

COARI HOLDING CO
Form 425
August 13, 2009

Filed by Brasil Telecom S.A.

Pursuant to Rule 425 of the Securities Act of 1933

Subject Company: Brasil Telecom Participações S.A.

Commission File No.: 001-14477

Subject Company: Coari Participações S.A.

Commission File No.: 132-02657

Subject Company: Brasil Telecom S.A.

Commission File No.: 001-15256

THE FOLLOWING ARE MATERIALS MADE PUBLIC BY TELE NORTE LESTE PARTICIPAÇÕES S.A., TELEMAR NORTE LESTE S.A., COARI PARTICIPAÇÕES S.A., BRASIL TELECOM PARTICIPAÇÕES S.A. AND/OR BRASIL TELECOM S.A. RELATING TO THE PROPOSED MERGER OF BRASIL TELECOM PARTICIPAÇÕES S.A. WITH AND INTO BRASIL TELECOM S.A.

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Additional Information and Where to Find It:

This communication contains information with respect to:

the proposed merger (*incorporação*) of Brasil Telecom Participações S.A. (Brasil Telecom Holding) with and into Brasil Telecom S.A. (Brasil Telecom);

the proposed share exchange (*incorporação de ações*) between Brasil Telecom and Coari Participações S.A. (Coari); and

the proposed merger (*incorporação*) of Coari with and into Telemar Norte Leste S.A. (Telemar).

In connection with the merger of Brasil Telecom Holding with and into Brasil Telecom, Brasil Telecom (1) has filed with the U.S. Securities and Exchange Commission (the Commission) a registration statement on Form F-4, containing a prospectus which will be mailed to the shareholders of Brasil Telecom Holding, and (2) has filed and will file with the Commission other documents regarding the merger.

In connection with the proposed share exchange between Brasil Telecom and Coari, Coari plans to file with the Commission (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 proposed share exchange.

In connection with the proposed merger of Coari with and into Telemar, Telemar plans to file with the Commission (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 proposed merger.

We urge investors and security holders to carefully read the relevant prospectuses and other relevant materials when they become available as they will contain important information about the proposed share exchange and mergers.

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Investors and security holders will be able to obtain the documents filed with the Commission regarding the proposed share exchange and mergers, when available, free of charge on the Commission's website at www.sec.gov or from the issuer of the relevant securities, Brasil Telecom, Coari or Telemar, as applicable.

Special Note Regarding Forward-Looking Statements:

This communication contains certain forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to Tele Norte Leste Participações S.A., Telemar, Coari, Brasil Telecom Holding and Brasil Telecom, are intended to identify forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. Undue reliance should not be placed on such statements. Forward-looking statements speak only for the date they are made.

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EXHIBITS

Exhibit

Number	Description of Document
1	Material Fact filed by Tele Norte Leste Participações S.A., Telemar Norte Leste S.A., Coari Participações S.A., Brasil Telecom Participações S.A. and Brasil Telecom S.A. with the Brazilian Securities Commission (<i>Comissão de Valores Mobiliários</i>) on August 12, 2009 (English Translation).
2	Excerpts from Registration Statement on Form F-4 of Brasil Telecom S.A. filed with the U.S. Securities and Exchange Commission on August 12, 2009 relating to the proposed merger of Brasil Telecom Participações S.A. with and into Brasil Telecom S.A.

TELE NORTE LESTE PARTICIPAÇÕES S.A.

CNPJ/MF N° 02.558.134/0001-58

NIRE N° 33.3.0026253-9

Publicly held Company

TELEMAR NORTE LESTE S.A.

CNPJ/MF N° 33.000.118/0001-79

NIRE N° 33.3.0015258-0

Publicly held Company

COARI PARTICIPAÇÕES S.A.

CNPJ/MF N° 04.030.087/0001-09

NIRE N° 35.3.0018062-3

Publicly held Company

BRASIL TELECOM PARTICIPAÇÕES S.A.

CNPJ/MF N° 02.570.688/0001-70

NIRE N° 53.3.0000581-8

Publicly held Company

BRASIL TELECOM S.A.

CNPJ/MF N° 76.535.764/0001-43

NIRE N° 53.3.0000622 9

Publicly held Company

NOTICE OF MATERIAL FACT

Tele Norte Leste Participações S.A. (TNL), Telemar Norte Leste S.A. (Telemar), Coari Participações S.A. (Coari), Brasil Telecom Participações S.A. (BrTP) and Brasil Telecom S.A. (BrTO) and, together with TNL, Telemar, Coari, BrTP and BrTO, the Companies, pursuant to and in accordance with Instructions No. 319/99 and No. 358/02 issued by the Brazilian Securities and Exchange Commission (CVM), and following the matters disclosed in the Material Facts released on April 25, 2008, January 8, 2009 and July 15, 2009, hereby inform their shareholders and the market in general of the following matters:

1. Corporate Reorganization

In July 31, 2009, the mergers contemplated by the Intermediate Corporate Reorganization (Step 1) were completed concluded, the objective of which was to eliminate the intermediate companies in the control structure of BrTP and BrTO, and as a result Coari, a direct subsidiary of Telemar, acquired direct control of BrTP and indirect control of BrTO.

