

BRASIL TELECOM SA
Form 6-K
January 09, 2006

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K

**REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934**

THROUGH JANUARY 09, 2006

(Commission File No. 1-15256)

BRASIL TELECOM S.A.

(Exact name of Registrant as specified in its Charter)

BRAZIL TELECOM COMPANY

(Translation of Registrant's name into English)

**SIA Sul, Área de Serviços Públicos, Lote D, Bloco B
Brasília, D.F., 71.215-000
Federative Republic of Brazil**

(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1).

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7).

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

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If "Yes" is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b):

**PROPOSAL FOR THE ADJUSTMENT OF
FINANCIAL COVENANT**

**4th ISSUANCE, BEING THE 3rd PUBLIC,
OF BRASIL TELECOM S.A.'S DEBENTURES.**

The Debentures have not been, and will not be, registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

January 2006

Financial and Administrative VP and IRO

Financial Operations Director/Capital Markets and Assets Management

Brasil Telecom

3rd largest Brazilian wireline company

Dominant market position in its concession area (Region II)

9.5 million lines in service (LIS) representing a penetration rate of 23% in its concession area

Metropolitan access networks in São Paulo, Rio de Janeiro and Belo Horizonte

Offers integrated services via a system of 2 rings of fiber-optic sub- sea cables connecting Brazil, United States, Venezuela and Bermudas

24% of the Brazilian population (42 million inhabitants) and 26% of the country's GDP (R\$351 billion)

KEY INDICATORS OF THE 3Q05 (9 MONTHS)

| | |
|-------------------------|-----------------|
| Market Cap (09/30/2005) | R\$ 7.8 billion |
| Revenues | R\$ 7.5 billion |
| EBITDA | R\$ 2.4 billion |
| Net Debt | R\$ 2.6 billion |

Convergence and Integration Telecom

Brasil Telecom's Strengths

Brasil Telecom in 2006

OPERATING REVENUES

Slight decrease in wireline revenues and growth in corporate data, IP, and mobile segments

OPERATIONAL COSTS

Mitigate cost pressures

EBITDA

EBITDA margin expected to be stable or slightly lower excluding provisions to be booked on an extraordinary basis

CAPITAL STRUCTURE

Optimization of cost of capital (WACC) via slight increase of debt
Maintenance of conservative liquidity level

Fixed Voice Strategy

Mitigate wireline erosion

**Low income offers
Second line offer
More aggressive retention strategy
Pro-active retention - churn forecast model**

Mitigate traffic erosion

**Franchising plans
Flat Fee offers
Traffic incentives
Cordless Project**

Defend high-end customers

Clustered bundled offers

Defend/grow corporate customers

**Win-back initiatives
Minute Plans**

Attack and consolidate LD market

Traffic campaigns

BrT GSM Focus on High Value Customers

After 1 year of operations, BrT GSM reached a market share of 7%, **surpassing** international benchmarks

Above industry post-paid proportion in the client mix (27% in 3Q05)

Launch of convergent products and offers focused on corporate customers

2006 GUIDANCE

Strong growth focused on **high-end customers** Significant revenue growth

Increase in client base (3 million by the end of 2006) generating required scale for business

Post-paid accesses representing 27% of the client base

Decrease in SAC (from R\$220 in 2005 to R\$200 in 2006)

Conservative SAC accounting via non-deferral

Expected ARPU of R\$28

EBITDA Break-even in 1Q07

Corporate Data and IP Segments

IP SEGMENT

Growth in ADSL subscribers between 30%-40%

Growth in broadband Internet access

Growth in DSL ARPU

Significant IP revenue growth

Launch of new products: VOIPFONE

Maximize synergies among ISPs (iG, iBest, and BrTurbo)

CORPORATE DATA SEGMENT

Growth coming mainly from IP VPN and dedicated IP

Retention of corporate and government clients and growth in SMEs

Segmented offers and continued shift towards advanced services minimizing price pressures

4Q05 Provisions

Provisions, on an extraordinary basis, to be booked in the amount of R\$622MM, referring to the following items (Material Fact of 01/05/2006) :

Legal contingencies R\$198MM

Adjustments in the actuarial calculation of retirement plan obligations of Fundação BrTPrev R\$171MM

Write-off of tax credits (ICMS) R\$127MM

Co-billing R\$74MM

Alteration of the calculation basis of FUST R\$52MM

Reevaluation of contingencies/provisions to better reflect the current conditions of Brasil Telecom S.A.

Commitment to keep high standards of transparency and corporate governance, as well as to continue to value its investors, clients, employees and partners

Impacts and Perspectives

Financial covenant related to EBITDA affected as of the 4th Quarter/2005 until the 3rd Quarter/2006

Notwithstanding the adjustment of the financial covenant, Brasil Telecom's ability to comply with its financial obligations remains unaffected, as the company's cash position is not impacted in the short-term

Brasil Telecom's credit risk and financial health remains unchanged

**Proposal for the Adjustment of
Financial Covenants**

Adjustment of the ratio between EBITDA and Financial Expenses (*):

FROM : equal or higher than 2.25

TO: equal or higher than (i) 1.50 (as of the fourth quarter of 2005 until and including the third quarter of 2006); and (ii) 2.00 (as of the fourth quarter of 2006 until the maturity term of the debentures)

(*): Section 4.19 line e , (i) of the Indenture *Escritura Pública de Debêntures* related to the Issuance of Debentures

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 09, 2006

BRASIL TELECOM S.A.

By: /s/ Charles Laganá Putz

Name: Charles Laganá Putz
Title: Chief Financial
Officer
