectus. We will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon written or oral request of any such person, a copy of (1) any and all of the documents referred to above which have been or may be incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference in such documents), and (2) the Portuguese-language version of the Protocol of Merger and Instrument of Justification (*Protocolo e Justificação de Incorporação*) between Brasil Telecom S.A. and Brasil Telecom Participações S.A., which we refer to as the Merger Agreement, which includes the Portuguese-language versions of the valuation reports described in Part Five The Merger Valuation Reports, as well as English-language translations thereof prepared by Brasil Telecom. To request this information, you should contact us at the following street address, telephone number or e-mail address:

Brasil Telecom S.A.

Rua Humberto de Campos, 425/7º andar-Leblon

22430-190 Rio de Janeiro, RJ, Brazil

Attention: IR Department

Telephone: +55-21-3131-1211

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Facsimile: +55-21-3131-1144

email: invest@oi.net.br

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You may also contact the information agent for the merger:

1200 Wall Street West, 3rd Floor

Lyndhurst, NJ 07071

U.S.A.

Calls within the United States: 866-207-3645 (toll-free)

Calls outside the United States: +1-201-806-7300 (collect)

If you are a holder of Brasil Telecom Holding ADSs, you may also contact:

The Bank of New York Mellon

101 Barclay Street

New York, NY 10286

Calls within the United States: (888) 269-2377 (toll-free)

Calls outside the United States: +1 (201) 680-6825 (collect)

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**CERTAIN DEFINED TERMS AND CONVENTIONS USED IN THIS PROSPECTUS**

**Currencies Used in this Prospectus**

All references herein to *real*, *reais* or R\$ are to the Brazilian *real*, the official currency of Brazil. All references to U.S. dollars, dollars or U are to U.S. dollars.

On August 11, 2009, the exchange rate for *reais* into U.S. dollars was R\$1.846 to US\$1.00, based on the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank. The selling rate was R\$2.315 of US\$1.00 at March 31, 2009, R\$1.749 of US\$1.00 at March 31, 2008, R\$2.337 to US\$1.00 at December 31, 2008, R\$1.771 to US\$1.00 at December 31, 2007 and R\$2.138 to US\$1.00 at December 31, 2006, in each case, as reported by the Central Bank. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate at August 11, 2009 may not be indicative of future exchange rates. See Part Two Summary Exchange Rates for information regarding exchange rates for the *real* since January 1, 2004.

Solely for the convenience of the reader, we have translated some amounts included in Part Two Summary Selected Historical Financial Data and Pro Forma Financial Data from *reais* into U.S. dollars using the selling rate as reported by the Central Bank at August 11, 2009 of R\$1.846 to US\$1.00. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate.

**Certain Defined Terms Used in this Prospectus**

Unless otherwise indicated or the context otherwise requires:

all references to our company, we, our, ours, us or similar terms are to Brasil Telecom S.A. and its consolidated subsidiaries;

all references to Brasil Telecom are to Brasil Telecom S.A.;

all references to Brasil Telecom Holding are to our direct parent, Brasil Telecom Participações S.A.;

all references to Brazil are to the Federative Republic of Brazil;

all references to the Brazilian government are to the federal government of the Federative Republic of Brazil;

all references to the Brazilian Corporation Law are to Brazilian Law No. 6,404/76, as amended; and

all references to the CVM are to the Brazilian Securities Commission (*Comissão de Valores Mobiliários*).

**Share Splits**

On April 27, 2007, Brasil Telecom Holding authorized the reverse split of all of its issued common shares and preferred shares into one share for each 1,000 issued shares. This reverse share split became effective on May 30, 2007. In connection with this reverse share split, Brasil Telecom Holding authorized a change in the ratio of the Brasil Telecom Holding ADSs. Upon the effectiveness of the reverse share split and the ratio change, the ratio of Brasil Telecom Holding preferred shares to Brasil Telecom Holding ADSs changed from 5,000 preferred shares per ADS to five preferred shares per ADS. All references to numbers of Brasil Telecom Holding shares and Brasil Telecom Holding dividend amounts in this prospectus have been adjusted to give effect to the 1,000-for-one reverse share split.

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On April 10, 2007, Brasil Telecom authorized the reverse split of all of its issued common shares and preferred shares into one share for each 1,000 issued shares. This reverse share split became effective on May 14, 2007. In connection with this reverse share split, Brasil Telecom authorized a change in the ratio of the Brasil

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Telecom ADSs. Upon the effectiveness of the reverse share split and the ratio change, the ratio of Brasil Telecom preferred shares to Brasil Telecom ADSs changed from 3,000 preferred shares per ADS to three preferred shares per ADS. All references to numbers of Brasil Telecom shares and Brasil Telecom dividend amounts in this prospectus have been adjusted to give effect to the 1,000-for-one reverse share split.

## **Market Share and Other Information**

We make statements in this prospectus about our market share and other information relating to the telecommunications industry in Brazil. We have made these statements on the basis of information obtained from third-party sources and publicly available information that we believe are reliable, such as information and reports from the National Telecommunications Agency (*Agência Nacional de Telecomunicações*), or ANATEL, the Brazilian federal telecommunications regulator, among others. Notwithstanding any investigation that we may have conducted with respect to the market share, market size or similar data provided by third parties or derived from industry or general publications, we assume no responsibility for the accuracy or completeness of any such information.

## **Rounding**

We have made rounding adjustments to reach some of the figures included in this prospectus. As a result, numerical figures shown as totals in some tables may not be arithmetic aggregations of the figures that precede them.



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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

*The following are some questions that you may have regarding the merger and brief answers to those questions. Brasil Telecom Holding and Brasil Telecom urge you to read carefully the remainder of this document because the information in this section does not provide all the information that might be important to you with respect to the merger. Additional important information is also contained in the documents incorporated by reference into this prospectus. See Incorporation by Reference.*

**Q: What is the merger?**

A: The merger proposed by Brasil Telecom and Brasil Telecom Holding is a merger (*incorporação*) under Brazilian law of Brasil Telecom Holding with and into Brasil Telecom, with Brasil Telecom as the surviving company. Pursuant to the proposed merger, each issued and then outstanding common share of Brasil Telecom Holding (other than any common shares held by shareholders seeking withdrawal of their common shares) will be converted automatically into 1.2190981 common shares of Brasil Telecom without any further action by the holders thereof. Each issued and then outstanding preferred share of Brasil Telecom Holding (including preferred shares of Brasil Telecom Holding represented by the Brasil Telecom Holding ADSs) will be converted automatically into 0.1720066 common shares of Brasil Telecom and 0.9096173 preferred shares of Brasil Telecom without any further action by the holders thereof. All issued and then outstanding shares of Brasil Telecom held by Brasil Telecom Holding and all Brasil Telecom Holding shares held in treasury will be cancelled. As a result of the merger, Brasil Telecom Holding will cease to exist.

**Q: What are the reasons for the merger?**

A: The merger is a step in the corporate reorganization that Telemar and its subsidiaries that control Brasil Telecom are undertaking to reorganize Telemar's interests in Brasil Telecom. The corporate reorganization is expected to be accomplished through three transactions that will occur consecutively and will cumulatively result in the conversion of the publicly held shares of Brasil Telecom Holding and Brasil Telecom into shares of Telemar: (1) the merger, (2) a mandatory share exchange (*incorporação de ações*) under Brazilian law in which shares of Coari Participações S.A., or Coari, a wholly owned subsidiary of Telemar, will be issued in exchange for shares of Brasil Telecom, other than shares of Brasil Telecom held directly by Coari, or the share exchange, and (3) a merger (*incorporação*) under Brazilian law of Coari with and into Telemar, with Telemar as the surviving company, or the Telemar merger.

The share exchange and the Telemar merger are expected to be completed as soon as practicable after the completion of the merger. However, we cannot offer investors assurances regarding the dates on which these transactions will be completed, that these transactions will take place as planned or that they will ultimately be completed. In connection with the share exchange, Telemar plans to cause to be filed with the SEC (1) a registration statement on Form F-4, containing a prospectus which will be mailed to the shareholders of Brasil Telecom, and (2) other documents regarding the share exchange, and in connection with the Telemar merger, Telemar plans to file with the SEC (1) a registration statement on Form F-4, containing a prospectus which will be mailed to the shareholders of Coari, and (2) other documents regarding the Telemar merger.

**Neither Telemar nor Coari is offering the shares to be issued in the share exchange or the Telemar merger by means of this prospectus. We urge investors and security holders to carefully read the relevant prospectus and other relevant materials when they become available as they will contain important information about the proposed share exchange and mergers.** Investors and security holders will be able to obtain the documents filed with the SEC regarding the share exchange and the Telemar merger, when available, free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov) or from Telemar.

We believe that the merger will enable Brasil Telecom to:

align the interests of the shareholders of Brasil Telecom Holding and Brasil Telecom, which are currently under common control;

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

simplify the capital and corporate structures of Brasil Telecom and Brasil Telecom Holding, thereby reducing administrative costs;

provide you with securities that Brasil Telecom expects will enjoy greater market liquidity than the securities you currently hold; and

eliminate the costs of separate listings of the shares of Brasil Telecom Holding and Brasil Telecom, as well as costs arising from the separate public reporting obligations of Brasil Telecom Holding and Brasil Telecom.

We have been advised that Telemar believes that the corporate reorganization will enable it to:

align the interests of the shareholders of Telemar, Brasil Telecom Holding and Brasil Telecom, which are all currently under common control;

facilitate the unification, standardization and the rationalization of the general administration of Telemar and Brasil Telecom;

simplify the shareholding and organizational structure of Telemar's business, expand its shareholder base and reduce management and administrative costs; and

provide you with securities that we expect will enjoy greater market liquidity than the securities you currently hold or will hold following the merger.

**Q: What will happen to my shares of Brasil Telecom Holding in the merger?**

A: If you are a direct holder of common shares of Brasil Telecom Holding and you do not seek to exercise your withdrawal rights (as described below), each of your common shares of Brasil Telecom Holding will be converted into 1.2190981 common shares of Brasil Telecom in the merger plus cash in lieu of any fractional Brasil Telecom common share to which you would have been entitled as a result of the merger.

If you are a direct holder of preferred shares of Brasil Telecom Holding, each of your preferred shares of Brasil Telecom Holding will be converted into 0.1720066 common shares of Brasil Telecom and 0.9096173 preferred shares of Brasil Telecom in the merger plus cash in lieu of any fractional Brasil Telecom common share or preferred share to which you would have been entitled as a result of the merger.

If you are a direct holder of common shares or preferred shares of Brasil Telecom Holding, no further action by you is required. An entry or entries will be made in the share registry of Brasil Telecom to evidence the common shares and preferred shares of Brasil Telecom you will receive in the merger promptly after the merger is completed.

If you are a holder of Brasil Telecom Holding ADSs, you will receive 0.860033 Brasil Telecom Common ADSs, each representing one common share of Brasil Telecom and 1.516028 Brasil Telecom Preferred ADSs, each representing three preferred shares of Brasil Telecom for each Brasil Telecom Holding ADS that you hold plus cash in lieu of any fractional ADSs.

If you are a registered holder of Brasil Telecom Holding ADSs, to receive your Brasil Telecom ADSs you must complete the letter of transmittal sent to you by The Bank of New York Mellon, as successor depository to Citibank N.A. for the Brasil Telecom Holding ADS program, whom we refer to in this capacity as the Brasil Telecom Holding Depository, and comply with the procedures described in the letter of transmittal. If you hold Brasil Telecom Holding ADSs through a broker or other financial intermediary, no further action by you is required. The Brasil

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Telecom Common ADSs, Brasil Telecom Preferred ADSs and any cash in lieu of fractional Brasil Telecom ADSs to which you would have been entitled as a result of the merger will automatically be credited to your account as promptly as practicable after the end of the withdrawal period described below.

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

If you are a holder of Brasil Telecom common shares or preferred shares or Brasil Telecom Preferred ADSs, you will continue to hold these securities after the merger.

**Q: How were the exchange ratios calculated for the merger?**

A: On April 25, 2008, each of the shareholders of Invitel S.A., or Invitel, entered into a Share Purchase Agreement with Banco de Investimentos Credit Suisse (Brasil) S.A., or Credit Suisse, as *Comissário*, or agent, on behalf of Telemar, acting as principal, which we refer to as the Share Purchase Agreement, under which Credit Suisse agreed to purchase all of the outstanding shares of Invitel and certain shares of Brasil Telecom Holding owned by the shareholders of Invitel. As of December 31, 2008, Invitel owned 100% of the outstanding shares of Solpart Participações S.A., or Solpart, which owned 52.0% of the outstanding voting share capital, representing 19.0% of the outstanding share capital, of Brasil Telecom Holding, which, in turn, owned 67.2% of our outstanding share capital, including 99.1% of our outstanding voting share capital. On January 8, 2009, the acquisition contemplated by the Share Purchase Agreement was completed. On April 25, 2008, in connection with the acquisition of control of Brasil Telecom Holding and our company by Telemar, Telemar announced a corporate reorganization of the interests in Brasil Telecom Holding and our company to take place following the completion of its acquisition of our control with the purpose of causing the migration of the minority shareholders of Brasil Telecom Holding and our company to Telemar.

The exchange ratios for the Brasil Telecom Holding shares in the merger were determined by the managements of Brasil Telecom and Brasil Telecom Holding, based on the weighted average of the closing prices of the shares of Brasil Telecom Holding and our company on the BOVESPA during the 90 calendar days between January 24, 2008 and April 23, 2008, adjusted by the amount of any interest on shareholders equity or dividends declared by Brasil Telecom or Brasil Telecom Holding from January 1, 2008 until the date of the Merger Agreement. The managements of Brasil Telecom and Brasil Telecom Holding believe that the exchange ratios are fair, in light of the fact that the shares of Brasil Telecom and Brasil Telecom Holding are highly liquid and the exchange ratios were determined on the basis of the market prices for these shares.

Under the Brazilian Corporation Law, the number of our outstanding non-voting shares may not exceed two-thirds of the total number of our outstanding shares. In order to maintain our compliance with this requirement after the merger, we are issuing a portion of the consideration for the outstanding preferred shares of Brasil Telecom Holding in the form of voting common shares of our company.

**Q: Will the share capital of Brasil Telecom be increased as a result of the merger?**

A: Yes. At the extraordinary general shareholders meeting of Brasil Telecom called to consider the merger, the holders of common shares of Brasil Telecom will also vote to amend the bylaws of Brasil Telecom to increase its share capital to R\$3,731,058,950.28 represented by 603,020,546 shares, consisting of 203,423,176 common shares and 399,597,370 preferred shares.

**Q: What shareholder approvals are needed for the merger?**

A: Approval of the merger will require (1) the affirmative vote of holders representing a majority of the total number of outstanding common shares of Brasil Telecom Holding at a duly convened extraordinary general shareholders meeting of Brasil Telecom Holding, and (2) the affirmative vote of holders representing a majority of the number of outstanding common shares of present at a duly convened extraordinary general shareholders meeting.

Approval of the increase in the share capital of Brasil Telecom will require the affirmative vote of holders representing a majority of the number of outstanding common shares of present at a duly convened extraordinary general shareholders meeting.



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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

We believe that the merger and the increase in the share capital of Brasil Telecom will be approved at the applicable extraordinary general shareholders meetings because:

our indirect controlling shareholder, Telemar, which indirectly holds 91.7% of the issued and outstanding common shares of Brasil Telecom Holding, has represented to us that it will cause the shares of Brasil Telecom Holding that it holds to be voted in favor of the merger; and

Brasil Telecom Holding holds 99.1% of our issued and outstanding common shares and Brasil Telecom Holding has represented to us that it will vote the shares of Brasil Telecom that it holds in favor of the merger and the increase in the share capital of Brasil Telecom.

**Q: May I attend and vote at the extraordinary general shareholders meeting of Brasil Telecom Holding regarding the merger?**

A: If you hold common shares of Brasil Telecom Holding you may attend and vote at the Brasil Telecom Holding extraordinary general shareholders meeting to approve the merger.

If you hold preferred shares of Brasil Telecom Holding, you are entitled to attend, but are not entitled to vote at, the Brasil Telecom Holding extraordinary general shareholders meeting to approve the merger.

If you hold Brasil Telecom Holding ADSs, you are not entitled to attend the Brasil Telecom Holding extraordinary general shareholders meeting. If you hold Brasil Telecom Holding ADSs and wish to attend this meeting, you must surrender your Brasil Telecom Holding ADSs and receive delivery of the Brasil Telecom Holding preferred shares represented thereby in accordance with the terms of the deposit agreement governing the Brasil Telecom Holding ADSs in sufficient time to allow your ownership of the Brasil Telecom Holding preferred shares to be reflected in the shareholder list that Brasil Telecom Holding will use to determine holders of preferred shares that are permitted to attend the meeting, which generally reflects record ownership as of the fourth Brazilian business day prior to the meeting.

**Q: When and where will the extraordinary general shareholders meetings regarding the merger take place?**

A: The Brasil Telecom Holding extraordinary general shareholders meeting is scheduled to take place on \_\_\_\_\_, 2009 at (Brasília time) at Brasil Telecom Holding's headquarters, located at SIA/Sul, ASP, Lote D, Bloco B 71215-000 Setor de Indústria, Brasília, DF, Brazil.