In order to continue the implementation of the transactions announced in the Material Fact released on April 28, 2009, the managements of the Companies intend to implement the

second phase of the Corporate Reorganization, in order to simplify the control structure of BrTP and BrTO through subsequent transactions that will cumulatively result in the migration of the shareholder bases of BrTP and BrTO to Telemar.

The second phase of the Corporate Reorganization will involve the following steps:

- (i) the merger of BrTP with and into BrTO, with the absorption of the assets and liabilities of BrTP by BrTO, which will result in the migration of BrTP's shareholder base to BrTO, following which BrTP will cease to exist (the Merger) (Step 2);
- (ii) a share exchange between BrTO and Coari, a publicly held company that is a direct subsidiary of Telemar, which will result in BrTO becoming a wholly-owned subsidiary of Coari and the migration of BrTO's shareholders at that time to Coari (the Share Exchange) (Step 3); and
- (iii) a merger of Coari with and into Telemar, with the absorption of the assets and liabilities of Coari by Telemar, which will result in the migration of Coari shareholders at that time to Telemar, following which Coari will cease to exist (the Telemar Merger) (Step 4).

The Merger requires registration of the shares to be issued by BrTO under the U.S. Securities Act of 1933, which the managements of the Companies estimate could occur within 45 days. The general shareholders' meetings of BrTP and BrTO that will consider the Merger will be eventually summoned and shall be held approximately 30 days after the registration statement with respect to these shares is declared effective by the U.S. Securities and Exchange Commission (the SEC).

This Material Fact is solely for the purpose of announcing the information related to the Merger, as required by the CVM Instruction No. 319/99 for such transaction.

In accordance with information previously released, the structure and conditions of the Share Exchange and the Telemar Merger remain subject to definition resulting from analysis and studies currently being conducted by the managements of the Companies, including the analysis of the actions necessary for the approval of the listing of Coari shares and Telemar shares on the New York Stock Exchange and the registration of these shares with the SEC and with the Brazilian Securities, Commodities and Future Exchange (*BM&FBOVESPA - Bolsa de Valores, Mercadorias e Futuros*, or the BM&FBOVESPA).

After the completion of such analysis and previous actions necessary for the Share Exchange and the Telemar Merger, such information will be made public.

2. Corporate Structure. The shareholding structure of the Companies before and after the Merger is shown in the following diagrams:

3. Objectives, Benefits and Justification of the Merger.

3.1. Objectives, Benefits and Justification of the Merger. The Merger represents one of the steps required to implement the Corporate Reorganization, and has following specific objectives:

- (i) aligning the interests of the BrTP and BrTO shareholders, which are companies under common control;
- (ii) simplifying the capital and corporate structure of BrTP and BrTO, reducing administrative costs;
- (iii) enhancing the liquidity of the BrTO shares; and
- (iv) eliminating the costs of separate listings of the shares of BrTP and BrTO, as well as costs arising from the public disclosure obligation for information released separately by BrTP and BrTO.

3.2. Goodwill absorbed by BrTO in the Merger. The goodwill recorded by BrTP as a consequence of the Merger of Copart 1 Participações S.A. (Copart 1) with and into BrTP

worth R\$8,235,520,378.00 (eight billion, two hundred and thirty five million, five hundred and twenty thousand, three hundred and seventy eight Brazilian *reais*), arising from the acquisition of 100% of the shares issued by Invitel and 35.52% of the shares issued by BrTP, is based on the surplus value of the fixed assets and the concession right for the Fixed Switched Telephony Services (STFC) held by BrTO. The amount of the goodwill net of (i) the estimated amortization during the period from January 2009 until October 2009, and (ii) the provision for maintaining the veracity of the net equity established in accordance with CVM Instruction No. 319/99, is R\$3,761,805,623.55 (three billion, seven hundred and sixty-one million, eight hundred and five thousand, six hundred and twenty-three *reais* and fifty-five *centavos*). Due to the merger of BrTP with and into BrTO, the goodwill will be amortized by BrTO, in compliance with Brazilian current tax law, generating tax benefits.

The special goodwill reserve established by BrTP as set forth in §1, Article 6 of CVM Instruction No. 319/99 as a result of the merger of Copart 1 with and into BrTP, will be incorporated to BrTO and will be applied in favor of all the shareholders, pursuant to §2, Article 6 of CVM Instruction No. 319/99.

