

BRASIL TELECOM SA
Form 424B3
November 03, 2004
PROSPECTUS
Dated November 1, 2004

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Brasil Telecom S.A.

**Exchange Offer For
US\$200,000,000 9.375% Notes Due 2014**

Brasil Telecom S.A., which we refer to as Brasil Telecom, is offering to exchange up to US\$200,000,000 of its 9.375% Notes due 2014, which we refer to as the new notes, for up to US\$200,000,000 9.375% Notes due 2014, which we refer to as the old notes. The terms of the new notes are identical in all material respects to the terms of the old notes, except that the new notes have been registered under the Securities Act, and the transfer restrictions and registration rights relating to the old notes do not apply to the new notes. We refer to the old notes and the new notes collectively as the notes.

The exchange offer will expire at 5:00 p.m. New York City time on November 30, 2004 unless extended.

To exchange your old notes for new notes:

- you are required to make the representations described on page 98 to Brasil Telecom;
- you must complete and send the letter of transmittal that accompanies this prospectus to the exchange agent, by 5:00 p.m., New York time, on November 30, 2004; and
- you should read the section called "The Exchange Offer" for further information on how to exchange your old notes for new notes.

The old notes are listed, and application will be made to list the new notes, on the Luxembourg Stock Exchange.

See "Risk Factors" beginning on page 22 for a discussion of risk factors that you should consider prior to tendering your old notes in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in the exchange offer or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

November 1, 2004

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The Securities and Exchange Commission, or the SEC, allows us to incorporate by reference the information we file with them, 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 some later information that we file with or furnish to the SEC will automatically be deemed to update and supersede this information. We incorporate by reference the following documents that have been filed with the SEC:

- The Annual Report on Form 20-F of Brasil Telecom for the fiscal year ended December 31, 2003, which we refer to as our Form 20-F.
- The Report on Form 6-K furnished by Brasil Telecom to the SEC on August 6, 2004 relating to our results for the six months ended June 30, 2004.

We also incorporate by reference into this prospectus, any filings made with the SEC under Sections 13(a), 13(c) or 15(d) of the Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and, to the extent designated therein, reports on Form 6-K furnished to the SEC, after the date of this prospectus and prior to the consummation of this offering.

Any statement contained in a document, all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this prospectus.

We will provide without charge to each person to whom a copy of this prospectus is delivered, upon the written or oral request of any such person, a copy of any or 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). **To obtain timely delivery, investors must request this information no later than five business days before the date they must make their investment decision.** Requests should be directed to the Investor Relations Department, SIA SUL, ASP, Lote D, Bloco B, 1º andar 71.215-000 Brasília, DF, Brazil (telephone no: (55 61) 415-1052).

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-4 under the Securities Act of 1933, as amended (the Securities Act), with respect to the new notes. This prospectus, which is part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information pertaining to us we refer you to the registration statement and the exhibits and schedules filed as part of the registration statement. If a document has been filed as an exhibit to the registration statement, we refer you to the copy of the document that has been filed. Each statement in this prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit. The registration statement, including exhibits and schedules thereto, may be inspected without charge at the SEC's Public Reference Rooms at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. In addition, the SEC maintains an Internet web site at www.sec.gov, from which you can electronically access the registration statement and its exhibits.

CERTAIN TERMS AND CONVENTIONS

As used in this prospectus, except where otherwise specified or the context otherwise requires (i) "we", "us" and "our" refer to Brasil Telecom S.A. (previously Telecomunicações do Paraná S.A., or Telepar), its parent company, Brasil Telecom Participações S.A. or, Brasil Telecom Participações, and its subsidiaries, collectively, and (ii) "Brasil Telecom" and the "issuer" refer to Brasil Telecom S.A. alone.

This prospectus is intended solely for the purpose of soliciting expressions of interest in the exchange offer from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the indenture, the notes, the insurance policy and other transaction documents. The information provided is not all-inclusive and may not contain all the information you would desire. The information in this prospectus has been obtained by us and the insurer from publicly available sources, including websites such as www.bc.gov.br and www.sec.gov, deemed reliable by the same. The information included in this prospectus concerning the ownership of Techold Participações S.A., which we refer to as Techold, Timepart Participações Ltda., which we refer to as Timepart, and Telecom Intalia International N.V., which we refer to as TII, through Solpart Participações S.A., which we refer to as Solpart, has been included herein to the extent publicly available. We have assumed such information to be correct and have not independently verified such information.