The Brasil Telecom extraordinary general shareholders meeting is scheduled to take place on \_\_\_\_\_, 2009 at \_\_\_\_\_ (Brasília time) at Brasil Telecom's headquarters, located at SIA/Sul, ASP, Lote D, Bloco B 71215-000 Setor de Indústria, Brasília, DF, Brazil.

Brasil Telecom Holding and Brasil Telecom have the right to delay the date of these meetings.

**Q: Do I have withdrawal rights with respect to the merger?**

A:

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If you were the holder of record of common shares of Brasil Telecom Holding at the close of trading on April 25, 2008, the date of the Relevant Fact (*Fato Relevante*) that first announced the merger, you may exercise withdrawal rights pursuant to Brazilian law and request that Brasil Telecom Holding purchase your common shares of Brasil Telecom Holding. **You cannot exercise these withdrawal rights if you vote in favor of the merger.** If you have withdrawal rights, your withdrawal rights will lapse 30 days after publication of the minutes of the extraordinary general shareholders' meeting of Brasil Telecom Holding called to approve the merger.

If you have withdrawal rights and exercise these rights, you will receive from Brasil Telecom Holding a cash amount equal to the net asset value of your Brasil Telecom Holding common shares determined based on the book value of Brasil Telecom Holding's assets and liabilities as of December 31, 2008. Based on this net asset value, the withdrawal value per Brasil Telecom Holding common share is R\$15.90. See Part Five The Merger Terms of the Merger Withdrawal Rights.

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

If you hold Brasil Telecom Holding preferred shares (including Brasil Telecom Holding preferred shares represented by the Brasil Telecom Holding ADSs), you are not entitled to withdrawal rights with respect to the merger.

**Q: Are there risks associated with the merger that I should consider in deciding whether to exercise my withdrawal rights?**

A: Yes. There are a number of risks related to the merger that are discussed in this prospectus. Please read in particular the detailed description of risks associated with the merger on pages 54 through 57.

**Q: Why am I receiving this document?**

A: This document is a prospectus of Brasil Telecom relating to the common shares and preferred shares of Brasil Telecom (including the common shares of Brasil Telecom that will be represented by Brasil Telecom Common ADSs and the preferred shares of Brasil Telecom that will be represented by Brasil Telecom Preferred ADSs) that the shareholders of Brasil Telecom Holding will receive as a result of the merger.

If you hold common shares or preferred shares of Brasil Telecom Holding (including preferred shares of Brasil Telecom Holding represented by Brasil Telecom Holding ADSs), you are receiving this prospectus because Brasil Telecom may be deemed to be offering you its securities for purposes of the U.S. Securities Act of 1933, as amended, or the Securities Act.

**Q: What will be the accounting treatment of the merger?**

A: Under accounting practices adopted in Brazil, or Brazilian GAAP, which are based on the Brazilian Corporation Law and the rules and regulations of the CVM and are the body of accounting principles we use to prepare our consolidated financial statements, Brasil Telecom will account for this merger by (1) recording the property, plant and equipment at the carrying values recorded by Brasil Telecom Holding, reflected the accounting for the closing of under the Share Purchase Agreement and the acquisition of common shares and preferred shares of Brasil Telecom and Brasil Telecom Holding in tender offers and open market purchases as described under Part Five The Merger Background of the Merger Telemar's Acquisition of Control of Brasil Telecom Holding and Brasil Telecom, or the Brasil Telecom Acquisition, and (2) recording the tax benefit of the intangible assets recorded in connection with the Brasil Telecom Acquisition based on the amount of tax benefit realizable on the date of the merger in accordance with specific CVM regulations. The merger of Brasil Telecom Holding into Brasil Telecom will be accounted for as from the date of the merger.

Under U.S. GAAP, the merger represents a reorganization of entities under common control. As a result, the merger will be accounted for in a manner similar to a pooling-of-interest, or at historical carrying values, and reflected in the consolidated financial statements of Brasil Telecom. For a discussion of the effects of the intermediate company mergers described below under Part Five The Merger Background of the Merger Reorganization of Intermediate Holding Companies on the historical carrying values of the assets and liabilities of Brasil Telecom and Brasil Telecom Holding, see Part Five The Merger Background of the Merger Reorganization of Intermediate Holding Companies.

**Q: What are the U.S. federal income tax consequences of the merger?**

A: If you are a U.S. Holder (as defined in Part Five The Merger Material Tax Considerations U.S. Federal Income Tax Considerations ) of common shares, preferred shares or ADSs of Brasil Telecom Holding, the U.S. federal income tax consequences of the merger are



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uncertain. Although there is no authority addressing facts identical to the merger and therefore the matter is not free from doubt, we believe that the merger and the other steps of the corporate reorganization should be treated as a single integrated transaction for U.S. federal income tax purposes, and thus if the other steps of the corporate reorganization occur, the merger should be treated as a taxable transaction to U.S. Holders. If the other steps of the corporate reorganization do not take place or if the merger were not integrated with the other steps of the corporate reorganization for U.S. federal income tax purposes, the merger would likely be treated as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

amended, which we refer to as the Code. Please review carefully the information set forth in Part Five The Merger Material Tax Considerations U.S. Federal Income Tax Considerations Treatment of the Merger. The tax consequences to you of the merger are complex and will depend on your particular facts and circumstances. You should consult your own tax advisor for a full understanding of the tax consequences of the merger and the corporate reorganization to you.

**Q: When will the merger be completed?**

A: The extraordinary general shareholders meetings of Brasil Telecom Holding and Brasil Telecom will be held on \_\_\_\_\_, 2009, unless these meetings are postponed. The merger will be legally effective upon approval of the merger by the Brasil Telecom Holding extraordinary general shareholders meeting and the Brasil Telecom extraordinary general shareholders meeting. However, Brasil Telecom common shares, preferred shares and ADSs will not be delivered to you in the merger until after the end of the period for the exercise of withdrawal rights, which period will end 30 days after publication of the minutes of the Brasil Telecom Holding extraordinary general shareholders meeting called to approve the merger. See Could the merger be unwound? below.

**Q: Can I sell my Brasil Telecom Holding shares and ADSs during the period for the exercise of withdrawal rights?**

A: During the period for the exercise of withdrawal rights, the common shares and preferred shares of Brasil Telecom Holding will continue to be listed on BOVESPA and be eligible for trading over the BOVESPA under their existing ticker symbols, and the Brasil Telecom Holding ADSs will continue to be listed on the NYSE and be eligible for trading over the NYSE under their existing ticker symbol.

**Q: Could the merger be unwound?**

A: Under the Brazilian Corporation Law, if the management of Brasil Telecom Holding believes that the total value of the withdrawal rights exercised by its shareholders may put at risk its financial stability, management may, within 10 days after the end of the withdrawal rights period, call an extraordinary general shareholders meeting of Brasil Telecom Holding to either unwind or ratify the merger. Payment relating to the exercise of the withdrawal rights will not be due if the merger is unwound.

Because it indirectly holds a majority of the voting shares of Brasil Telecom Holding, Telemar would be able to cause the unwinding of the merger at the Brasil Telecom Holding extraordinary general shareholders meeting.

**Q: Are any other approvals from any governmental authorities or any third parties required in order to complete the merger?**

A: No.

**Q: After the merger, will I have the same ownership percentage that I now have?**

A: No. You will have a lower percentage ownership in Brasil Telecom than you currently have in Brasil Telecom Holding. Assuming that none of the common shareholders or preferred shareholders of Brasil Telecom Holding exercises withdrawal rights, (1) former

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shareholders of Brasil Telecom Holding, other than Coari, will hold approximately 30.4% of the outstanding capital stock of Brasil Telecom, (2) the percentage of the outstanding capital stock of Brasil Telecom held by non-controlling shareholders of Brasil Telecom prior to the merger will decrease to 20.3%, and (3) the percentage of the outstanding capital stock of Brasil Telecom held by Coari will decrease to 49.3%.

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

**Q: How will my rights as a shareholder of Brasil Telecom Holding change after the merger?**

A: Because your Brasil Telecom Holding common shares will be exchanged for Brasil Telecom common shares, and your Brasil Telecom Holding preferred shares will be exchanged for Brasil Telecom common shares and preferred shares, you will become a Brasil Telecom shareholder and therefore will have the rights conferred by Brasil Telecom common shares and/or preferred shares. Your rights as a holder of Brasil Telecom preferred shares will be substantially the same as your rights as a holder of Brasil Telecom Holding preferred shares, and your rights as a holder of Brasil Telecom common shares will be substantially the same as your rights as a holder of Brasil Telecom Holding common shares. See Part Six Shareholder Rights.

Under the Brazilian Corporation Law, the number of our outstanding non-voting shares may not exceed two-thirds of the total number of our outstanding shares. In order to maintain our compliance with this requirement after the merger, we are issuing a portion of the consideration for the outstanding preferred shares of Brasil Telecom Holding in the form of voting common shares of our company.

**Q: When will I receive my Brasil Telecom common shares, preferred shares or ADSs?**

A: Assuming the merger is completed, we will deliver common shares or preferred shares, as applicable, in connection with the merger after the end of the period for the exercise of withdrawal rights, which period will end 30 days after the publication of the minutes of the extraordinary general shareholders meetings of Brasil Telecom Holding at which the merger is approved. Assuming the merger is completed, the Brasil Telecom Common ADSs and Brasil Telecom Preferred ADSs representing new common shares and preferred shares of Brasil Telecom issued in the merger in respect of the Brasil Telecom Holding preferred shares represented by the Brasil Telecom Holding ADSs will be made available as soon as practicable after the related common shares and preferred shares are deposited with the custodian in Brazil of The Bank of New York Mellon, as successor depository to Citibank N.A. for the Brasil Telecom Preferred ADS program and as depository for the Brasil Telecom Common ADS program, whom we refer to in these capacities as the Brasil Telecom Depository. This deposit is expected to occur after the end of the period for the exercise of withdrawal rights, which period will end 30 days after the publication of the minutes of the extraordinary general shareholders meetings of Brasil Telecom Holding at which the merger is approved. Upon receipt of these related Brasil Telecom common shares and preferred shares, the holders of Brasil Telecom Holding ADSs will be able to surrender those ADSs and receive delivery of Brasil Telecom ADSs, upon payment of any applicable taxes and expenses.

**Q: When will I receive any cash attributable to any fractional Brasil Telecom security?**

A: If you hold common shares or preferred shares of Brasil Telecom directly and the exchange ratio in the merger would entitle you to receive fractional common shares or preferred shares of Brasil Telecom, Brasil Telecom will sell, in auctions on the BOVESPA, the aggregate of all fractional Brasil Telecom common shares and preferred shares. You will receive cash in lieu of any fractional Brasil Telecom share to which you would have been entitled as a result of the merger based on the net proceeds (after deducting applicable fees and expenses), from any sale on the BOVESPA of the aggregate number of fractional entitlements to Brasil Telecom shares five business days after the sale of all such fractional interests by Brasil Telecom on the BOVESPA. The sale of such fractional interests in auctions on the BOVESPA will occur as soon as practicable after the completion of the merger, the end of the withdrawal period and due notice of the auctions are given in accordance with the rules of the BOVESPA. If you hold Brasil Telecom Holding ADSs and the exchange ratio would entitle you to receive a fraction of a Brasil Telecom Common ADS or Brasil Telecom Preferred ADS, the Brasil Telecom Holding Depository, will try to sell on the open market the aggregate of those fractional Brasil Telecom ADSs. You will receive



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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

cash in lieu of any fractional Brasil Telecom Common ADS or Brasil Telecom Preferred ADS you are entitled to receive based on the net proceeds (after deducting applicable fees and expenses, including sales commissions) from any sale on the NYSE of the aggregate number of fractional entitlements to Brasil Telecom ADSs. Payments for interests in fractional Brasil Telecom ADSs will be available to registered holders approximately five business days after the Brasil Telecom Holding Depository completes sales of the aggregated fractional Brasil Telecom ADSs on the NYSE.

**Q: If I hold Brasil Telecom Holding ADSs, will I have to pay ADS cancellation and issuance fees?**

A: No. If you hold Brasil Telecom Holding ADSs, you will not have to pay fees for the cancellation of your Brasil Telecom Holding ADS that you hold in connection with the merger or any ADS issuance fees for the Brasil Telecom ADS issued to you in exchange.

**Q: Will I have to pay brokerage commissions?**

A: You will not have to pay brokerage commissions if your common shares or preferred shares of Brasil Telecom Holding are registered in your name. If your common shares or preferred shares of Brasil Telecom Holding are held through a bank or broker or a custodian linked to a stock exchange, you should consult with them as to whether or not they charge any transaction fee or service charges in connection with the merger.

**Q: What do I need to do now?**

A: If you hold common shares or preferred shares of Brasil Telecom Holding, you do not need to do anything to receive Brasil Telecom common shares and/or Brasil Telecom preferred shares, as applicable, upon completion of the merger. The common shares and preferred shares of Brasil Telecom are book-entry shares, and an entry or entries will be made in the share registry of Brasil Telecom to evidence the common shares and/or preferred shares you will receive.

If you hold Brasil Telecom Holding ADSs, the preferred shares underlying those ADSs will become common shares and preferred shares of Brasil Telecom by operation of law. If you hold Brasil Telecom Holding ADSs indirectly through a broker or other intermediary, you will automatically receive new Brasil Telecom ADSs. However, if you hold Brasil Telecom Holding ADSs directly as a registered holder, you must surrender your American Depositary Receipts, or ADRs, representing Brasil Telecom Holding ADSs to the Brasil Telecom Holding Depository in accordance with instructions that will be provided to you. Upon surrender of those Brasil Telecom Holding ADRs, the Brasil Telecom Holding Depository will deliver the Brasil Telecom Common ADSs and Brasil Telecom Preferred ADSs to you. See Part Five The Merger Terms of the Merger Delivery of Brasil Telecom Shares and ADSs for more details.

**Q: Who can help answer my questions?**

A: If you have any questions about the merger, you can contact:

Brasil Telecom S.A.

Rua Humberto de Campos, 425/7º andar-Leblon

22430-190 Rio de Janeiro, RJ, Brazil

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Attention: IR Department

Telephone: +55-21-3131-1211

Facsimile: +55-21-3131-1144

email: [invest@oi.net.br](mailto:invest@oi.net.br)

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**PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER**

You may also contact the information agent for the merger:

1200 Wall Street West, 3rd Floor

Lyndhurst, NJ 07071

U.S.A.

Calls within the United States: 866-207-3645 (toll-free)

Calls outside the United States: +1-201-806-7300 (collect)

If you are a holder of Brasil Telecom Holding ADSs, you may also contact:

The Bank of New York Mellon

101 Barclay Street

New York, NY 10286

Calls within the United States: (888) 269-2377 (toll-free)

Calls outside the United States: +1 (201) 680-6825 (collect)



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**PART TWO SUMMARY**

*The following summary highlights material information presented in greater detail elsewhere in this prospectus and may not contain all the information that may be important to you. You are urged to read carefully this entire prospectus in order to fully understand the merger. Most items in this summary include a page reference directing you to a more complete description of those items.*

**The Companies**

Each of Brasil Telecom Holding and Brasil Telecom is a corporation (*sociedade anônima*) organized under the laws of Brazil. Brasil Telecom is a majority-owned subsidiary of Brasil Telecom Holding. Brasil Telecom Holding is a majority-owned subsidiary of Coari. Coari is a wholly-owned subsidiary of Telemar.

**Overview of Brasil Telecom Holding**

Brasil Telecom Holding is a holding company that was incorporated in February 1998. Brasil Telecom Holding's principal assets consist of shares of Brasil Telecom. As of December 31, 2008, Brasil Telecom Holding owned 247,317,180 common shares and 120,991,021 preferred shares of Brasil Telecom, representing 99.1% of the voting share capital and 67.2% of the total share capital of Brasil Telecom.

Brasil Telecom Holding acquired its shares of Brasil Telecom, as well as the shares of eight other operating subsidiaries, in May 1998 as part of the privatization by the Brazilian government of Telecomunicações Brasileiras S.A., or Telebrás, the Brazilian state-owned telecommunications monopoly, as described under the caption "Item 4. Information on the Company Our History and Development Privatization of Telebrás" in Brasil Telecom Holding's amended annual report on Form 20-F/A for the fiscal year ended December 31, 2008, filed with the SEC on August 7, 2009, which we refer to as the Brasil Telecom Holding Annual Report, which is incorporated by reference into this prospectus.

Following the privatization of Telebrás, Brasil Telecom Holding provided fixed-line telecommunications services through these operating subsidiaries, each of which provided telecommunications services in one of the nine states of Region II or the Federal District of Brazil. In February 2000, Brasil Telecom Holding implemented a corporate reorganization, which resulted in all of the fixed-line operating companies being merged into Brasil Telecom.

Brasil Telecom Holding's principal executive office is located at SIA/Sul, ASP, Lote D, Bloco B 71215-000 Setor de Indústria, Brasília, DF, Brazil, and its telephone number at this address is (55-61) 3415-1414.