4. Previous Corporate and Business Acts. In addition to the transactions and acts disclosed in the Material Facts released on April 25, 2008, January 8, 2009 and July 15, 2009, the Boards of Directors of BrTP and BrTO approved the signature of the Protocol and Justification of the Merger, as well as the appraisal reports and other related documents, and decided to convene the BrTP and BrTO shareholders in order to deliberate on the proposed Merger.

5. Shares Exchange Ratios in the Merger.

5.1. Exchange Ratios in the Merger. As a result of the Merger, to the shareholders of BrTP, 1.2190981 common shares of BrTO will be issued in substitution for each outstanding common share of BrTP, and 0.1720066 common shares and 0.9096173 preferred shares of BrTO will be issued in substitution for each outstanding preferred share of BrTP (the Exchange Ratios).

5.2. Exchange Ratio Criteria. The Exchange Ratios were determined based on the weighted average daily market prices for the shares issued by BrTO and BrTP on the BM&FBOVESPA during the 90 (ninety) calendar days between January 24, 2008 and April 23, 2008, according to the Material Fact released in April 25, 2009, and adjusted by interest on shareholders' equity declared from January 1, 2008 through the date of execution of the Protocol and Justification of the Merger.

5.3. Reasons Why the Merger is Considered Fair for the Shareholders. The managements of the Companies believe that the Merger is fair, in light of the fact that the shares issued by BrTO and BrTP are highly liquid and the Exchange Ratios were determined on the basis of the market prices for these shares.

5.4. Fractional Shares. Fractions of BrTO shares resulting from the substitution of the shares held by each BrTP shareholder will be grouped into whole shares, and sold at an auction to be held on the BM&FBOVESPA, with the amounts received in such sale made available to the respective shareholders after the final financial settlement of the shares sold through the auction

6. Net Worth Appraisal Criteria for BrTP and BrTO.

6.1. Net Worth Appraisal. The Net Worth of BrTP was appraised by the specialized firm, Apsis Consultoria Empresarial Ltda. with head offices at Rua São José 90, Suite 1,082, in the City and State of Rio de Janeiro, registered with the Treasury Ministry on the National Corporate Tax-Payers Register under CNPJ/MF No. 27,281,922/0001-70 (Apsis), on the basis of its book value, as shown in the audited financial statements issued by BrTP as of May 31, 2009 (the Base Date) taking into account the following events that occurred after the Base Date: (i) the acquisition by Copart 1 of 40,452,227 common shares of BrTP in the Tender Offer for the Acquisition of BrTP common shares on June 23, 2009; (ii) the capitalization of the advance for future capital increase in the amount of R\$3,645,684,817.43 by Copart 1 on June 30, 2009; (iii) the merger of Invitel with and into Solpart Participações S.A. (Solpart) on July 31, 2009; (iv) the merger of Solpart with and into Copart 1 on July 31, 2009; and (v) the merger of Copart 1 with and into BrTP on July 31, 2009. The selection and engagement of Apsis must be ratified and approved by the shareholders of BrTP and BrTO. The book value of the Net Worth of BrTP was assessed as of the Base Date, taking into account the adjustments described above, at the amount of R\$9,083,341,784.17 (nine billion, eighty three million, three hundred forty one thousand, seven hundred and eighty four *reais* and seventeen *centavos*).

6.2. Appraisal of the Net Worth of BrTP and BrTO at Market Prices. In compliance with the provisions set forth in Article 264 of the Law No. 6,404/76 (the Brazilian Corporation Law), Apsis prepared the Net Worth Appraisal Report of BrTP and BrTO at market prices. The appraisals of BrTP and BrTO were prepared using the same criteria and as of the Base Date, taking into account the adjustments described above, resulting in, solely for the purposes of Article 264 of the Brazilian Corporation Law, an exchange ratio of 1.33089 outstanding shares of BrTO for each outstanding share of BrTP.

7. **Treatment of Subsequent Equity Variations in the Merger.** Variations in the equity of BrTP occurring between the Base Date and the effective Merger date, meaning the date on which the respective General Shareholders Meetings of BrTP and of BrTO approve the Merger, will be noted and recorded directly in the books of BrTO.

8. **Asset and Policy Rights and Advantages of the Shares.**

8.1. **Rights Conferred by the Shares to be issued to BrTP Shareholders.** Shareholders owning common shares of BrTP will receive common shares of BrTO, and shareholders owning preferred shares of BrTP will receive common and preferred shares of BrTO, in order to comply with the legal constraint on the allocation of the equity capital of BrTO between common shares (1:3) and preferred shares (2:3). The common and preferred shares issued by BrTO to the BrTP shareholders will entitle them to the same rights as those conferred by the other common and preferred shares issued by BrTO, respectively, including full receipt of dividends and/or interest on shareholders equity that may be declared by BrTO as from the date on which the Merger is approved by the shareholders of BrTO and BrTP.