The Overseas Private Investment Corporation, which we refer to as OPIC, does not express any opinion regarding, and has not passed upon the merits of an investment in the notes or the accuracy of the disclosure contained in this prospectus. None of the government of the United States, OPIC or any other agency thereof is or shall be deemed to be a sponsor of the offering described in this prospectus or to have passed on the merits hereof. None of OPIC, its officers or any of its employees makes any representation or warranty, expressed or implied, as to, nor will any of them have any responsibility for, the accuracy or completeness of the information contained in this prospectus, other than the information under the headings "Background" and "Claim Paying History" in section headed "Description of the Insurer and the Insurance Policy Overseas Private Investment Corporation."

Certain other terms are defined the first time that they are used in this prospectus.

Any discrepancies in tables between totals and sums of the amounts listed are due to rounding.

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements were prepared in conformity with generally accepted accounting principles in Brazil, which we refer to as Brazilian GAAP, which are similar to the Brazilian Corporation Law No. 6404/76, as amended by Law No. 10.330/02, which we refer to as Brazilian Corporation Law, except for the effects of the recognition of inflationary effects from January 1, 1996 to December 31, 2000, and are consistent with the rules and regulations of the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*, or CVM), and the accounting standards issued by the Brazilian Institute of Independent Auditors (*Instituto dos Auditores Independentes do Brasil* or IBRACON). Investors should note that financial statements prepared in accordance with Brazilian GAAP differ from financial statements prepared in accordance with Brazilian Corporation Law in the methodology used for the recognition of inflation, among others. See Notes 2a and 2b to our audited consolidated financial statements in our Form 20-F for (i) a summary of the principal differences between Brazilian GAAP and Brazilian Corporation Law as they relate to us and (ii) a reconciliation from Brazilian Corporation Law to Brazilian GAAP of shareholders' equity as of December 31, 2001, 2002 and 2003 and net income (loss) for each of the years ended December 31, 2001, 2002 and 2003. Brazilian GAAP when applied to us differs in certain important respects from generally accepted accounting principles in the United States, which we refer to as U.S. GAAP. See Note 31 to our audited consolidated financial statements in our Form 20-F for (i) a summary of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to us and (ii) a reconciliation to U.S. GAAP of shareholders' equity as of December 31, 2002 and 2003 and net income (loss) for each of the years ended December 31, 2001, 2002 and 2003. We also refer to the audited consolidated financial statements herein as the Financial Statements.

PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. Since this is a summary, it does not contain all of the information that may be important to you. For a more complete understanding of the exchange offer, you should carefully read the entire prospectus, including the Financial Statements and the notes thereto and the documents we have referred to you. You should pay special attention to the "Risk Factors" section beginning on page 22 of this prospectus.

Overview

General

We are one of the fixed-line telecommunications companies that resulted from the breakup and privatization of Telecomunicações Brasileiras S.A., which we refer to as Telebrás, by the Brazilian Federal Government in 1998. We are an amalgamation of the following operating companies formerly controlled by Telebrás: Telecomunicações de Santa Catarina S.A., which we refer to as Telesc, Telecomunicações de Goiás S.A., which we refer to as Telegoiás, Telecomunicações de Brasília S.A., which we refer to as Telebrasil, Telecomunicações do Mato Grosso S.A., which we refer to as Telemat, Telecomunicações do Mato Grosso do Sul S.A., which we refer to as Telems, Telecomunicações de Rondônia S.A., which we refer to as Teleron, Telecomunicações do Acre S.A., which we refer to as Teleacre, Companhia Telefônica Melhoramento e Resistência, which we refer to as CTMR, our predecessor, Telecomunicações do Paraná S.A., which we refer to as Telepar, and Companhia Riograndense de Telecomunicações, which we refer to as CRT, a company formerly controlled by Telefônica S.A., which we refer to as Telefônica, and acquired by us in July 2000.