**Overview of Brasil Telecom**

Brasil Telecom is the largest telecommunications service provider in Region II in Brazil, based on revenues and customers as of and for the year ended December 31, 2008, according to information available from ANATEL and other publicly available information. Brasil Telecom offers a range of integrated telecommunications services that includes fixed-line and mobile telecommunications services, data transmission services (including broadband access services), internet service provider, or ISP, services and other services, for residential customers, small, medium and large companies, and governmental agencies.

According to the Brazilian Institute for Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, Region II had a population of approximately 43.5 million as of April 1, 2007, representing 23.6% of the total Brazilian population, and represented approximately 26.2% of Brazil's total gross domestic product, or GDP, for 2006 (the most recent period for which such information is currently available).

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As a result of Telemar's acquisition of control of Brasil Telecom on January 8, 2009, Brasil Telecom has begun using the Oi brand name for the marketing of some of its services and expects to use the Oi brand name for the marketing of substantially all of its services following the completion of the integration of its operation into the operations of Telemar.

***Fixed-Line Telecommunications Services***

Brasil Telecom's traditional fixed-line telecommunications business in Region II includes local and long-distance services, network usage services (interconnection) and public telephones, in accordance with the concessions and authorizations granted to Brasil Telecom by ANATEL. We believe that Brasil Telecom was one of the largest fixed-line telecommunications companies in South America in terms of total number of lines in service as of December 31, 2008. Based on Brasil Telecom's 8.0 million and 8.1 million fixed lines in service as of March 31, 2009 and December 31, 2008, respectively, it was the principal fixed-line telecommunications service provider in Region II, with an estimated market share of 51.3% of the total fixed lines in service in this region as of December 31, 2008, respectively, according to our internal estimates. For the three months ended March 31, 2009 and the year ended December 31, 2008, Brasil Telecom's highly mature fixed-line business generated R\$2,637 million and R\$10,777 million in gross operating revenue, respectively.

***Mobile Telecommunications Services***

Brasil Telecom offers mobile telecommunications services in Region II through Brasil Telecom's subsidiary 14 Brasil Telecom Celular S.A., which we refer to as Brasil Telecom Mobile. We believe that Brasil Telecom Mobile is one of the principal mobile telecommunications service providers in Region II, with 5.9 million and 5.6 million mobile subscribers as of March 31, 2009 and December 31, 2008, respectively, and an estimated market share of 15.0% and 14.4% of the total number of mobile subscribers in this region as of March 31, 2009 and December 31, 2008, respectively, according to information available from ANATEL. For the three months ended March 31, 2009 and the year ended December 31, 2008, Brasil Telecom's mobile services business generated R\$610 million and R\$2,561 million in gross operating revenue, respectively.

***Data Transmission Services***

Brasil Telecom offers a variety of high-speed data transmission services, including services offered by Brasil Telecom's subsidiaries BrT Serviços de Internet S.A. and Brasil Telecom Comunicação Multimídia Ltda. Brasil Telecom also operates a fiber optic cable system that connects the United States, Bermuda, Brazil and Venezuela through Brasil Telecom's subsidiaries Brasil Telecom Cabos Submarinos Ltda., Brasil Telecom Subsea Cable System (Bermuda) Ltd., Brasil Telecom of America Inc. and Brasil Telecom de Venezuela S.A. Brasil Telecom's broadband services, primarily utilizing Asymmetric Digital Subscriber Line, or ADSL, technology, are marketed in Region II under the brand name Turbo. As of March 31, 2009 and December 31, 2008, Brasil Telecom had 1.8 million ADSL subscribers, representing 23.1% and 22.2% of Brasil Telecom's fixed lines in service as of those dates. Brasil Telecom also provides voice and data services to corporate clients throughout Brazil through Brasil Telecom's network in Region II, through the network of Telemar in Region I (which consists of 16 states of Brazil located in the northeastern and part of the northern and southeastern regions of Brazil), and through cooperation agreements with other telecommunications network operators in Region III (which consists of the State of São Paulo). For the three months ended March 31, 2009 and the year ended December 31, 2008, Brasil Telecom's data transmission services business generated R\$1,240 million and R\$4,070 million in gross operating revenue, respectively.

***Other Services***

Brasil Telecom operates an internet portal through its subsidiary Internet Group do Brasil S.A. under the brand name iG that was the second largest internet portal in Brazil in terms of the number of unique visitors in

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**PART TWO SUMMARY**

2008, according to Ibope/NetRatings. Brasil Telecom also started a call center business for the sole purpose of providing services to Brasil Telecom and its subsidiaries. For the three months ended March 31, 2009 and the year ended December 31, 2008, Brasil Telecom's internet services business and call center services generated R\$184 million and R\$700 million in gross operating revenue, respectively.

Brasil Telecom's principal executive office is located at SIA/Sul, ASP, Lote D, Bloco B 71215-000 Setor de Indústria, Brasília, DF, Brazil, and its telephone number at this address is (55-61) 3415-1414.

**Background of the Merger**

**Telemar's Acquisition of Control of Brasil Telecom Holding and Brasil Telecom**

***Share Purchase Agreement and Agency Agreement***

On April 25, 2008, each of the shareholders of Invitel entered into a Share Purchase Agreement with Credit Suisse, as *Comissário*, or agent, on behalf of Telemar, acting as principal, under which Credit Suisse agreed to purchase all of the outstanding shares of Invitel and certain shares of Brasil Telecom Holding owned by the shareholders of Invitel. As of December 31, 2008, Invitel owned 100% of the outstanding shares of Solpart, which owned 52.0% of the outstanding voting share capital, representing 19.0% of the outstanding share capital, of Brasil Telecom Holding, which, in turn, owned 67.2% of our outstanding share capital, including 99.1% of our outstanding voting share capital.

***Purchases of Preferred Shares of Brasil Telecom and Brasil Telecom Holding by Telemar***

Between April 25, 2008 and June 17, 2008, Telemar, through its subsidiaries Copart 1 and Copart 2 Participações S.A., or Copart 2, acquired 55,819,400 preferred shares of Brasil Telecom Holding, representing 24.3% of the outstanding preferred shares of Brasil Telecom Holding and 15.4% of the share capital of Brasil Telecom Holding, for an aggregate purchase price of R\$1,425 million in transactions conducted over the BOVESPA, and 45,590,200 of our preferred shares, representing 15.3% of our outstanding preferred shares and 8.3% of our share capital, for an aggregate purchase price of R\$898 million in transactions conducted over the BOVESPA.

On June 22, 2008, Telemar, through its subsidiaries Copart 1 and Copart 2, acquired through public tender offers 20,826,442 preferred shares of Brasil Telecom Holding, representing 9.1% of the outstanding preferred shares of Brasil Telecom Holding and 5.7% of the outstanding share capital of Brasil Telecom Holding, for an aggregate purchase price of R\$635 million, and 13,366,365 of our preferred shares, representing 4.5% of our outstanding preferred shares and 2.4% of our outstanding share capital, for an aggregate purchase price of R\$313 million.

***Closing Under the Share Purchase Agreement***

On November 21, 2008, pursuant to an Agency Agreement between Telemar and Credit Suisse, Credit Suisse assigned all of its rights and obligations under the Share Purchase Agreement to Telemar and Telemar assumed these rights and obligations. On January 8, 2009, Telemar, through its subsidiary Copart 1, acquired all of the outstanding shares of Invitel and 12,185,836 common shares of Brasil Telecom Holding owned by the shareholders of Invitel for an aggregate purchase price of R\$5,371 million. As a result of this acquisition, Telemar acquired control of Brasil Telecom Holding and our company.

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***Tender Offers for Common Shares of Brasil Telecom and Brasil Telecom Holding by Telemar***

On June 23, 2009, Telemar, through its subsidiaries Copart 1 and Copart 2, acquired through public tender offers 40,425,227 common shares of Brasil Telecom Holding, representing 30.5% of the outstanding common shares of Brasil Telecom Holding and 11.2% of the outstanding share capital of Brasil Telecom Holding, for an aggregate purchase price of R\$2,618 million, and 630,872 of our common shares, representing 0.3% of our outstanding common shares and 0.1% of our outstanding share capital, for an aggregate purchase price of R\$38 million.

***Accounting Treatment of the Brasil Telecom Acquisition***

Under Brazilian GAAP, the closing of the Brasil Telecom Acquisition, was accounted for based on the proportional fair values of identifiable assets and liabilities acquired, including intangible assets and contingent liabilities, based on the participation acquired.

Under U.S. GAAP, Telemar applied Statement of Financial Accounting Standards No. 141(R), Business Combinations, or SFAS 141(R), under which 100% of the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the subsidiaries of Invitel were recorded at their fair values on January 8, 2009.

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**Reorganization of Intermediate Holding Companies**

As a result of the transaction described above, the structure of Telemar's ownership interests in Brasil Telecom was as set forth in the chart below. The percentages in bold italics represent the percentage of the voting capital owned by the parent company of each entity, and the percentages not in bold italics represent the percentage of the total share capital owned by the parent company of each entity.

In anticipation of the corporate reorganization, Telemar undertook the transactions described below to eliminate the intermediate holding companies in this ownership structure.

On July 31, 2009:

Invitel merged with and into Solpart, with Solpart as the surviving company;

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Solpart merged with and into Copart 1, with Copart 1 as the surviving company;

Copart 1 merged with and into Brasil Telecom Holding, with Brasil Telecom Holding as the surviving company; and

Copart 2 merged with and into Brasil Telecom, with Brasil Telecom as the surviving company.

As a result of these transactions, as of August 11, 2009, the structure of Telemar's ownership interests in Brasil Telecom Holding and Brasil Telecom was as set forth in the chart below. The percentages in bold italics represent the percentage of the voting capital owned by the parent company of each entity, and the percentages not in bold italics represent the percentage of the total share capital owned by the parent company of each entity.

***Accounting Treatment of the Reorganization of the Intermediate Holding Companies***

***Mergers of Invitel into Solpart, Solpart into Copart 1, and Copart 1 into Brasil Telecom Holding***

Under Brazilian tax law, goodwill and the subsequent allocation of goodwill that is recorded by a holding company in connection with an acquisition is not tax deductible until the holding company is merged into the operating company that was acquired. Accordingly, at the date of the Brasil Telecom Acquisition, Copart 1 was not able to recognize a tax benefit for the deductible goodwill as part of purchase accounting. This tax benefit will only be recognized after completion of the merger. CVM regulations limit the recognition of assets and liabilities resulting from the merger of a holding company into its acquired subsidiary to the basis adjustment to fixed assets and the tax benefit resulting from the allocation of goodwill to intangible assets and unallocated goodwill recorded in the acquisition. Therefore, under Brazilian GAAP, because Copart 1 was used solely for the purpose of effecting the Brasil Telecom Acquisition, pursuant to CVM regulations, Brasil Telecom Holding may only record (1) the property, plant and equipment at the carrying values of Copart 1, reflecting the accounting for the Brasil Telecom Acquisition and (2) the tax benefit of the intangible assets recognized in connection with the Brasil Telecom Acquisition based on the amount of expected tax benefit to be realized. These amounts were recorded as from the date of the Intermediate Mergers. The tax benefit will become realizable after the completion of the merger, whereby the tax benefit is recorded by Brasil Telecom, the operating company.

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Under U.S. GAAP, because Copart 1 controlled Invitel, Solpart and Brasil Telecom Holding since January 8, 2009, the merger of Copart 1 into Brasil Telecom Holding on July 31, 2009 represents a reorganization of entities under common control. As a result, the merger will be accounted for in a manner similar to a pooling-of-interests, whereby the financial statements of the surviving entity will be presented on a consolidated basis as from January 8, 2009, the period during which Copart 1 and Brasil Telecom Holding were under common control, and include the assets and liabilities of Brasil Telecom Holding at the historical carrying values recorded by Copart 1. The historical carrying amounts of Copart 1 reflect the purchase accounting recorded under U.S. GAAP as described above under Telemar's Acquisition of Control of Brasil Telecom Holding and Brasil Telecom Accounting Treatment of Telemar's Acquisition of Control of Brasil Telecom Holding and Brasil Telecom.

The acquisition of the non-controlling interest in Brasil Telecom Holding will be accounted for as a reduction of the carrying amount of the non-controlling interest in accordance with Statement of Financial Accounting Standards No. 160, Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51, or SFAS 160.

*Merger of Copart 2 into Brasil Telecom*

Under Brazilian GAAP, because Copart 2 was used solely for the purpose of effecting the Brasil Telecom Acquisition, pursuant to CVM regulations, Brasil Telecom may only record (1) the property, plant and equipment at the carrying values of Copart 2, reflecting the accounting for the Brasil Telecom Acquisition, and (ii) the tax benefit of the intangible assets recognized in connection with the Brasil Telecom Acquisition that is attributable to Copart 2 based on the amount of expected tax benefit to be realized. These amounts were recorded as from the date of the Intermediate Mergers. The tax benefit became realizable after the completion of this merger, whereby the tax benefit was recorded by Brasil Telecom, the operating company.

Under U.S. GAAP, because Brasil Telecom and Copart 2 were under common control since January 8, 2009, the merger of Copart 2 into Brasil Telecom on July 31, 2009 represents a transaction between entities under common control. As a result, the merger will be accounted for in a manner similar to a pooling-of-interests, whereby the financial statements of the surviving entity will be presented on a consolidated basis as from January 8, 2009, the period during which Copart 2 and Brasil Telecom were under common control, and include the assets and liabilities of Brasil Telecom at the historical carrying values recorded by Copart 2.

**The Merger**

The merger is a step in the corporate reorganization that Telemar and its subsidiaries that control Brasil Telecom are undertaking to reorganize Telemar's interests in Brasil Telecom. The corporate reorganization is expected to be accomplished through three transactions that will occur consecutively and will cumulatively result in the conversion of the publicly held shares of Brasil Telecom Holding and Brasil Telecom into shares of Telemar: (1) the merger, (2) a mandatory share exchange (*incorporação de ações*) under Brazilian law in which shares of Coari, a wholly owned subsidiary of Telemar, will be issued in exchange for shares of Brasil Telecom, other than shares of Brasil Telecom held directly by Coari, and (3) a merger (*incorporação*) under Brazilian law of Coari with and into Telemar, with Telemar as the surviving company.

The share exchange and the Telemar merger are expected to be completed as soon as practicable after the completion of the merger. However, we cannot offer investors assurances regarding the dates on which these transactions will be completed, that these transactions will take place as planned or that they will ultimately be completed. In connection with the share exchange, Telemar plans to cause to be filed with the SEC (1) a

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**PART TWO SUMMARY**

registration statement on Form F-4, containing a prospectus which will be mailed to the shareholders of Brasil Telecom, and (2) other documents regarding the share exchange, and in connection with the Telemar merger, Telemar plans to file with the SEC (1) a registration statement on Form F-4, containing a prospectus which will be mailed to the shareholders of Coari, and (2) other documents regarding the Telemar merger. **Neither Telemar nor Coari is offering the shares to be issued in the share exchange or the Telemar merger by means of this prospectus. We urge investors and security holders to carefully read the relevant prospectus and other relevant materials when they become available as they will contain important information about the proposed share exchange and mergers.** Investors and security holders will be able to obtain the documents filed with the SEC regarding the share exchange and the Telemar merger, when available, free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov) or from Telemar.

**Purpose of and Reasons for the Merger and the Corporate Reorganization**

We believe that the merger will enable Brasil Telecom to:

align the interests of the shareholders of Brasil Telecom Holding and Brasil Telecom, which are currently under common control;

simplify the capital and corporate structures of Brasil Telecom and Brasil Telecom Holding, thereby reducing administrative costs;

provide you with securities that Brasil Telecom expects will enjoy greater market liquidity than the securities you currently hold; and

eliminate the costs of separate listings of the shares of Brasil Telecom Holding and Brasil Telecom, as well as costs arising from the separate public reporting obligations of Brasil Telecom Holding and Brasil Telecom.

We have been advised that Telemar believes that the corporate reorganization will enable it to:

align the interests of the shareholders of Telemar, Brasil Telecom Holding and Brasil Telecom, which are all currently under common control;

facilitate the unification, standardization and the rationalization of the general administration of Telemar and Brasil Telecom;

simplify the shareholding and organizational structure of Telemar's business, expand its shareholder base and reduce management and administrative costs; and

provide you with securities that we expect will enjoy greater market liquidity than the securities you currently hold or will hold following the merger.

**The Merger (see page 97)**

If the merger is approved:



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Brasil Telecom Holding will merge with and into Brasil Telecom, with Brasil Telecom as the surviving company;

all issued and then outstanding shares of Brasil Telecom held by Brasil Telecom Holding and all Brasil Telecom Holding shares held in treasury will be cancelled;

each issued and then outstanding common share of Brasil Telecom Holding (other than any common shares held by shareholders seeking withdrawal of their common shares) will be converted automatically into 1.2190981 common shares of Brasil Telecom, plus cash in lieu of any fractional shares, without any further action by the holders thereof;

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each issued and then outstanding preferred share of Brasil Telecom Holding (including preferred shares of Brasil Telecom Holding represented by the Brasil Telecom Holding ADSs) will be converted automatically into 0.1720066 common shares of Brasil Telecom and 0.9096173 preferred shares of Brasil Telecom, plus cash in lieu of any fractional shares, without any further action by the holders thereof;

holders of Brasil Telecom Holding ADSs will receive, subject to the procedures described herein, 0.860033 Brasil Telecom Common ADSs and 1.516028 Brasil Telecom Preferred ADSs for each Brasil Telecom Holding ADS they hold, plus cash in lieu of any fractional Brasil Telecom Common ADS or Brasil Telecom Preferred ADS; and

Brasil Telecom Holding will cease to exist.