8.2. **Comparison between the Dividend and Voting Rights and Preferences of the Shares.** The dividend and voting rights and preferences of the shares of BrTP differ in some aspects from the rights and advantages of the shares of BrTO, as shown in the following comparative table:

Vodafone Group

Tim Brown, Group Corporate Affairs Director

Melissa Stimpson, Director of Group Investor Relations

Bobby Leach, Head of Group Financial Media Relations

Darren Jones, Senior Investor Relations Manager

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Sandra Hughes

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2003/003

9 January 2003

**VODAFONE LAUNCHES BOND PURCHASE
SOLICITATION**

Vodafone Group Plc (Vodafone) announces today a cash tender offer to purchase bonds listed below (the Bonds) issued by its wholly owned subsidiary Vodafone Finance BV (previously Mannesmann Finance BV) and guaranteed by Vodafone Holding GmbH (previously Mannesmann AG) (the Guarantor) also wholly owned.

The cash tender offer will be made by way of a solicitation of offers to sell (the Solicitation).

Vodafone is undertaking the Solicitation for the following reasons:-

Vodafone does not and has no plans to guarantee the Bonds. Therefore, this Solicitation gives an opportunity to holders of the Bonds (Bondholders) to receive cash following recent changes to the Guarantor, which are more fully described in the Solicitation document.

Vodafone and its subsidiaries (Vodafone Group) have sufficient cash to purchase tendered Bonds and wish to earn a better return than investing in short term financial assets. The purchase of Bonds pursuant to the Solicitation will not affect Vodafone Group 's net debt.

Vodafone Group has approximately 3.8bn of bonds maturing before the end of January 2005 and wishes to repay a significant part of this now. If all the Bonds

were to be tendered this amount would reduce
to approximately 0.8bn.

Vodafone Group has euro
denominated bonds issued by Vodafone and
Vodafone Finance BV but believes it more
efficient to only have one issuer quoted in the
market.

Vodafone Finance BV was incorporated as a finance
vehicle to issue bonds and to lend the proceeds to
Vodafone Holding GmbH which was the ultimate listed
holding company for the Mannesmann group.

Bondholders may either sell Bonds to Deutsche Bank AG, acting as agent for Vodafone in the Solicitation between 28 January and 31 January 2003, or place an order through Euroclear or Clearstream between 28 January and 3 February 2003. The price* will be calculated by reference to the yield on the relevant Reference Bund plus a fixed spread which will be formally announced on 28 January 2003 after completion of the marketing period. For Bondholders selling to Deutsche Bank AG the Reference Bund yield will be quoted at the time the order is placed whilst for orders placed through Euroclear or Clearstream it will be quoted at 2:00 pm Frankfurt time on 3 February 2003. The price plus accrued interest on the Bonds is expected to be settled on 6 February 2003.

Bonds	Reference Bund	Preliminary Fixed Spread	Illustrative Price*
2,500,000,000 4.875% due 8 September 2004	6.75% July 2004	+25	102.913%
460,162,693.08 (DM900m) 5.25% due 21 January 2005	4.25% February 2005	+41	103.888%
3,000,000,000 4.75% due 27 May 2009	3.75% January 2009	+67-77 range	101.166-101.710%

*Further details are contained in the Solicitation document.

- ends -

For further information contact:

Vodafone Group

Tim Brown, Group Corporate Affairs Director

Melissa Stimpson, Director of Group Investor Relations

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SIGNATURES

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 authorised.

VODAFONE
GROUP
PUBLIC LIMITED
COMPANY
(Registrant)

Dated: February
28, 2003

By: /s/ S R
SCOTT
Name: Stephen R.
Scott
Title: Company
Secretary

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m by calling the SEC at 1-800-SEC-0330. Investors and security holders may also obtain a copy of the Registration Statement free of charge from Brasil Telecom.

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PART ONE QUESTIONS AND ANSWERS ABOUT THE MERGER

* * *

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 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 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;

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.

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PART TWO SUMMARY

* * *

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 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 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.

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PART THREE RISK FACTORS

Risks Relating to the Merger

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The other steps related to the corporate reorganization, including the share exchange and the Telemar merger, may not occur.

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 in which shares of Coari, a wholly owned subsidiary of Telemar, will be issued in exchange for shares of Brasil Telecom, and (3) a merger 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. If these transactions do not take place, one of the primary benefits of the corporate reorganization, the simplification of the capital structure of Telemar, Brasil Telecom and our company, will not be fully achieved.

PART FIVE THE MERGER

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Reasons for 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 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 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;

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.