The Brazilian government divided the fixed-line telecommunications network into three regions upon privatization in 1998. Region I consists of sixteen states located in the northern, north-eastern and south-eastern regions of Brazil. Region II, our region, consists of nine states in the western, central and southern regions of Brazil (Rio Grande do Sul, Santa Catarina, Paraná, Mato Grosso, Mato Grosso do Sul, Goiás, Tocantins, Acre, Rondônia) and the Distrito Federal (Brasília). Region III is the state of São Paulo.

We provide fixed-line telecommunications services in Brazil under concessions which we assumed from each of our constituent companies for each of the states in Region II. These concessions, which allow us to provide local and intrastate fixed-line telecommunications services, were granted by the Brazilian government to us and to each of these companies prior to our merger with them. Our business, including the service we provide and the rates we charge, is subject to comprehensive regulation by *Agência Nacional de Telecomunicações*, which we refer to as Anatel, an independent regulatory agency, under the General Telecommunications Law and various administrative enactments thereunder. In November 2002, we also acquired authorizations to provide wireless services in Region II.

The concessions under which we operate our fixed-line services imposed certain universalization, expansion and modernization targets on us. On January 19, 2004, Anatel certified our accomplishment of these targets and we are now permitted, and have begun offering, local and intraregional long distance services in Region I and III, interregional and international long-distance services and corporate data services throughout Brazil. We were also allowed to, and have now begun offering wireless services in our region using the Global System for Mobile Communication or GSM technology platform through our existing brand name.

The states in our region cover an area of approximately 2.85 million square kilometers, representing approximately 33.4% of the country's total area and generating approximately 25% of Brazil's Gross Domestic Product in 2003. At December 31, 2003, the estimated population of our region was approximately 42 million, representing approximately 24% of the total population of Brazil. Our region includes the metropolitan areas of Brasília, the capital of Brazil, Porto Alegre, Curitiba and Goiânia, each with populations in excess of one million inhabitants.

We are the leading provider of local fixed-line telecommunications services and intrastate fixed-line telecommunications services in our region with an estimated 96.5% market share based on outside consultants'

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statistical estimates using the volume in minutes of outgoing and incoming local calls of our competitors that interconnect through our network. As of December 31, 2003, we had approximately 9.85 million fixed-lines in service. The other local fixed-line telecommunications service providers in our region are Global Village Telecom Ltda., which we refer to as Global Village Telecom, Tele Norte Leste Participações S.A., which we refer to as Telemar and Telefônica.

For intrastate and interstate long-distance telecommunications services, Intelig Telecomunicações Ltda., which we refer to as Intelig and Embratel Participações S.A, which we refer to as Embratel, are the other significant telecommunication companies that are authorized to provide long-distance services in our region.

Our Operations

The telecommunications services that we offer to our customers consist of (i) local services, including all calls that originate and terminate within a single local area in our region, as well as, installation, monthly subscription, measured services, public telephones and supplemental local services, (ii) intraregional long-distance services which include intrastate (calls between local areas within a state in our region) and interstate (calls between states in our region), (iii) interregional and international long-distance services, (iv) network services, including interconnection, leasing of facilities and fixed-to-mobile services, (v) data transmission services, (vi) wireless mobile services and (vii) other services. We do not sell, rent or otherwise provide telephone equipment such as handsets or switchboards. On January 19, 2004, Anatel certified our compliance with universalization targets which enabled us to provide mobile services in our region and local, intraregional, interregional and international long-distance services, as well as data transmission services, in all regions.

Local Services

Local services include all calls that originate and terminate within a single local area in our region, as well as installation, monthly subscription, public telephones and supplemental local services. We are the leading provider of local telecommunications services in our region with an estimated 96.5% market share. This estimate is based on outside consultants' statistical estimates using the volume in minutes of outgoing and incoming local calls of our competitors that interconnect through our network. We also own and operate public telephones throughout our region and at December 31, 2003, we had approximately 296,300 public telephones. We provide a variety of other supplemental services to our local service clients, including voice mail, call waiting, call forwarding, conferencing, speed dialing and caller ID. Our leading position in the local fixed-line telecommunications market is due, among other things, to the lack of competition in this market until the entry of our first competitor in November 2000. Since then, we have been able to maintain a high market share in our region due to our extensive network and the features, prices and services we offer.