**Increase in Brasil Telecom Share Capital**

At the extraordinary general shareholders meeting of Brasil Telecom called to consider the merger, the holders of common shares of Brasil Telecom will also vote to amend the bylaws of Brasil Telecom to increase its share capital to R\$3,731,058,950.28 represented by 603,020,546 shares, consisting of 203,423,176 common shares and 399,597,370 preferred shares.

**Approval of the Merger (see page 99)**

Approval of the merger will require (1) the affirmative vote of holders representing a majority of the total number of outstanding common shares of Brasil Telecom Holding at a duly convened extraordinary general shareholders meeting of Brasil Telecom Holding, and (2) the affirmative vote of holders representing a majority of the number of outstanding common shares of Brasil Telecom present at a duly convened extraordinary general shareholders meeting of Brasil Telecom.

Approval of the increase in the share capital of Brasil Telecom will require the affirmative vote of holders representing a majority of the number of outstanding common shares of present at a duly convened extraordinary general shareholders meeting.

We believe that the merger and the increase in the share capital of Brasil Telecom will be approved at the applicable extraordinary general shareholders meetings because:

our indirect controlling shareholder, Telemar, which indirectly holds 91.7% of the issued and outstanding common shares of Brasil Telecom Holding, has represented to us that it will cause the shares of Brasil Telecom Holding that it holds to be voted in favor of the merger; and

Brasil Telecom Holding holds 99.1% of our issued and outstanding common shares and Brasil Telecom Holding has represented to us that it will vote the shares of Brasil Telecom that it holds in favor of the merger and the increase in the share capital of Brasil Telecom.

The extraordinary general shareholders meetings of Brasil Telecom Holding and Brasil Telecom to consider the merger are scheduled to be held as follows:

Brasil Telecom Participações S.A.

, 2009

(Brasília time)

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SIA/Sul, ASP, Lote D, Bloco B 71215-000 Setor de Indústria, Brasília, DF, Brazil

Brasil Telecom S.A.

, 2009 (Brasília time)

SIA/Sul, ASP, Lote D, Bloco B 71215-000 Setor de Indústria, Brasília, DF, Brazil

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If you hold common shares of Brasil Telecom Holding you may attend and vote at the Brasil Telecom Holding extraordinary general shareholders meeting to approve the merger. If you hold preferred shares of Brasil Telecom Holding, you are entitled to attend, but are not entitled to vote at, the Brasil Telecom Holding extraordinary general shareholders meeting to approve the merger. If you hold Brasil Telecom Holding ADSs, you are not entitled to attend the Brasil Telecom Holding extraordinary general shareholders meeting.

If you hold Brasil Telecom Holding ADSs and wish to attend this meeting, you must surrender your Brasil Telecom Holding ADSs and receive delivery of the Brasil Telecom Holding preferred shares represented thereby in accordance with the terms of the deposit agreement governing the Brasil Telecom Holding ADSs in sufficient time to allow your ownership of the Brasil Telecom Holding preferred shares to be reflected in the shareholder list that Brasil Telecom Holding will use to determine holders of preferred shares that are permitted to attend the meeting, which generally reflects record ownership as of the fourth Brazilian business day prior to the meeting.

There are no conditions to the completion of the merger other than (1) shareholder approval by the shareholders of Brasil Telecom Holding, and Brasil Telecom, and (2) the declaration by the SEC that the registration statement of which this prospectus forms a part is effective.

The approval by the NYSE of the listing of the Brasil Telecom Common ADSs and Brasil Telecom Preferred ADSs to be delivered in connection with the merger, for which we will apply, must be obtained for these ADSs to be traded by their holders. However, this approval is not a condition to the completion of the merger.

The approval of the merger by the CVM or the BOVESPA is not a condition to the completion of the merger.

Although ANATEL will not undertake a review of the merger separate from its review of Telemar's acquisition of control of Brasil Telecom, we were required to notify ANATEL of the proposed merger within five days following our public announcement of the merger. The merger is subject to the review of the Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica*), or CADE, the Brazilian antitrust regulator. However, no approvals of ANATEL or CADE are required prior to the completion of the merger. See Part Eight Legal and Regulatory Matters Regulatory Approvals.

**Delivery of Brasil Telecom Shares and ADSs (see page 101)**

If the merger is approved, by operation of law:

each common shares of Brasil Telecom Holding will automatically be converted into 1.2190981 common shares of Brasil Telecom;  
and

each preferred shares of Brasil Telecom Holding will automatically be converted into 0.1720066 common shares and 0.9096173 preferred shares of Brasil Telecom.

If you directly hold common or preferred shares of Brasil Telecom Holding, no further action by you is required. Because the common shares and preferred shares of Brasil Telecom are book-entry shares, an entry or entries will be made in the share registry of Brasil Telecom to evidence the common shares and preferred shares of Brasil Telecom you will receive in the merger, and neither you nor any other person will receive certificates evidencing common shares or preferred shares of Brasil Telecom. At that time, Brasil Telecom also will pay you cash in lieu of any fractional Brasil Telecom shares to which you would have been entitled as a result of the merger.

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If the merger is approved, holders of Brasil Telecom Holding ADSs, each of which represents five preferred shares of Brasil Telecom Holding, will receive, subject to the procedures described below, (1) 0.860033 Brasil Telecom Common ADSs, each representing one common share of Brasil Telecom, and (2) 1.516028 Brasil Telecom Preferred ADSs, each representing three preferred share of Brasil Telecom for each Brasil Telecom Holding ADS they hold, plus cash in lieu of any fractional ADSs. The terms of the Brasil Telecom ADSs that will be received in connection with the merger are described in Part Six Shareholder Rights Description of Brasil Telecom ADSs.

After the merger becomes effective and the end of the period for the exercise of withdrawal rights, Brasil Telecom will deposit with the custodian for the Brasil Telecom Holding Depositary the Brasil Telecom common shares and preferred shares issuable in respect of the Brasil Telecom Holding preferred shares then held in the Brasil Telecom Holding ADS program. The Brasil Telecom Holding Depositary will deposit those Brasil Telecom common shares and preferred shares with the custodian for the Brasil Telecom Depositary and instruct the Brasil Telecom Depositary to cause to be issued and to deliver ADSs representing those Brasil Telecom common shares and preferred shares to the Brasil Telecom Holding Depositary. When the Brasil Telecom ADSs are received in the Brasil Telecom Holding ADS program, the Brasil Telecom Holding ADSs will represent a right to receive Brasil Telecom Common ADSs and Brasil Telecom Preferred ADSs.

If you hold Brasil Telecom Holding ADSs indirectly through a broker or other intermediary, you will automatically receive your Brasil Telecom ADSs (and cash in lieu of any fractions as described in Part Five The Merger Terms of the Merger Fractional Brasil Telecom Shares and ADSs ).

If you hold Brasil Telecom Holding ADSs directly as a registered holder, you must surrender your ADRs to the Brasil Telecom Holding Depositary. Registered holders of Brasil Telecom Holding ADSs will be provided with the necessary forms, including a letter of transmittal substantially in the form filed as Exhibit 99.4 to the registration statement of which this prospectus is a part, which will contain instructions on how to surrender their ADRs representing Brasil Telecom Holding ADSs to the Brasil Telecom Holding Depositary. If you do not receive the necessary forms, you may call The Bank of New York Mellon toll-free at 1-888-BNY-ADRS or contact The Bank of New York Mellon at 101 Barclay Street, New York, NY 10286. Upon surrender of the Brasil Telecom Holding ADRs and payment of the taxes and expenses described below, the Brasil Telecom Holding Depositary will deliver the Brasil Telecom ADSs to the registered holders of former Brasil Telecom Holding ADSs (and cash in lieu of any fractional ADSs as described in Part Five The Merger Terms of the Merger Fractional Brasil Telecom Shares and ADSs ).

If you hold Brasil Telecom Holding ADSs, you will not have to pay fees of the Brasil Telecom Holding Depositary for the cancellation of the Brasil Telecom Holding ADSs that you hold in connection with the merger or any ADS issuance fees charged by the Brasil Telecom Depositary for the Brasil Telecom ADSs issued to you in connection with the merger. However, you will have to pay any applicable stock transfer taxes with respect to the cancellation of your Brasil Telecom Holding ADSs or the issuance of Brasil Telecom ADSs to you.

**Stock Exchange Matters**

Brasil Telecom has agreed with the BOVESPA that after the period for the exercise of withdrawal rights has ended, the Brasil Telecom common shares and preferred shares issued in the merger will trade under the ticker symbol for Brasil Telecom s common shares, BRTO3, and the ticker symbol for Brasil Telecom s preferred shares, BRTO4, respectively.

Brasil Telecom Preferred ADSs are listed on the NYSE under the symbol BTM. We will apply to list the Brasil Telecom Common ADSs and Brasil Telecom Preferred ADSs to be received by holders of Brasil Telecom

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Holding ADSs on the NYSE, and the Brasil Telecom Common ADSs and Brasil Telecom Preferred ADSs are expected to trade under the symbols BTM.C and BTM, respectively.

After the merger is complete and the period for the exercise of withdrawal rights has ended, preferred shares and common shares of Brasil Telecom Holding will be delisted from the BOVESPA and deregistered from the CVM, and the Brasil Telecom Holding ADSs will be delisted from the NYSE.

#### **Withdrawal Rights (see page 103)**

Under Brazilian law, the holders of common shares of Brasil Telecom Holding that dissent from the merger have the right to withdraw their share capital from Brasil Telecom Holding and be reimbursed for the value of the common shares for which they were record holders at the close of trading on April 25, 2008, the date of the Relevant Fact that first announced the merger. **You cannot exercise these withdrawal rights if you vote in favor of the merger.**

If you hold Brasil Telecom Holding preferred shares (including Brasil Telecom Holding preferred shares represented by the Brasil Telecom Holding ADSs), you are not entitled to withdrawal rights with respect to the merger.

If you have withdrawal rights, your withdrawal rights will lapse 30 days after publication of the minutes of the Brasil Telecom Holding extraordinary general shareholders meeting at which the merger is approved. Once the 30-day period for the exercise of your withdrawal rights has expired, you will no longer have any right to compel Brasil Telecom Holding to purchase your Brasil Telecom Holding common shares. If you notify Brasil Telecom Holding that you wish to exercise your withdrawal rights, such request will be irrevocable.

For more information on withdrawal rights, see Part Five The Merger Terms of the Merger Withdrawal Rights.

#### **Valuation Reports (see page 106)**

Brasil Telecom and Brasil Telecom Holding have engaged Apsis Consultoria Empresarial Ltda., or Apsis, to conduct valuation analyses for the purpose of appraising the common shares of Brasil Telecom Holding. Apsis's valuation analysis will be used to determine:

the market value of the shareholders' equity of Brasil Telecom and Brasil Telecom Holding as of May 31, 2009 for purposes of Article 264 of the Brazilian Corporation Law, which requires disclosure to shareholders of the ratio of the value of shares of Brasil Telecom Holding and our company based on this appraisal to provide non-controlling shareholders with a parameter against which to evaluate the proposed merger and to determine whether to dissent from the shareholder vote and exercise withdrawal rights; and

the book value of the shareholders' equity of Brasil Telecom Holding as of May 31, 2009 for purposes of Articles 8, 226 and 227 of the Brazilian Corporation Law, which requires an appraisal of the shares of Brasil Telecom Holding to determine the capital increase of Brasil Telecom that will result from the merger.

The valuation reports have been prepared based, in part, on prospective financial information prepared by the management of Brasil Telecom and Brasil Telecom Holding. Brasil Telecom and Brasil Telecom Holding do not as a matter of course make public projections as to future sales, earnings, or other results. However, the management of these companies have prepared the prospective financial information in connection with the



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valuation reports. The prospective financial information used to prepare the valuation reports was not prepared with a view toward public disclosure or with a view toward complying with the published guidelines of the SEC or the American Institute of Certified Public Accountants with respect to prospective financial information. The management of Brasil Telecom and Brasil Telecom Holding are responsible for such information, and in their view, it was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of Brasil Telecom and Brasil Telecom Holding. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this prospectus and the valuation reports are cautioned not to place undue reliance on the prospective financial information.

Neither the independent auditors of Brasil Telecom or Brasil Telecom Holding, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information used to prepare the valuation reports, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The full text of the valuation reports are included as exhibits to the registration statement of which this prospectus forms a part. See Part Five The Merger Valuation Reports for a summary description of the valuation reports.

***Brasil Telecom Holding and Brasil Telecom urge you to read carefully the summary of the valuation reports set forth in Part Five The Merger Valuation Reports. For information on how to obtain copies of the full reports, see Incorporation by Reference.***

**Management (see page 116)**

Brasil Telecom is managed, and after the merger will be managed, by a board of directors of five members, each serving a three-year term expiring at our annual shareholders' meeting in 2010. The board of executive officers of Brasil Telecom currently consists of five members, led by Luiz Eduardo Falco Pires Corrêa as chief executive officer.

Brasil Telecom is headquartered in Brasília, Brazil and will maintain that headquarters after the merger.

**Accounting Treatment of the Merger (see page 116)**

Under Brazilian GAAP, the body of accounting principles we use to prepare our consolidated financial statements, Brasil Telecom will account for this merger by (1) recording the property, plant and equipment at the carrying values recorded by Brasil Telecom Holding, reflected the accounting for the Brasil Telecom Acquisition, and (2) recording the tax benefit of the intangible assets recorded in connection with the Brasil Telecom Acquisition based on the amount of tax benefit realizable on the date of the merger in accordance with specific CVM regulations. The merger of Brasil Telecom Holding into Brasil Telecom will be accounted for as from the date of the merger.

Under U.S. GAAP, the merger represents a reorganization of entities under common control. As a result, the merger will be accounted for in a manner similar to a pooling-of-interest, or at historical carrying values, and reflected in the consolidated financial statements of Brasil Telecom. For a discussion of the effects of the intermediate company mergers described below under Part Five The Merger Background of the Merger Reorganization of Intermediate Holding Companies on the historical carrying values of the assets and liabilities of Brasil Telecom and Brasil Telecom Holding, see Part Five The Merger Background of the Merger Reorganization of Intermediate Holding Companies.



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The U.S. federal income tax consequences of the merger are uncertain. Although there is no authority addressing facts identical to the merger and therefore the matter is not free from doubt, we believe that the merger and the other steps of the corporate reorganization should be treated as a single integrated transaction for U.S. federal income tax purposes, and thus if the other steps of the corporate reorganization occur, the merger should be treated as a taxable transaction to U.S. Holders (as defined in Part Five The Merger Material Tax Considerations U.S. Federal Income Tax Considerations ). If the other steps of the corporate reorganization do not take place or if the merger were not integrated with the other steps of the corporate reorganization for U.S. federal income tax purposes, the merger would likely be treated as a tax-free reorganization within the meaning of Section 368(a) of the Code. Please review carefully the information set forth under Part Five The Merger Material Tax Considerations U.S. Federal Income Tax Considerations Treatment of the Merger.

**Timetable for the Merger**

<b>Event</b>	<b>Date</b>
Meeting of the Boards of Directors of each of Brasil Telecom Holding and Brasil Telecom to approve the merger	August 7, 2009
Announcement of the terms of the merger	August 12, 2009
Notice of meeting of shareholders of each of Brasil Telecom Holding and Brasil Telecom to consider the merger published in the <i>Diário Oficial da União</i>	, 2009
Notice of meeting of shareholders of each of Brasil Telecom Holding and Brasil Telecom to consider the merger published in <i>Valor Econômico</i>	, 2009
Notice of meeting of shareholders of Brasil Telecom Holding to consider the merger published in <i>Jornal de Brasília</i>	, 2009
Notice of meeting of shareholders of Brasil Telecom to consider the merger published in <i>Correio Braziliense</i>	, 2009
Mailing of prospectus to holders of Brasil Telecom Holding ADSs and U.S. holders of common and preferred shares of Brasil Telecom Holding	on or about , 2009
Meeting of shareholders of each of Brasil Telecom Holding and Brasil Telecom to approve the merger	, 2009
Beginning of period for exercise of withdrawal rights	on or about , 2009
End of period for withdrawal rights	on or about , 2009
Expected last day of trading of common and preferred shares of Brasil Telecom Holding on the BOVESPA and of Brasil Telecom Holding ADSs on the NYSE	on or about , 2009
Expected first day of trading of newly issued Brasil Telecom common shares and preferred shares on the BOVESPA and newly issued Brasil Telecom Common ADSs and Brasil Telecom Preferred ADSs on the NYSE	on or about , 2009
Brasil Telecom Holding Depository expected to close books for all transfers involving Brasil Telecom Holding ADSs	on or about , 2009
Brasil Telecom Depository begins to deliver Brasil Telecom ADSs upon surrender of Brasil Telecom Holding ADSs	on or about , 2009

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**PART TWO SUMMARY**

**Selected Historical Financial Data and Pro Forma Financial Data**

**Presentation of Financial Information**

Brasil Telecom and Brasil Telecom Holding maintain their books and records in *reais*.

Brasil Telecom's consolidated financial statements at December 31, 2008 and 2007 and for the three years ended December 31, 2008, as adjusted and restated for the changes in accounting practices described below, are incorporated into this prospectus by reference to Brasil Telecom's amended annual report on Form 20-F/A for the fiscal year ended December 31, 2008, filed with the SEC on August 7, 2009, which we refer to as the Brasil Telecom Annual Report, and have been audited, as stated in the report appearing therein. Brasil Telecom's unaudited consolidated interim financial information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is incorporated into this prospectus by reference to Brasil Telecom's report on Form 6-K furnished to the SEC on August 12, 2009, which we refer to as the Brasil Telecom First Quarter Report.

Brasil Telecom Holding's consolidated financial statements at December 31, 2008 and 2007 and for the three years ended December 31, 2008, as adjusted and restated for the changes in accounting practices described below, are incorporated into this prospectus by reference to Brasil Telecom Holding Annual Report, and have been audited, as stated in the report appearing therein. Brasil Telecom Holding's unaudited consolidated interim financial information at March 31, 2009 and for the three months ended March 31, 2009 and 2008 is incorporated into this prospectus by reference to Brasil Telecom Holding's report on Form 6-K furnished to the SEC on August 12, 2009, which we refer to as the Brasil Telecom Holding First Quarter Report.

Brasil Telecom and Brasil Telecom Holding prepare their consolidated financial statements in accordance with Brazilian GAAP.

On December 28, 2007, the Brazilian government enacted Law No. 11,638/07, which became effective on January 1, 2008, amended the Brazilian Corporation Law and changed certain accounting policies under Brazilian GAAP. In December 2008, the CVM issued *Deliberação* 565/08, or Deliberation 565/08, implementing these changes in accounting policies. For a discussion of the principal changes introduced by Law No. 11,638/07 and Deliberation 565/08 as they relate to (1) the financial statements of Brasil Telecom, see Item 5. Operating and Financial Review and Prospects Financial Presentation and Accounting Policies Presentation of Financial Statements in the Brasil Telecom Annual Report, and notes 2(a) and 2(f) to Brasil Telecom's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report, and (2) the financial statements of Brasil Telecom Holding, see Item 5. Operating and Financial Review and Prospects Financial Presentation and Accounting Policies Presentation of Financial Statements in the Brasil Telecom Holding Annual Report, and notes 2(a) and 2(f) to Brasil Telecom Holding's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report.

In order to make the financial statements of Brasil Telecom and Brasil Telecom Holding at December 31, 2007 and for the two years ended December 31, 2007 comparable to their respective financial statements at December 31, 2008 and for the year ended December 31, 2008, Brasil Telecom and Brasil Telecom Holding have restated their respective previously issued financial statements at December 31, 2007 and for the two years ended December 31, 2007 included in their respective consolidated financial statements at December 31, 2008 and 2007 and for the three years ended December 31, 2008 to conform to the changes in accounting policy introduced by Law No. 11,638/07 and Deliberation No. 565/08. The financial information of Brasil Telecom and Brasil Telecom Holding at December 31, 2006, 2005 and 2004 and for the two years ended December 31, 2005 presented in this prospectus was prepared in accordance with Brazilian GAAP as in force at the time that such financial information was prepared, and may not be comparable to the financial information at December 31, 2008 and 2007 and for the three years ended December 31, 2008.

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**PART TWO SUMMARY**

Brazilian GAAP differs in certain important respects from U.S. GAAP. For a discussion of certain differences relating to the financial statements of Brasil Telecom, see note 36 to its audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report. For a discussion of certain differences relating to the financial statements of Brasil Telecom Holding, see note 36 to its audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report.

The U.S. GAAP reconciliation of our financial statements as of December 31, 2007 and for the two years ended December 31, 2007 included in our audited consolidated financial statements have been restated to correct errors in the calculation of our net income and shareholders' equity under U.S. GAAP. During the year ended December 31, 2006, our management identified certain errors relating to the U.S. GAAP adjustments for capitalized interest and the depreciation of the step-up in basis of companies under common control that are included in the reconciliation of shareholders' equity and net income between Brazilian GAAP and U.S. GAAP as of December 31, 2006 and for the year ended. At that time, our management evaluated the significance of these errors and concluded that the impact was not material to our financial statements taken as a whole and therefore, recorded the effect in the related U.S. GAAP adjustments as of December 31, 2006 and for the year ended. During the year ended December 31, 2007, our management identified certain additional errors relating to the same U.S. GAAP adjustments that are included in the reconciliation of shareholders' equity and net income between Brazilian GAAP and U.S. GAAP as of December 31, 2007 and for the year then ended. At that time, our management evaluated the significance of these errors and concluded that the impact was not material to our financial statements taken as a whole and therefore, recorded the effect in the related U.S. GAAP adjustments as of December 31, 2007 and for the year then ended. Subsequent to the issuance of our financial statements for the year ended December 31, 2007 and the acquisition of control of our company by Telemar, our management revised its calculations of the amount of these previously identified errors, reassessed the related impact on the respective years, and concluded that these errors were material to our financial statements taken as a whole. For a discussion of these errors and their effect on Brasil Telecom's U.S. GAAP net income and shareholders' equity, see Item 5. Operating and Financial Review and Prospects U.S. GAAP Reconciliation in the Brasil Telecom Annual Report and note 36(n) to its audited consolidated financial statements, which are incorporated into this prospectus by reference the Brasil Telecom Annual Report.

The U.S. GAAP reconciliation of the financial statements of Brasil Telecom Holding as of December 31, 2007 and for the two years ended December 31, 2007 included in its audited consolidated financial statements have been restated to correct errors in the calculation of its net income and shareholders' equity under U.S. GAAP. During the year ended December 31, 2006, the management of Brasil Telecom Holding identified certain errors relating to the U.S. GAAP adjustments for capitalized interest that are included in its reconciliation of shareholders' equity and net income between Brazilian GAAP and U.S. GAAP as of December 31, 2006 and for the year ended. At that time, the management of Brasil Telecom Holding evaluated the significance of these errors and concluded that the impact was not material to its financial statements taken as a whole and therefore, recorded the effect in the related U.S. GAAP adjustments as of December 31, 2006 and for the year ended. During the year ended December 31, 2007, the management of Brasil Telecom Holding identified certain additional errors relating to the same U.S. GAAP adjustments that are included in its reconciliation of shareholders' equity and net income between Brazilian GAAP and U.S. GAAP as of December 31, 2007 and for the year then ended. In addition, the management of Brasil Telecom Holding also identified that, for the year ended December 31, 2006, it had inadvertently omitted the U.S. GAAP adjustment relating to depreciation of the fair value step-up of the fixed assets, and identified certain errors relating to the U.S. GAAP adjustments for the step-up in basis of companies under common control that are included in the reconciliation of shareholders' equity and net income between Brazilian GAAP and U.S. GAAP as of December 31, 2007 and for the year then ended. At that time, the management of Brasil Telecom Holding evaluated the significance of these errors and

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**PART TWO SUMMARY**

concluded that the impact was not material to its financial statements taken as a whole and therefore, recorded the effect in the related U.S. GAAP adjustments as of December 31, 2007 and for the year then ended. Subsequent to the issuance of the financial statements of Brasil Telecom Holding for the year ended December 31, 2007 and the acquisition of control of Brasil Telecom Holding by Telemar, the management of Brasil Telecom Holding revised its calculations of the amount of these previously identified errors, reassessed the related impact on the respective years, and concluded that these errors were material to its financial statements taken as a whole. For a discussion of these errors and their effect on Brasil Telecom Holding's U.S. GAAP net income and shareholders' equity, see Item 5. Operating and Financial Review and Prospects U.S. GAAP Reconciliation in the Brasil Telecom Holding Annual Report and note 36(n) to its audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report.

**Selected Historical Financial Data**

The following information is provided to aid you in your analysis of the financial aspects of the merger. The following selected historical financial data has been derived from consolidated financial statements of Brasil Telecom and Brasil Telecom Holding.

***Selected Historical Brasil Telecom Financial Data***

The following selected financial data have been derived from Brasil Telecom's consolidated financial statements. The selected financial data at December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 have been derived from audited consolidated financial statements of Brasil Telecom which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report. The selected financial data at December 31, 2006, 2005 and 2004 and for the years ended December 31, 2005 and 2004, other than the U.S. GAAP reconciliation of this selected financial data, have been derived from audited consolidated financial statements of Brasil Telecom that are not included or incorporated by reference in this prospectus.

We have included information with respect to the dividends and/or interest attributable to shareholders' equity paid to holders of Brasil Telecom's common shares and preferred shares since January 1, 2004 in *reais* and in U.S. dollars translated from *reais* at the commercial market selling rate in effect as of the payment date under the caption Part Six Shareholder Rights Comparative Share and Dividend Information Information About Historical Dividend Payments.

You should read this selected financial data in conjunction with the audited consolidated financial statements of Brasil Telecom and the related notes thereto, and Item 5. Operating and Financial Review and Prospects of the Brasil Telecom Annual Report, which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report, and the unaudited interim consolidated financial statements of Brasil Telecom and the related notes thereto and Brasil Telecom's Management's Discussion and Analysis of Financial Condition and Results of Operations for the First Quarter of 2009, which are incorporated into this prospectus by reference to the Brasil Telecom First Quarter Report.

**Table of Contents****PART TWO SUMMARY***Statement of Operations Data*

	2004	2005	For the Year Ended December 31,		2008	2008 (1)
			2006 as restated	2007 as restated		(in millions of US\$, except per share amounts)
	(in millions of reais, except per share amounts and as otherwise indicated)					
<b>Statement of Operations Data</b>						
<i>Brazilian GAAP:</i>						
Net operating revenue	R\$ 9,065	R\$ 10,139	R\$ 10,297	R\$ 11,059	R\$ 11,297	US\$ 6,120
Cost of sales and services	(5,845)	(6,526)	(6,465)	(6,383)	(6,209)	(3,363)
Gross profit	3,220	3,613	3,832	4,676	5,088	2,756
Operating expenses	(2,153)	(3,547)	(2,976)	(3,308)	(3,234)	(1,752)
Operating income (loss) before financial expense, net	1,067	66	855	1,368	1,853	1,004
Financial expense, net	(580)	(596)	(312)	(275)	(274)	(148)
Operating income (loss)	487	(530)	543	1,093	1,579	855
Non-operating income (expenses), net	(160)	(149)				
Income (loss) before taxes and minority interest	327	(679)	543	1,093	1,579	855
Income tax and social contribution tax benefit (expense)	(44)	389	(101)	(295)	(551)	(298)
Minority interest	(6)	(13)	3	2	2	1
Net income (loss)	R\$ 277	R\$ (303)	R\$ 445	R\$ 800	R\$ 1,030	US\$ 558
Number of shares outstanding at year end, excluding treasury shares (in thousands)	541,608	541,619	547,272	547,272	547,499	
Net income per share at period end	R\$ 0.51	R\$ (0.56)	R\$ 0.81	R\$ 1.46	R\$ 1.88	US\$ 1.02
Net income per ADS for the period	1.53	(1.67)	2.43	4.38	5.65	3.06

(1) Translated for convenience only using the selling rate as reported by the Central Bank at August 11, 2009 for reais into U.S. dollars of R\$1.846=US\$1.00.

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	2004 (1) as restated		2005 (1) as restated		For the Year Ended December 31, 2006 (1) 2007 (1) as restated as restated		2008	2008 (2)				
	(in millions of reais, except per share amounts and as otherwise indicated)							(in millions of US\$, except per share amounts)				
<b>Statement of Operations Data</b>												
<i>U.S. GAAP:</i>												
Net operating revenue	R\$	9,070	R\$	10,149	R\$	10,306	R\$	11,058	R\$	11,298	US\$	6,120
Net income (loss)		235		108		616		868		1,129		612
Net income per share: (3)												
Common shares basic and diluted		0.43		0.20		1.13		1.59		2.06		1.12
Preferred shares basic and diluted		0.43		0.20		1.13		1.59		2.06		1.12
ADSS basic and diluted		1.29		0.60		3.39		4.77		6.18		3.35
Weighted average shares outstanding (in thousands):												
Common shares basic and diluted		249,597		249,597		249,597		249,597		249,597		
Preferred shares basic and diluted		292,011		292,022		297,675		297,675		297,902		

- (1) Our management identified certain errors relating to the U.S. GAAP adjustments for capitalized interest and the depreciation of the step-up in basis of companies under common control that are included in the reconciliation of shareholders' equity and net income between Brazilian GAAP and U.S. GAAP as of December 31, 2007 and for the two years in the period then ended as described above under Presentation of Financial Information. These errors relate to the calculations used to determine the U.S. GAAP adjustments relating to (1) capitalized interest and (2) the step-up in the basis of the fixed assets of certain entities under common control that were contributed to Brasil Telecom, as described in Notes 36(a) and 36(k)(vi), respectively, to Brasil Telecom's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report. The errors related to the U.S. GAAP adjustment for capitalized interest arose from miscalculations of (1) the rates used to depreciate capitalized interest and (2) the inclusion of fully depreciated assets in the calculation. This resulted in a restatement to the components of the calculation for this difference included in Note 36(a) to Brasil Telecom's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report. While the Brazilian GAAP numbers in this disclosure have been restated, Brasil Telecom's financial statements prepared under Brazilian GAAP were not impacted as these amounts are estimates used solely for the purpose of the U.S. GAAP adjustment. The error relating to the U.S. GAAP adjustment for the step-up in basis of fixed assets arose from an error in the calculation of the rates used to calculate the depreciation for this item. As a result, the related adjustments in the reconciliation of shareholders' equity and net income have been restated from the amounts previously reported. The following table sets forth the reconciliation between Brasil Telecom's net income under U.S. GAAP as previously reported and as restated.

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	2004	For the Year Ended December 31,		2007
		2005	2006	
	(in millions of <i>reais</i> , except per share amounts)			
Net income under U.S. GAAP (as previously reported)	R\$ 285	R\$ 169	R\$ 687	R\$ 767
Difference in:				
Capitalized interest	5	1	1	(0)
Amortization of capitalized interest	(71)	(79)	(110)	139
Depreciation of Step-up in basis of companies under common control	(9)	(15)	1	14
Deferred tax effect on adjustments	26	32	36	(52)
<b>U.S. GAAP net income (as restated)</b>	<b>R\$ 235</b>	<b>R\$ 107</b>	<b>R\$ 616</b>	<b>R\$ 868</b>
Net income per share: (a)				
As previously reported:				
Common shares basic and diluted	0.53	0.31	1.26	1.40
Preferred shares basic and diluted	0.53	0.31	1.26	1.40
ADSs basic and diluted	1.59	0.93	3.78	4.20
As restated:				
Common shares basic and diluted	0.43	0.20	1.13	1.59
Preferred shares basic and diluted	0.43	0.20	1.13	1.59
ADSs basic and diluted	1.29	0.60	3.39	4.77

- (a) In accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share, or SFAS 128, basic and diluted earnings per share have been calculated, for U.S. GAAP purposes, using the two class method. See note 36(d) to Brasil Telecom's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report.
- (2) Translated for convenience only using the selling rate as reported by the Central Bank at August 11, 2009 for *reais* into U.S. dollars of R\$1.846=US\$1.00.
- (3) In accordance with SFAS 128, basic and diluted earnings per share have been calculated, for U.S. GAAP purposes, using the two class method. See note 36(d) to Brasil Telecom's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report.

**Table of Contents****PART TWO SUMMARY***Balance Sheet Data*

	2004	2005	At December 31, 2006                      2007 as restated		2008	2008 (1)
	(in millions of reais)					(in millions of US\$)
<b>Balance Sheet Data</b>						
<i>Brazilian GAAP:</i>						
Cash and cash equivalents	R\$ 2,398	R\$ 1,730	R\$ 2,542	R\$ 584	R\$ 1,479	US\$ 801
Short-term investments			89	1,847	562	304
Trade accounts receivable	2,112	2,153	2,128	2,190	2,210	1,197
Total current assets	5,689	5,272	6,053	5,977	6,139	3,326
Property, plant and equipment, net	8,300	7,593	6,535	5,690	5,902	3,197
Intangible assets	1,136	1,220	1,163	1,237	1,632	884
Total assets	17,403	16,107	15,998	15,535	17,670	9,572
Short-term loans and financing (including current portion of long-term debt)	586	824	971	390	659	357
Short-term debentures	494	608	46	9	12	7
Short-term swaps relating to loans and financing	24	57	116	119	90	49
Total current liabilities	4,696	5,363	4,637	4,412	4,792	2,596
Long-term loans and financing	3,056	2,627	2,370	2,523	2,913	1,578
Long-term debentures	1,020	500	1,580	1,080	1,080	585
Long-term swaps relating to loans and financing	102	292	304	288	132	72
Shareholders equity	6,481	5,497	5,528	5,505	6,241	3,381

- (1) Translated for convenience only using the selling rate as reported by the Central Bank at August 11, 2009 for *reais* into U.S. dollars of R\$1.846=US\$1.00.