Intraregional (Intrastate and Interstate) Long-Distance Service

Calls from one local area in a region to another local area in a region are referred to as "intraregional long-distance" calls. Intraregional long-distance service includes intrastate long-distance calls (calls within a given state in a region) and interstate long-distance calls (calls between states in a region). We are the leading provider of intrastate fixed-line telecommunication services in our region with an estimated 89.9% intrastate market share and an estimated 75.1% interstate market share at December 31, 2003. These estimates are based on the volume in minutes of outgoing and incoming long-distance calls that are made using our carrier selection code, "14."

As of July 1999, Embratel and Intelig, received authorization to provide intrastate long-distance services within the states in our region, and we received authorization to provide interstate long-distance services between the states in our region. Since that time, we have been providing interstate fixed-line telecommunications services in our region and expanding our interstate long-distance service network. To date, Telefônica and Telemar, among others, have been authorized to provide intraregional long-distance services in our region.

Interregional and International Long Distance Services

Historically, under Anatel rules, regional fixed-line companies, such as Brasil Telecom, generally were not permitted to offer interregional or international long distance services until after December 31, 2003 (the date designed to correspond with certification of our universalization targets by Anatel). Having received certification by Anatel of our compliance with universalization targets on January 19, 2004, we have begun offering interregional long distance and international long distance services. Interregional long distance services consist of calls between a location within Region II and a location within another region (Region I or Region III). International long distance services consist of calls between a location within Brazil and a location outside of Brazil. In order to provide these services, we have entered into interconnection agreements with Telemar and Telefônica and we will also make use of the submarine cable network we acquired in June 2003, which we refer to as GlobeNet, (linking Brazil with the United States, Bermuda and Venezuela) and the local fiber optic network we acquired as part of our acquisition of MetroRED Telecomunicações Ltda. in May 2004, which we refer to as MetroRED (providing network facilities in São Paulo, Rio de Janeiro and Belo Horizonte).

Network Services

Our network services consist of interconnection, lease of facilities and fixed-to-mobile services.

Interconnection services

Interconnection services consist of the use of our network by other telecommunication providers in order to receive calls that originate on our network, complete calls that terminate on our network and connect switching stations to our network. We provide interconnection services to long-distance providers, such as Embratel and Intelig, and certain operators of trunking services. We also provide interconnection services to the mobile service providers that were spun off from each of Telepar, Telesc, Telegoiás, Telebrasil, Telemat, Telems, Teleron, Teleacre and CTMR, as well as all Band B mobile service providers in our region. Use of our interconnection services has grown substantially since they were introduced in April 1998, as a result of the spin-off of such cellular telecommunications businesses, the breakup of Telebrás and the advent of competition in the telecommunications sector in Brazil.

Lease of Facilities

Other telecommunications service providers, particularly mobile service providers, lease trunk lines used for bulk transmission of voice and data messages from our company for use within their stand-alone networks. Large corporate customers lease lines from us for use in private networks connecting different corporate sites. Pursuant to Anatel requirements, we also lease our telecommunications facilities to Embratel and Intelig in order to provide them with access to our network.

Fixed-to-Mobile Services

Fixed-to-mobile services consist of calls that originate in a fixed-line telephone and terminate on a mobile or cellular device. The use of our fixed-to-mobile services has grown significantly in the last five years as the penetration rate of mobile services in Region II has increased.

Data Transmission Services

We provide data transmission services through various technologies and means of access. Since 1999, we have invested in data transmission capacity in response to the growing demand in Brazil for data, image and text transmission services, mainly for corporate networks and internet access. The primary data service that we offer to both residential and corporate clients is asymmetric digital subscriber line, or ADSL, which we launched in 2001. ADSL is a technology that allows normal telephone services, as well as delivery of high speed data transmission to virtual private networks or to public internet networks over existing copper lines. ADSL is an important service because it acts as a primary access or last mile for other services which we offer such as, BrTurbo, our broadband internet access provider for residential clients and corporations, and frame relay, our data transmission service for

corporations. In addition to ADSL, we offer various data transmission services that are designed specifically for corporate clients such as: DialNet, a remote dial up internet access service for corporations, internet service providers and residential customers; asynchronous transfer mode, which we refer to as ATM, and frame relay a broadband switching service and data transmission service for corporations; dedicated internet protocol, which we refer to as Dedicated IP a leased line which functions as a dedicated gate for access to internet backbone typically used by internet service providers; digital dedicated line service, which we refer to as SLDD a newly introduced leased dedicated line service which offers wider band width than Dedicated IP; and virtual private networks based on internet protocol a new product which we market to corporate clients under the "Vetor" brand name. The virtual private network offered by Vetor allows companies to consolidate and organize their data communications services and improve the quality of such services through a virtual private network, which we create for each client using our data transmission infrastructure.