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	2004 (1)		2005 (1)		At December 31,		2008	2008 (2)				
	as restated		as restated		as restated				as restated			
	(in millions of reais)						(in millions of US\$)					
<b>Balance Sheet Data</b>												
<i>U.S. GAAP:</i>												
Cash and cash equivalents	R\$	492	R\$	356	R\$	402	R\$	584	R\$	1,479	US\$	801
Short-term investments		1,906		1,374		2,229		1,847		562		304
Intangible assets		1,908		1,978		1,971		2,630		3,106		1,683
Property, plant and equipment, net		9,722		8,915		7,806		5,933		6,087		3,297
Total assets		18,796		17,663		17,993		17,423		19,615		10,626
Short-term loans, financing and debentures (including current portion of long-term debt)		831		1,148		815		399		671		363
Short-term swaps relating to loans and financing		17		54		115		119		90		49
Long-term loans, financing and debentures		3,888		2,963		3,945		3,603		3,993		2,163
Long-term swaps relating to loans and financing		72		275		301		288		132		72
Total liabilities (including funds for capitalization and minority interests)		11,704		11,145		11,049		10,501		11,890		6,441
Shareholders' equity		7,094		6,518		6,944		7,329		7,725		4,185

- (1) Our management identified certain errors relating to the U.S. GAAP adjustments for capitalized interest and the depreciation of the step-up in basis of companies under common control that are included in the reconciliation of shareholders' equity and net income between Brazilian GAAP and U.S. GAAP as of December 31, 2007 and for the two years in the period then ended as described above under Presentation of Financial Information. These errors relate to the calculations used to determine the U.S. GAAP adjustments relating to (1) capitalized interest and (2) the step-up in the basis of the fixed assets of certain entities under common control that were contributed to Brasil Telecom, as described in Notes 36(a) and 36(k)(vi), respectively, to Brasil Telecom's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report. The errors related to the U.S. GAAP adjustment for capitalized interest arose from miscalculations of (1) the rates used to depreciate capitalized interest and (2) the inclusion of fully depreciated assets in the calculation. This resulted in a restatement to the components of the calculation for this difference included in Note 36(a) to Brasil Telecom's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report. While the Brazilian GAAP numbers in this disclosure have been restated, Brasil Telecom's financial statements prepared under Brazilian GAAP were not impacted as these amounts are estimates used solely for the purpose of the U.S. GAAP adjustment. The error relating to the U.S. GAAP adjustment for the step-up in basis of fixed assets arose from an error in the calculation of the rates used to calculate the depreciation for this item. As a result, the related adjustments in the reconciliation of shareholders' equity and net income have been restated from the amounts previously reported. The following table sets forth the reconciliation between Brasil Telecom's shareholders' equity under U.S. GAAP as previously reported and as restated.

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	2004	At December 31, 2005                      2006 (in millions of reais)		2007
Total shareholders' equity under U.S. GAAP (as previously reported)	R\$ 7,072	R\$ 6,558	R\$ 7,055	R\$ 7,339
Difference in:				
Capitalized interest	12	13	14	14
Amortization of capitalized interest	21	(58)	(168)	(29)
Step-up in basis of companies under common control, net of amortization until 2001 and depreciation	(0)	(15)	(14)	(0)
Deferred tax effect on adjustments	(11)	21	57	5
<b>Total shareholders' equity under U.S. GAAP (as restated)</b>	<b>R\$ 7,094</b>	<b>R\$ 6,518</b>	<b>R\$ 6,944</b>	<b>R\$ 7,329</b>

- (2) Translated for convenience only using the selling rate as reported by the Central Bank at August 11, 2009 for *reais* into U.S. dollars of R\$1.846=US\$1.00.

**Selected Historical Brasil Telecom Holding Financial Data**

The following selected financial data have been derived from Brasil Telecom Holding's consolidated financial statements. The selected financial data at December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 have been derived from audited consolidated financial statements of Brasil Telecom Holding which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report. The selected financial data at December 31, 2006, 2005 and 2004 and for the years ended December 31, 2005 and 2004, other than the U.S. GAAP reconciliation of this selected financial data, have been derived from audited consolidated financial statements of Brasil Telecom Holding that are not included or incorporated by reference in this prospectus.

We have included information with respect to the dividends and/or interest attributable to shareholders' equity paid to holders of Brasil Telecom Holding's common shares and preferred shares since January 1, 2004 in *reais* and in U.S. dollars translated from *reais* at the commercial market selling rate in effect as of the payment date under the caption Part Six Shareholder Rights Comparative Share and Dividend Information Information About Historical Dividend Payments.

You should read this selected financial data in conjunction with the audited consolidated financial statements of Brasil Telecom Holding and the related notes thereto, and Item 5. Operating and Financial Review and Prospects of the Brasil Telecom Holding Annual Report, which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report, and the unaudited interim consolidated financial statements of Brasil Telecom Holding and the related notes thereto and Brasil Telecom Holding's Management's Discussion and Analysis of Financial Condition and Results of Operations for the First Quarter of 2009, which are incorporated into this prospectus by reference to the Brasil Telecom Holding First Quarter Report.

**Table of Contents****PART TWO SUMMARY***Statement of Operations Data*

	2004 (1)	2005 (1)	For the Year Ended December 31,		2008	2008 (2)
			2006 (1)	2007 (1)		
			as restated	as restated		(in millions of US\$, except per share amounts)
	(in millions of reais, except per share amounts and as otherwise indicated)					
<b>Statement of Operations Data</b>						
<i>Brazilian GAAP:</i>						
Net operating revenue	R\$ 9,065	R\$ 10,139	R\$ 10,297	R\$ 11,059	R\$ 11,297	US\$ 6,120
Cost of sales and services	(5,840)	(6,521)	(6,460)	(6,382)	(6,209)	(3,363)
Gross profit	3,225	3,618	3,837	4,677	5,088	2,756
Operating expenses	(2,181)	(3,580)	(2,995)	(3,332)	(3,224)	(1,746)
Operating income (loss) before financial expense, net	1,044	38	842	1,345	1,864	1,010
Financial expense, net	(400)	(387)	(105)	(50)	(154)	(83)
Operating income (loss)	644	(349)	737	1,295	1,710	926
Non-operating income (expenses), net	(168)	(147)				
Income (loss) before taxes and minority interest	476	(496)	737	1,295	1,710	926
Income tax and social contribution tax benefit (expense)	(121)	373	(114)	(359)	(591)	(320)
Minority interest	(102)	94	(145)	(262)	(337)	(183)
Net income (loss)	R\$ 253	R\$ (29)	R\$ 478	R\$ 674	R\$ 782	US\$ 424
Number of shares outstanding at year end, excluding treasury shares (in thousands)	358,559	362,488	362,488	362,488	362,488	
Net income per share at year end	R\$ 0.70	R\$ (0.08)	R\$ 1.32	R\$ 1.86	R\$ 2.16	US\$ 1.17
Net income per ADS at year end	3.52	(0.41)	6.07	9.31	10.79	5.85

(1) Translated for convenience only using the selling rate as reported by the Central Bank at August 11, 2009 for reais into U.S. dollars of R\$1.846=US\$1.00.



**Table of Contents****PART TWO SUMMARY**

	2004 (1)		2005 (1)		For the Year Ended December 31,		2008	2008 (2)
	as restated		as restated		2006 (1)			
					as restated			
					as restated			
<b>Statement of Operations Data</b>								
<i>U.S. GAAP:</i>								
Net operating revenue	R\$	9,070	R\$	10,149	R\$	10,306	R\$	11,058
Net income (loss)		235		255		568		778
Net income per share: (3)								
Common shares basic and diluted		0.66		0.71		1.57		2.15
Preferred shares basic and diluted		0.66		0.71		1.57		2.15
ADSs basic and diluted		3.30		3.55		7.85		10.75
Weighted average shares outstanding (in thousands):								
Common shares basic and diluted		132,551		132,551		132,551		132,551
Preferred shares basic and diluted		226,008		229,938		229,938		229,938

- (1) The management of Brasil Telecom Holding identified certain errors relating to the U.S. GAAP adjustments for capitalized interest and the depreciation of the step-up in basis of companies under common control that are included in the reconciliation of shareholders' equity and net income between Brazilian GAAP and U.S. GAAP as of December 31, 2007 and for the two years in the period then ended as described above under Presentation of Financial Information. These errors relate to the calculations used to determine the U.S. GAAP adjustments relating to (1) capitalized interest and (2) the step-up in the basis of the fixed assets of certain entities under common control that were contributed to Brasil Telecom Holding, as described in Notes 36(a) and 36(k)(vi), respectively, to Brasil Telecom Holding's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report. The errors related to the U.S. GAAP adjustment for capitalized interest arose from miscalculations of (1) the rates used to depreciate capitalized interest and (2) the inclusion of fully depreciated assets in the calculation. This resulted in a restatement to the components of the calculation for this difference included in Note 36(a) to Brasil Telecom Holding's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report. While the Brazilian GAAP numbers in this disclosure have been restated, Brasil Telecom Holding's financial statements prepared under Brazilian GAAP were not impacted as these amounts are estimates used solely for the purpose of the U.S. GAAP adjustment. The error relating to the U.S. GAAP adjustment for the step-up in basis of fixed assets arose from an error in the calculation of the rates used to calculate the depreciation for this item. As a result, the related adjustments in the reconciliation of shareholders' equity and net income have been restated from the amounts previously reported. The following table sets forth the reconciliation between Brasil Telecom Holding's net income under U.S. GAAP as previously reported and as restated.

**Table of Contents****PART TWO SUMMARY**

	For the Year Ended December 31,			
	2004	2005	2006	2007
	(in millions of <i>reais</i> , except per share amounts)			
Net income under U.S. GAAP (as previously reported)	R\$ 271	R\$ 291	R\$ 647	R\$ 702
Difference in:				
Capitalized interest	6	1	1	(0)
Amortization of capitalized interest	(84)	(76)	(148)	160
Depreciation of Step-up in basis of companies under common control	(6)	(6)	(29)	11
Deferred tax effect on adjustments	29	28	60	(58)
Minority interest on US GAAP adjustments	19	18	38	(37)
 U.S. GAAP net income (as restated)	 R\$ 235	 R\$ 255	 R\$ 568	 R\$ 778
 Net income per share: (a)				
As previously reported:				
Common shares basic and diluted	0.76	0.80	1.78	1.94
Preferred shares basic and diluted	0.76	0.80	1.78	1.94
ADSs basic and diluted	3.80	4.00	8.90	9.70
As restated:				
Common shares basic and diluted	0.66	0.71	1.57	2.15
Preferred shares basic and diluted	0.66	0.71	1.57	2.15
ADSs basic and diluted	3.30	3.55	7.85	10.75

- (a) In accordance with SFAS 128, basic and diluted earnings per share have been calculated, for U.S. GAAP purposes, using the two class method. See note 36(d) to Brasil Telecom Holding's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report.
- (2) Translated for convenience only using the selling rate as reported by the Central Bank at August 11, 2009 for *reais* into U.S. dollars of R\$1.846=US\$1.00.
- (3) In accordance with SFAS 128, basic and diluted earnings per share have been calculated, for U.S. GAAP purposes, using the two class method. See note 36(d) to Brasil Telecom Holding's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report.

**Table of Contents****PART TWO SUMMARY***Balance Sheet Data*

	2004	2005	At December 31, 2006                      2007 as restated		2008	2008 (1)
	(in millions of reais)					(in millions of US\$)
<b>Balance Sheet Data</b>						
<i>Brazilian GAAP:</i>						
Cash and cash equivalents	R\$ 3,227	R\$ 2,614	R\$ 3,974	R\$ 730	R\$ 2,710	US\$ 1,468
Trade accounts receivable	2,112	2,153	2,128	2,190	2,210	1,197
Total current assets	6,629	6,314	7,498	7,462	7,591	4,112
Property, plant and equipment, net	8,289	7,588	6,535	5,691	5,903	3,198
Intangible assets	1,136	1,220	1,163	1,249	1,638	887
Total assets	18,722	17,581	17,794	17,388	19,437	10,529
Short-term loans and financing (including current portion of long-term debt)	577	816	947	399	671	363
Short-term debentures	255	328	46	9	12	7
Short-term swaps relating to loans and financing	24	57	116	119	90	49
Total current liabilities	4,501	5,312	4,852	4,762	4,971	2,693
Long-term loans and financing	2,990	2,576	2,381	3,603	3,993	2,163
Long-term debentures	759	500	1,580	1,080	1,080	585
Long-term swaps relating to loans and financing	102	292	304	288	132	72
Shareholders' equity	6,128	5,246	5,278	5,199	5,764	3,122

(1) Translated for convenience only using the selling rate as reported by the Central Bank at August 11, 2009 for *reais* into U.S. dollars of R\$1.846=US\$1.00.

**Table of Contents****PART TWO SUMMARY**

	2004 (1)		2005 (1)		At December 31,		2008	2008 (2)
	as restated		as restated		2006 (1)	2007 (1)		
	(in millions of reais)							(in millions of US\$)
<b>Balance Sheet Data</b>								
<i>U.S. GAAP:</i>								
Cash and cash equivalents	R\$ 544	R\$ 362	R\$ 423	R\$ 730	R\$ 2,710	US\$ 1,468		
Short-term investments	2,683	2,252	3,641	3,163	776	420		
Intangible assets	1,826	1,907	1,889	2,582	3,058	1,657		
Property, plant and equipment, net	9,652	8,872	7,762	5,911	6,070	3,288		
Total assets	19,942	19,002	19,645	19,193	21,312	11,545		
Short-term loans, financing and debentures (including current portion of long-term debt)	597	840	815	399	671	363		
Short-term swaps relating to loans and financing	17	54	115	119	90	49		
Long-term loans, financing and debentures	3,520	2,912	3,945	3,603	3,993	2,163		
Long-term swaps relating to loans and financing	72	275	301	288	132	72		
Total liabilities (including funds for capitalization and minority interests)	13,308	13,017	13,400	12,587	14,469	7,838		
Shareholders equity	6,634	5,985	6,244	6,606	6,842	3,706		

- (1) The management of Brasil Telecom Holding identified certain errors relating to the U.S. GAAP adjustments for capitalized interest and the depreciation of the step-up in basis of companies under common control that are included in the reconciliation of shareholders' equity and net income between Brazilian GAAP and U.S. GAAP as of December 31, 2007 and for the two years in the period then ended as described above under Presentation of Financial Information. These errors relate to the calculations used to determine the U.S. GAAP adjustments relating to (1) capitalized interest and (2) the step-up in the basis of the fixed assets of certain entities under common control that were contributed to Brasil Telecom Holding, as described in Notes 36(a) and 36(k)(vi), respectively, to Brasil Telecom Holding's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report. The errors related to the U.S. GAAP adjustment for capitalized interest arose from miscalculations of (1) the rates used to depreciate capitalized interest and (2) the inclusion of fully depreciated assets in the calculation. This resulted in a restatement to the components of the calculation for this difference included in Note 36(a) to Brasil Telecom Holding's audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Holding Annual Report. While the Brazilian GAAP numbers in this disclosure have been restated, Brasil Telecom Holding's financial statements prepared under Brazilian GAAP were not impacted as these amounts are estimates used solely for the purpose of the U.S. GAAP adjustment. The error relating to the U.S. GAAP adjustment for the step-up in basis of fixed assets arose from an error in the calculation of the rates used to calculate the depreciation for this item. As a result, the related adjustments in the reconciliation of shareholders' equity and net income have been restated from the amounts previously reported. The following table sets forth the reconciliation between Brasil Telecom Holding's shareholders' equity under U.S. GAAP as previously reported and as restated.



**Table of Contents****PART TWO SUMMARY**

	2004	At December 31, 2005                      2006 (in millions of reais)		2007
Total shareholders equity under U.S. GAAP (as previously reported)	R\$ 6,616	R\$ 6,004	R\$ 6,341	R\$ 6,627
Difference in:				
Capitalized interest	27	29	30	29
Amortization of capitalized interest	18	(58)	(206)	(46)
Step-up in basis of companies under common control, net of amortization until 2001 and depreciation	(6)	(12)	(42)	(31)
Deferred tax effect on adjustments	(13)	14	74	16
Minority interest on US GAAP adjustments	(9)	9	47	10
Total shareholders equity under U.S. GAAP (as restated)	R\$ 6,634	R\$ 5,985	R\$ 6,244	R\$ 6,606

- (2) Translated for convenience only using the selling rate as reported by the Central Bank at August 11, 2009 for *reais* into U.S. dollars of R\$1.846=US\$1.00.

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**PART TWO SUMMARY**

**Unaudited Pro Forma Combined Financial Information**

The unaudited pro forma combined financial information of Brasil Telecom presented herein has been derived from historical audited consolidated financial statements of Brasil Telecom Holding and Brasil Telecom prepared in accordance with Brazilian GAAP, which are incorporated by reference into this prospectus, and the historical audited financial statements of Copart 1 and Copart 2 as of December 31, 2008 and for the year then ended, which are not included or incorporated by reference into this prospectus.

The unaudited pro forma combined financial information was prepared as if (1) the Brasil Telecom Acquisition, (2) the Intermediate Mergers, and (3) the merger had been completed on January 1, 2008 for the unaudited pro forma statement of operations and on December 31, 2008 for the pro forma balance sheet. The pro forma assumptions and adjustments are described in the accompanying notes presented below.

The unaudited pro forma combined financial information should be read in conjunction with the accompanying notes presented below, the historical consolidated financial statements of Brasil Telecom at and for the year ended December 31, 2008 and notes thereto, which are incorporated into this prospectus by reference to the Brasil Telecom Annual Report, and the historical consolidated financial statements of Brasil Telecom Holding at and for the year ended December 31, 2008 and notes thereto, which are incorporated by reference into this prospectus by reference to the Brasil Telecom Holding Annual Report. The financial statements of Copart 1 and Copart 2 are not included or incorporated by reference into this prospectus as at December 31, 2008, they had no operations, assets or liabilities, other than the equity interests in Brasil Telecom Holding and Brasil Telecom, respectively, that they acquired during the year ended December 31, 2008.

The unaudited pro forma combined financial information is provided for illustrative purposes only and does not purport to represent, and you should not rely on the unaudited pro forma combined financial information as an indication of, (1) what the actual consolidated results of operations or the consolidated financial position of Brasil Telecom would have been had the Brasil Telecom Acquisition, the Intermediate Mergers and the merger occurred on the dates assumed, or (2) the combined company's future consolidated results of operations or financial position.

The unaudited pro forma combined financial information does not reflect, for example, (1) any integration costs that may be incurred as a result of the Brasil Telecom Acquisition, the Intermediate Mergers and the merger, (2) any synergies, operating efficiencies and cost savings that may result from these transactions, (3) any effects of the proposed share exchange or Telemar merger described under The Merger Purpose and Reasons for the Merger and the Corporate Reorganization, (4) any benefits that may be derived from the combined company's growth prospects, or (5) changes in rates for services or exchange rates subsequent to the dates of the pro forma combined financial information. We have not completed the merger, the proposed share exchange or the proposed Telemar merger. Accordingly, additional liabilities may be incurred in connection with the merger, the proposed share exchange or the proposed Telemar merger. Any additional liabilities and costs have not been reflected in the unaudited pro forma combined financial information because information necessary to reasonably estimate such costs and to formulate detailed reorganization plans is not yet available.

**Table of Contents****PART TWO SUMMARY****Brasil Telecom****Unaudited Pro Forma Combined Balance Sheet**

As of December 31, 2008

(in millions of R\$)

	Copart 1 and Copart 2 Combined	Brasil Telecom Holding Consolidated	Pro forma adjustments (Brasil Telecom Acquisition) (a)	Pro forma adjustments (Intermediate Mergers) (b)	Eliminations	Brasil Telecom Holding Pro forma	Pro forma adjustments (Merger) (c)	Brasil Telecom Pro-forma
<b>Assets</b>								
<b>Current Assets:</b>								
Cash and cash equivalents		2,710		52		2,762		2,762
Financial investments		776				776		776
Trade accounts receivable, net		2,210	(18)	18		2,210		2,210
Inventories		54				54		54
Derivatives		29				29		29
Recoverable and deferred taxes	3	974		13	(3)	987		987
Judicial deposits and blockings		679				679		679
Dividends receivables	21				(21)			
Other current assets		159				159		159
	<b>24</b>	<b>7,591</b>	<b>(18)</b>	<b>83</b>	<b>(24)</b>	<b>7,656</b>		<b>7,656</b>
<b>Non Current Assets:</b>								
Recoverable and deferred taxes		1,925				1,925		1,925
Judicial deposits and blockings		2,231				2,231		2,231
Other long-term assets		145				145		145
Investments	3,271	4			(3,271)	4		4
Property, plant and equipment		5,903	2,105			8,008		8,008
Tax credit arising from				2,454		2,454		2,454

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merger							
Intangible assets	1,638	6,999	(6,999)		1,638		1,638
	<b>3,271</b>	<b>11,846</b>	<b>9,104</b>	<b>(4,545)</b>	<b>(3,271)</b>	<b>16,405</b>	<b>16,405</b>
<b>Total Assets</b>	<b>3,295</b>	<b>19,437</b>	<b>9,086</b>	<b>(4,462)</b>	<b>(3,295)</b>	<b>24,061</b>	<b>24,061</b>

See accompanying notes to the Unaudited Pro Forma Combined Financial Information.

**Table of Contents****PART TWO SUMMARY****Brasil Telecom****Unaudited Pro Forma Combined Balance Sheet**

As of December 31, 2008

(in millions of R\$)

	Copart 1 and Copart 2 Combined	Brasil Telecom Holding Consolidated	Pro forma adjustments (Brasil Telecom Acquisition) (a)	Pro forma adjustments (Intermediate Mergers) (b)	Eliminations	Brasil Telecom Holding Pro forma	Pro forma adjustments (Merger) (c)	Brasil Telecom Pro-forma
<b>Liabilities</b>								
<b>Current</b>								
<b>Liabilities</b>								
Payroll, social charges and benefits		110				110		110
Suppliers		2,072				2,072		2,072
Deferred tax and taxes payable	10	736			(10)	736		736
Dividends and interest on shareholders equity	14	516			(14)	516		516
Loans and financing		671				671		671
Derivatives		90				90		90
Authorizations payable		160				160		160
Provision for legal contingencies		219				219		219
Provision for pension and other post-retirement benefits		148				148		148
Other current liabilities		249				249		249
	<b>24</b>	<b>4,971</b>			<b>(24)</b>	<b>4,971</b>		<b>4,971</b>
<b>Non Current</b>								
<b>Liabilities:</b>								
Deferred tax and taxes payable		371				371		371
Loans and financing		3,993				3,993		3,993
Derivatives		132				132		132

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Authorizations payable		624				624		624
Provision for legal contingencies		714	690	(690)		714		714
Provision for pensions and other benefits		607				607		607
Other long-term liabilities		218				218		218
		<b>6,659</b>	<b>690</b>	<b>(690)</b>		<b>6,659</b>		<b>6,659</b>
<b>Minority interest</b>		<b>2,044</b>				<b>2,044</b>	<b>(2,044)</b>	
<b>Shareholders equity</b>								
Capital stock	3,271	2,596	8,396	(8,065)	(3,271)	2,927	2,044	4,971
Capital reserves		309		4,293		4,602		4,602
Profit reserves		2,858				2,858		2,858
<b>Shareholders Equity</b>	<b>3,271</b>	<b>5,763</b>	<b>8,396</b>	<b>(3,772)</b>	<b>(3,271)</b>	<b>10,387</b>	<b>2,044</b>	<b>12,431</b>
<b>Total liabilities and shareholders equity</b>	<b>3,295</b>	<b>19,437</b>	<b>9,086</b>	<b>(4,462)</b>	<b>(3,295)</b>	<b>24,061</b>		<b>24,061</b>

**Table of Contents****PART TWO SUMMARY****Brasil Telecom****Unaudited Pro Forma Combined Balance Sheet (Continued)**

As of December 31, 2008

(in millions of R\$)

	Copart 1 and Copart 2 Combined	Brasil Telecom Holding Consolidated	Pro forma adjustments (Brasil Telecom Acquisition) (a)	Pro forma adjustments (Intermediate Mergers) (b)	Eliminations	Brasil Telecom Holding Pro forma	Pro forma adjustments (Merger) (c)	Brasil Telecom Pro-forma
<b>Reconciliation to U.S. GAAP (d)</b>								
<b>Brazilian GAAP Shareholders Equity</b>								<b>12,431</b>
Reversal of tax credit arising from the merger								(2,454)
Property, plant & equipment								5,199
Intangible assets								14,890
Allowance for doubtful accounts								(70)
Provision for legal contingencies								(2,232)
Acquisition cost								(3)
Different criteria for:								
Asset retirement obligations								(18)
Pension and other post-retirement benefits								287
Deferred revenue, net of related costs activation and installation fees								(23)
Deferred revenue public telephone cards								(25)
Reversal of compensations cost of stock options under Brazilian GAAP								32

Reversal of paid in capital and effects on shareholders equity of the subsidiary Brasil Telecom S.A. related to stock options	(10)
Compensations cost of stock options	(19)
Paid in capital and effects on shareholders equity of the subsidiary Brasil Telecom S.A. related to stock options	6
Deferred tax effect of above adjustments	(6,125)
<b>U.S. GAAP Shareholders Equity</b>	<b>21,866</b>

See accompanying notes to the Unaudited Pro Forma Combined Financial Information.



**Table of Contents****PART TWO SUMMARY****Brasil Telecom****Unaudited Pro Forma Combined Statement of Operations**

For the year ended December 31, 2008

(in millions of R\$)

	Copart 1 and Copart 2 Combined	Brasil Telecom Holding Consolidated	Pro forma adjustments (Brasil Telecom Acquisition)(a)	Pro forma adjustments (Intermediate Mergers) (b)	Eliminations	Brasil Telecom Holding Pro forma	Pro forma adjustments (Merger) (c)	Brasil Telecom Pro-forma
<b>Net operating revenue</b>		<b>11,297</b>				<b>11,297</b>		<b>11,297</b>
Cost of goods sold and services rendered		(6,209)	(621)	349		(6,481)		(6,481)
<b>Gross profit</b>		<b>5,088</b>	<b>(621)</b>	<b>349</b>		<b>4,816</b>		<b>4,816</b>
<b>Operating expenses</b>								
Selling expenses		(1,364)	(3)	2		(1,365)		(1,365)
General and administrative expenses		(1,428)	(108)	61		(1,475)		(1,475)
Other operating expenses, net		(431)				(431)		(431)
		(3,223)	(111)	63		(3,271)		(3,271)
<b>Operating income</b>		<b>1,865</b>	<b>(732)</b>	<b>412</b>		<b>1,545</b>		<b>1,545</b>
Financial income (expense), net	23	(154)				(131)		(131)
<b>Income from continuing operations before tax</b>	<b>23</b>	<b>1,711</b>	<b>(732)</b>	<b>412</b>		<b>1,414</b>		<b>1,414</b>
Income tax and social contribution	(8)	(591)	105	(140)		(634)		(634)
<b>Net income</b>	<b>15</b>	<b>1,120</b>	<b>(627)</b>	<b>272</b>		<b>780</b>		<b>780</b>
<b>Reconciliation to U.S. GAAP (d)</b>								
Reversal of tax credit arising from merger								144
Property, plant and equipment								(791)
Intangible assets								(876)
Allowance for doubtful accounts								70

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Acquisition cost	(3)
Difference in criteria for: Capitalized interest	27
Amortization of capitalized interest	(4)
Asset retirement obligations	(4)
Pension and other post-retirement benefits	78
Deferred revenue, net of related costs activation and installation fees	8
Deferred revenue public telephone cards	(7)
Reversal of compensations cost of stock options under Brazilian GAAP	17
Compensations cost of stock options	(11)
Deferred tax effect of above adjustments	509
<b>U.S. GAAP Net Income</b>	<b>(63)</b>

**See accompanying notes to the Unaudited Pro Forma Combined Financial Information.**

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**PART TWO SUMMARY**

**Notes to the Unaudited Pro Forma Combined Financial Information**

**1. Basis of Presentation**

The unaudited pro forma combined financial information of Brasil Telecom presented herein has been derived from the historical audited consolidated financial statements of Brasil Telecom Holding and Brasil Telecom prepared in accordance with Brazilian GAAP, which are incorporated by reference into this prospectus, and the historical audited financial statements of Copart 1 and Copart 2 as of December 31, 2008 and for the year then ended, which are not included or incorporated by reference into this prospectus. The financial statements of Copart 1 and Copart 2 are not included or incorporated by reference into this prospectus as, at December 31, 2008, they had no operations, assets or liabilities, other than the equity interests in Brasil Telecom Holding and Brasil Telecom, respectively, that they acquired during the year ended December 31, 2008.

**2. Accounting Treatment of the Brasil Telecom Acquisition**

Under Brazilian GAAP, this acquisition was accounted for based on the proportional fair values of identifiable assets and liabilities acquired, including intangible assets and contingent liabilities, based on the participation acquired.

Under U.S. GAAP, Telemar applied SFAS 141(R), under which 100% of the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the subsidiaries of Invitel were recorded at their fair values on January 8, 2009.

**3. Accounting Treatment of the Intermediate Mergers**

For a description of the Intermediate Mergers, see Background of the Merger Reorganization of the Intermediate Holding Companies. Under Brazilian tax law, goodwill and the subsequent allocation of goodwill that is recorded by a holding company in connection with an acquisition is not tax deductible until the holding company is merged into the operating company that was acquired. Accordingly, at the date of the Brasil Telecom Acquisition, Copart 1 was not able to recognize a tax benefit for the deductible goodwill as part of purchase accounting. This tax benefit will only be only recognized after completion of the merger.

CVM regulations limit the recognition of assets and liabilities resulting from the merger of a holding company into its acquired subsidiary to the basis adjustment to fixed assets and the tax benefit resulting from the allocation of goodwill to intangible assets and unallocated goodwill recorded in the acquisition. Therefore, under Brazilian GAAP, because Copart 1 and Copart 2 were used solely for the purpose of effecting the Brasil Telecom Acquisition, pursuant to CVM regulations, Brasil Telecom Holding may only record (1) the property, plant and equipment at the carrying values of Copart 1 and Copart 2, reflecting the accounting for the Brasil Telecom Acquisition, and (2) the tax benefit of the intangible assets recognized in connection with the Brasil Telecom Acquisition based on the amount of expected tax benefit to be realized. These amounts were recorded as from the date of the Intermediate Mergers. The substantial majority of the tax benefit will become realizable after the completion of the merger, whereby the tax benefit will be recorded by Brasil Telecom, the operating company.

Under U.S. GAAP, because Copart 1 controlled Invitel, Solpart and Brasil Telecom Holding since January 8, 2009, the merger of Copart 1 into Brasil Telecom Holding on July 31, 2009 represents a reorganization of entities under common control. As a result, the Intermediate Mergers were accounted for in a manner similar to a pooling-of-interests, whereby the financial statements of the surviving entity will be presented on a consolidated basis as from January 8, 2009, the period during which Copart 1 and Brasil Telecom Holding were under common control, and include the assets and liabilities of Brasil Telecom Holding at the historical carrying values recorded by Copart 1. The historical carrying amounts of Copart 1 reflect the purchase accounting recorded under U.S. GAAP as described in note 2 above.

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Under U.S. GAAP, because Brasil Telecom and Copart 2 have been under common control since January 8, 2009, the merger of Copart 2 into Brasil Telecom represents a transaction between entities under common control. As a result, this merger will be accounted for in a manner similar to a pooling-of-interests, whereby the financial statements of the surviving company will be presented on a consolidated basis from January 8, 2009, the period during which Copart 2 and Brasil Telecom were under common control, and include the assets and liabilities of Brasil Telecom at the historical carrying values recorded by Copart 2.

**4. Accounting Treatment of the Merger:**

Under Brazilian GAAP, Brasil Telecom will account for the merger by (1) recording the property, plant and equipment at the carrying values recorded by Brasil Telecom Holding, reflecting the accounting for the Brasil Telecom Acquisition, and (2) recording the tax benefit of the intangible assets recorded in connection with the Brasil Telecom Acquisition based on the amount of tax benefit realizable on the date of the merger in accordance with specific CVM requirements. The merger of Brasil Telecom Holding into Brasil Telecom will be accounted for as from the date of the merger.

Under U.S. GAAP, the merger represents a reorganization of entities under common control. As a result, the merger will be accounted for in a manner similar to a pooling-of-interest, or at historical carrying values, and reflected in the consolidated financial statements of Brasil Telecom. As described above, the assets and liabilities of Brasil Telecom Holding reflect the accounting described above in note 3.

**5. Pro Forma Assumptions and Adjustments**

The following assumptions and related pro forma adjustments give effect to the Brasil Telecom Acquisition, the Intermediate Mergers and the merger as if those transactions had been completed on January 1, 2008 for purposes of the unaudited pro forma combined statement of operations, and on December 31, 2008 for purposes of the unaudited pro forma combined balance sheet.

**Pro forma adjustments**

- (a) These pro forma adjustments represent the allocation of the excess of the purchase price over the book value of the participation acquired based on the proportional fair values of the assets and liabilities of Brasil Telecom under Brazilian GAAP. The following table sets forth details of the purchase price allocation:

	Acquisition of control (40.02%)	Subsequent tender offers (7.62%) (in millions of reais)	Total
Total consideration paid	8,642	2,656	11,298
Acquisition costs related to the acquisition	2	1	3
	8,644	2,657	11,301
Amounts representing respective percentages of the historical net assets acquired	2,498	407	2,905
Allocation of fair value:			
Property, plant and equipment (1)	1,769	336	2,105
Intangible assets (2)	4,996	2,003	6,999
Provision for contingencies (3)	(601)	(89)	(690)
Trade accounts receivable, net (4)	(18)		(18)



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- (1) This pro forma adjustment reflects the estimated fair value basis adjustment to Brasil Telecom Holding's property, plant and equipment. For purposes of the pro forma income statement, this adjustment was depreciated using a weighted average depreciation rate of approximately 15.21% per year, which is based on the estimated remaining useful lives of the related assets.
- (2) This pro forma adjustment reflects the estimated fair value basis adjustment to Brasil Telecom Holding's intangible assets. The intangible assets are associated with regulatory licenses, which fair value was calculated through an income approach methodology. For purposes of the pro forma income statement adjustment, this amount is amortized using a rate of approximately 5.88% per year, which is based on the remaining term of the related concession agreements.
- (3) This pro forma adjustment reflects the fair value of Brasil Telecom Holding's contingent liabilities which were not recorded in the historical financial statements of Brasil Telecom Holding under Brazilian GAAP.
- (4) This pro forma adjustment reflects the estimated fair value adjustment to Brasil Telecom Holding's accounts receivables. For purposes of the pro forma income statement, this adjustment represents the unwinding of the fair value adjustment during the year ended December 31, 2008.
- (b) As described above, the Intermediate Mergers were accounted for by Brasil Telecom Holding by (1) recording the property, plant and equipment at the carrying values recorded by Copart 1 and Copart 2, reflecting the accounting for the Brasil Telecom Acquisition, and (2) recording the tax benefit of the intangible assets recorded in connection with the Brasil Telecom Acquisition based on the amount of tax benefit calculated on the date of the Intermediate Mergers in accordance with specific CVM requirements. The pro forma adjustments represent the reversal of the pro forma adjustments relating to the Brasil Telecom Acquisition, except for the adjustment relating to property, plant and equipment and the recognition of the tax benefit as described above.
- (c) This pro forma adjustment reflects the elimination of minority interest in Brasil Telecom as a result of the merger.

**(d) U.S. GAAP Adjustments:**

Under U.S. GAAP, in accordance with SFAS 141(R), the Brasil Telecom Acquisition was accounted for using the fair values of 100% of the identifiable assets acquired and the liabilities assumed of Brasil Telecom. The following table sets forth the balance sheet effects of the purchase price allocation recorded in connection with the Brasil Telecom Acquisition (see note 2 above):

	<i>(in millions of reais)</i>
Current assets	7,546
Property, plant and equipment	13,206
Intangible assets	16,528
Other assets	4,620
<b>Total assets acquired</b>	<b>41,900</b>
Current liabilities	5,004
Provision for contingencies	2,947
Other long term liabilities	5,586
Deferred tax liabilities	6,497
<b>Total liabilities assumed</b>	<b>20,034</b>
<b>Total net assets</b>	<b>21,866</b>



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The U.S. GAAP pro forma adjustments reflect (1) the reversal of the tax benefit recorded in connection with the Intermediate Mergers and the merger, (2) recognition of the basis difference in property, plant and equipment, intangible assets, trade accounts receivable, net and provisions for contingencies and the related depreciation and amortization, (3) the reversal of acquisition costs that were recorded as part of the purchase price under Brazilian GAAP, and (4) different criteria for:

- (a) Asset retirement obligations;
- (b) Pensions and other post-retirement benefits;
- (c) Capitalizing interest;
- (d) Revenue recognition;
- (e) Accounting for stock options; and
- (f) Deferred income taxes on temporary differences.

For a discussion of certain differences between Brazilian GAAP and U.S. GAAP relating to the financial statements of Brasil Telecom, see note 36 to its audited consolidated financial statements, which are incorporated into this prospectus by reference to the Brasil Telecom Form 20-F.

**Ratio of Combined Fixed Charges and Preference Dividends to Earnings**

The table below provides the historical ratio of combined fixed charges and preference dividends to earnings for each of , Brasil Telecom Holding and Brasil Telecom for the periods indicated under Brazilian GAAP and U.S. GAAP, and the pro forma ratio of combined fixed charges and preference dividends to earnings of Brasil Telecom for the periods indicated.

Period	Brasil Telecom Holding	Brasil Telecom	Brasil Telecom (Pro Forma)
<b>Brazilian GAAP:</b>			
Year ended December 31, 2004	1.34x	1.23x	
Year ended December 31, 2005 (1)	0.90x	0.80x	
Year ended December 31, 2006	1.57x	1.52x	
Year ended December 31, 2007	2.03x	2.05x	
Year ended December 31, 2008	2.20x	2.21x	2.08x
<b>U.S. GAAP:</b>			
Year ended December 31, 2004	1.62x	1.57x	
Year ended December 31, 2005	1.35x	1.34x	
Year ended December 31, 2006	1.93x	2.04x	
Year ended December 31, 2007	2.74x	2.88x	



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Year ended December 31, 2008

2.74x

2.81x

1.13x

- (1) Under Brazilian GAAP, Brasil Telecom Holding's earnings were R\$188 million less than its combined fixed charges and preference dividends for the year ended December 31, 2005, and Brasil Telecom's earnings were R\$364 million less than its combined fixed charges and preference dividends for the year ended December 31, 2005.

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For purposes of calculation of the ratio of combined fixed charges and preference dividends to earnings, earnings consist of:

pre-tax income from continuing operations before adjustment for income or loss from equity investees;

*plus:*

fixed charges (as defined below) and amortization of capitalized interest;

distributed income of equity investees; and

the applicable company's share of pre-tax losses of equity investees for which charges arising from guarantees are included in fixed charges;

*Minus:*

capitalized interest;

preferred share dividend requirements of consolidated subsidiaries; and

non-controlling interest from pre-tax income of subsidiaries that have not incurred fixed charges.

Fixed charges consist of interest costs (expensed or capitalized), amortized premiums, discounts and capitalized expenses related to indebtedness, an estimate of the interest component of rent expense and preferred share dividend requirements of consolidated subsidiaries payable to third parties.

**Summary Comparative Per Share Data**

Brasil Telecom has derived the unaudited pro forma combined information appearing below from the unaudited pro forma combined financial data of Brasil Telecom appearing elsewhere in this prospectus.

You should read the information below together with the pro forma financial data of Brasil Telecom appearing elsewhere in this prospectus, and the historical financial statements of Brasil Telecom and Brasil Telecom Holding incorporated by reference into this prospectus. The unaudited pro forma combined financial data appearing below is for illustrative purposes only. Brasil Telecom Holding and Brasil Telecom may have performed differently had they always been a combined entity. You should not rely on this information as being indicative of the actual results of that the combined businesses of these companies will experience after the merger.

For more information about historical dividend payments by Brasil Telecom Holding and Brasil Telecom, see Part Six Shareholder Rights Comparative Share and Dividend Information Information About Historical Dividend Payments.



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	As of and for the Year Ended December 31, 2008			
	Historical		Pro Forma	
	Brasil Telecom	Brasil Telecom Holding	Brasil Telecom	Per Share Equivalent Brasil Telecom Holding (1)
	(in reais)			
<b>Brazilian GAAP:</b>				
Book value per common share	R\$ 11.40	R\$ 15.90	R\$ 22.71	R\$ 27.68
Book value per preferred share	11.40	15.90	22.71	24.56
Cash dividends per common share (2)	1.38	1.98	1.38	1.69
Cash dividends declared per preferred share (2)	1.38	1.98	1.38	1.50
Income (loss) per common share from continuing operations	1.88	2.16	1.42	1.74
Income (loss) per preferred share from continuing operations	1.88	2.16	1.42	1.54

- (1) The Brasil Telecom Holding per common share equivalent data are calculated by multiplying the Brasil Telecom pro forma per common share amounts by 1.2190981, representing the number of Brasil Telecom common shares that will be received for each Brasil Telecom Holding common share in the Merger, assuming that none of the shareholders of Brasil Telecom Holding exercises appraisal rights. The Brasil Telecom Holding per preferred share equivalent data are calculated by adding (1) the Brasil Telecom pro forma per common share amounts multiplied by 0.1720066, representing the number of Brasil Telecom common shares that will be received for each Brasil Telecom Holding preferred share in the Merger, assuming that none of the shareholders of Brasil Telecom Holding exercises appraisal rights, and (2) the Brasil Telecom pro forma per preferred share amounts multiplied by 0.9096173, representing the number of Brasil Telecom preferred shares that will be received for each Brasil Telecom Holding preferred share in the Merger, assuming that none of the shareholders of Brasil Telecom Holding exercises appraisal rights.
- (2) Interest on shareholders' equity is included and is presented net of taxes.

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	As of and for the Year Ended December 31, 2008			
	Historical		Pro Forma	
	Brasil Telecom	Brasil Telecom Holding	Brasil Telecom	Per Share Equivalent Brasil Telecom Holding (1)
	(in reais)			
<b>U.S. GAAP:</b>				
Book value per common share	R\$ 14.11	R\$ 18.88	R\$ 39.94	R\$ 48.69
Book value per preferred share	14.11	18.88	39.94	43.20
Cash dividends per common share (2)	1.38	1.98	1.38	1.69
Cash dividends per preferred share (2)	1.38	1.98	1.38	1.50
Income (loss) per common share (basic) from continuing operations	2.06	2.41	(0.12)	(0.14)
Income (loss) per common share (diluted) from continuing operations	2.06	2.41	(0.12)	(0.14)
Income (loss) per preferred share (basic) from continuing operations	2.06	2.41	(0.12)	(0.12)
Income (loss) per preferred share (diluted) from continuing operations	2.06	2.41	(0.12)	(0.12)

- (1) The Brasil Telecom Holding per common share equivalent data are calculated by multiplying the Brasil Telecom pro forma per common share amounts by 1.2190981, representing the number of Brasil Telecom common shares that will be received for each Brasil Telecom Holding common share in the merger, assuming that none of the shareholders of Brasil Telecom Holding exercises appraisal rights. The Brasil Telecom Holding per preferred share equivalent data are calculated by adding (1) the Brasil Telecom pro forma per common share amounts multiplied by 0.1720066, representing the number of Brasil Telecom common shares that will be received for each Brasil Telecom Holding preferred share in the Merger, assuming that none of the shareholders of Brasil Telecom Holding exercises appraisal rights, and (2) the Brasil Telecom pro forma per preferred share amounts multiplied by 0.9096173, representing the number of Brasil Telecom preferred shares that will be received for each Brasil Telecom Holding preferred share in the merger.
- (2) Interest on shareholders' equity is included and is presented net of taxes.

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The following tables show the closing prices of the common shares, preferred shares and ADSs of Brasil Telecom Holding and Brasil Telecom, as well as the equivalent value of the common shares and preferred shares of Brasil Telecom Holding and Brasil Telecom based on the exchange ratios for the merger, as of August 11, 2009, the last trading day preceding the date on of which the detailed terms of the merger were first announced, and as of April 24, 2008, the last trading day preceding public announcement of the corporate reorganization.

	August 11, 2009		(Per share equivalent) Brasil Telecom Holding
	(Actual)		
	Brasil Telecom	Brasil Telecom Holding	
Common shares (1) ( <i>reais</i> )	R\$ 31.98	R\$ 26.28	R\$ 38.99
Preferred shares (2) ( <i>reais</i> )	13.37	15.60	17.66
ADS (3) (U.S. dollars)	US\$ 21.47	US\$ 42.39	US\$ 47.45

Source: BOVESPA; Bloomberg.

- (1) The Brasil Telecom actual price per share represents the closing price for Brasil Telecom common shares on July 31, 2009, the last date prior to August 11, 2009 on which a trade of common shares of Brasil Telecom was reported on the BOVESPA. The Brasil Telecom Holding common share per share equivalent data is calculated by multiplying the Brasil Telecom actual amount by 1.2190981, the number of Brasil Telecom common shares that will be received for each Brasil Telecom Holding common share in the merger.
- (2) The Brasil Telecom Holding preferred share per share equivalent data is calculated by adding (1) the Brasil Telecom common share actual amount multiplied by 0.1720066, the number of Brasil Telecom common shares that will be received for each Brasil Telecom Holding preferred share in the merger, and (2) the Brasil Telecom preferred share actual amount multiplied by 0.9096173, the number of Brasil Telecom preferred shares that will be received for each Brasil Telecom Holding preferred share in the merger.
- (3) The Brasil Telecom Holding per ADS equivalent data is calculated by adding (1) (a) the Brasil Telecom common share actual amount, converted into U.S. dollars based on an exchange rate of R\$1.8457=US\$1.00, the PTAX selling rate as reported by the Central Bank on August 11, 2009, multiplied by (b) 0.1720066, the number of Brasil Telecom common shares that will be received for each Brasil Telecom Holding preferred share in the merger, multiplied by (c) five, the number of preferred shares represented by each Brasil Telecom Holding ADS, and (2) the Brasil Telecom ADS actual amount multiplied by 1.516028, the number of Brasil Telecom Preferred ADS that will be received for each Brasil Telecom Holding ADS in the merger.

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	April 24, 2008		(Per share equivalent)
	(Actual)		
	Brasil Telecom	Brasil Telecom Holding	Brasil Telecom Holding
Common shares (1) ( <i>reais</i> )	R\$ 40.00	R\$ 50.12	R\$ 48.76
Preferred shares (2) ( <i>reais</i> )	20.94	27.32	25.93
ADS (3) (U.S. dollars)	US\$ 37.16	US\$ 80.68	US\$ 79.95

Source: BOVESPA; Bloomberg.

- (1) The Brasil Telecom Holding common share per share equivalent data is calculated by multiplying the Brasil Telecom actual amount by 1.2190981, the number of Brasil Telecom common shares that will be received for each Brasil Telecom Holding common share in the merger.
- (2) The Brasil Telecom Holding preferred share per share equivalent data is calculated by adding (1) the Brasil Telecom common share actual amount multiplied by 0.1720066, the number of Brasil Telecom common shares that will be received for each Brasil Telecom Holding preferred share in the merger, and (2) the Brasil Telecom preferred share actual amount multiplied by 0.9096173, the number of Brasil Telecom preferred shares that will be received for each Brasil Telecom Holding preferred share in the merger.
- (3) The Brasil Telecom Holding per ADS equivalent data is calculated by adding (1) (a) the Brasil Telecom common share actual amount, converted into U.S. dollars based on an exchange rate of R\$1.6687=US\$1.00, the PTAX selling rate as reported by the Central Bank on April 24, 2008, multiplied by (b) 0.1720066, the number of Brasil Telecom common shares that will be received for each Brasil Telecom Holding preferred share in the merger, multiplied by (c) five, the number of preferred shares represented by each Brasil Telecom Holding ADS, and (2) the Brasil Telecom ADS actual amount multiplied by 1.516028, the number of Brasil Telecom Preferred ADS that will be received for each Brasil Telecom Holding ADS in the merger.

**We urge you to obtain current market quotations.**

### Exchange Rates

Prior to March 14, 2005, there were two principal foreign exchange markets in Brazil:

the commercial rate exchange market; and

the floating rate exchange market.

Most trade and financial foreign-exchange transactions were carried out on the commercial rate exchange market. The floating rate exchange market generally applied to transactions to which the commercial market rate did not apply.

On March 4, 2005, the Brazilian National Monetary Council (*Conselho Monetário Nacional*), or National Monetary Council, enacted Resolution No. 3,265, as well as additional regulations, that consolidated the two foreign exchange markets into a single foreign exchange market, effective as of March 14, 2005, in order to make foreign exchange transactions more straight-forward and efficient. Consequently, all foreign exchange transactions in Brazil are now carried out in this single foreign exchange market through authorized financial institutions. We cannot predict the impact of the enactment of any new regulations on the foreign exchange market.





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Foreign exchange rates continue to be freely negotiated, but may be influenced from time to time by Central Bank intervention. From March 1995 through January 1999, the Central Bank allowed the gradual depreciation of the *real* against the U.S. dollar. In January 1999, the Central Bank allowed the *real*/U.S. dollar exchange rate to float freely. Since then, the *real*/U.S. dollar exchange rate has been established mainly by the Brazilian interbank market and has fluctuated considerably. From December 31, 2000 through December 31, 2002, the *real* depreciated by 80.6% against the U.S. dollar. From December 31, 2002 through December 31, 2007, the *real* appreciated by 49.9% against the U.S. dollar, and in 2008, the *real* depreciated by 31.9% against the U.S. dollar. At August 11, 2009, the selling rate for U.S. dollars was R\$1.846 per US\$1.00. In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise, or that the exchange market will not be volatile as a result of political or economic instability or other factors. We also cannot predict whether the *real* will depreciate or appreciate in value in relation to the U.S. dollar in the future.

The following table shows the commercial selling rate or selling rate, as applicable, for U.S. dollars for the periods and dates indicated. The information in the Average column represents the average of the exchange rates on the last day of each month during the periods presented.

Year	Reais per U.S. Dollar			Period End
	High	Low	Average	
2004	R\$ 3.205	R\$ 2.654	R\$ 2.917	R\$ 2.654
2005	2.762	2.163	2.413	2.341
2006	2.371	2.059	2.168	2.138
2007	2.156	1.733	1.930	1.771
2008	2.500	1.559	1.834	2.337

Month	Reais per U.S. Dollar	
	High	Low
February 2009	R\$ 2.392	R\$ 2.245
March 2009	2.422	2.238
April 2009	2.290	2.170
May 2009	2.148	1.973
June 2009	2.007	1.930
July 2009	2.015	1.873
August 2009 (thr		