We intend to continue to invest in data networks in order to serve the expected increase in demand for this type of service, particularly in the Internet access market through our ADSL service. In the year ended December 31, 2003, we installed 120,933 new ADSL ports, resulting in a total of 346,233 ADSL installed ports in 323 cities. The number of ADSL access lines in service reached 281,900 representing a growth of 100.4% compared to 140,690 at December 31, 2002. ATM, frame relay, and Dedicated IP, expanded by 24.5% in 2003 compared to 2002. As of December 31, 2003, we had installed 10,245 ATM, Frame Relay or Dedicated IP ports, in 87 cities. The DialNet service increased from 89,020 ports installed at the end of 2002, to 150,174 ports installed in 180 cities at the end of 2003, representing an increase of 68.7%.

Wireless Services

We have begun offering wireless telephony services pursuant to authorizations acquired by us in November 2002. We operate our wireless services on the Global System for Mobile Communications, or GSM, technology platform throughout Region II and expect to generate revenues through usage fees, subscription charges, recurring fees, interconnection fees and handset sales. We are offering our wireless services using a relatively low amount of capital expenditure compared to that of some of our competitors while providing our customers with a comparable level of service to that of our competitors. We have budgeted U.S.\$300 million in capital expenditures through December 31, 2005, of which we anticipate 85% will be spent in 2004 principally for building out our network infrastructure and information technology systems. We are targeting our existing fixed-line customers, thus providing them with a complete range of telephony services.

Organizational Structure

We are structured as a consolidated operational company, in which we conduct substantially all of our operations, and currently have four wholly-owned subsidiaries, BrT Serviços de Internet S.A., or BrTSi, 14 Brasil Telecom Celular S.A., Vant Telecomunicações S.A., or Vant, and MTH Ventures do Brasil Ltda., or MetroRED. At the Brasil Telecom S.A. level, we are subdivided into eleven operational branches, Tocantins, Goiás, Acre, Rondônia, Mato Grosso, Mato Grosso do Sul, Paraná, Santa Catarina, Rio Grande do Sul, Pelotas and the Federal District. The following chart sets forth a summary of our organizational structure, including the percentage of voting capital held in each of our significant subsidiaries as of March 31, 2004.

BrT Serviços de Internet S.A.

We formed BrTSi in October 2001. Through BrTSi, we provide broadband internet services based on ADSL (Asymmetric Digital Subscriber Line) technology through our internet service provider ("ISP") BrTurbo. BrTSi is also the parent company of the subsidiaries that operate our submarine fiber optic cable system which we refer to as GlobeNet, and iBest, our free internet service provider.

iBest

In February 2002, BrTSi acquired 15.5% of iBest Holding Corporation for approximately U.S.\$10.0 million. iBest Holding Corporation controls iBest S.A. ("iBest"), a free internet service provider and important brand name. On June 26, 2003, we acquired through our wholly owned subsidiary, BrTSi, the remaining capital of iBest Holding Corporation for U.S.\$36.0 million, consolidating our 100% ownership of iBest.

GlobeNet (Submarine Fiber-Optic Cable System)

On June 11, 2003, we acquired, through BrTSi, the entire submarine fiber-optic cable system of 360 Networks Americas do Brasil Ltda. which we refer to as GlobeNet, for U.S.\$46.8 million. A total of U.S.\$27.6 million was paid on June 11, 2003, with the remaining U.S.\$19.2 million payable within 18 months of the first installment. As part of this acquisition, BrTSi formed five operating subsidiaries: Brasil Telecom Cabos Submarinos (Holding) Ltda., Brasil Telecom Cabos Submarinos Ltda., Brasil Telecom of America, Inc., Brasil Telecom Subsea Cable System (Bermuda) Ltd. and Brasil Telecom de Venezuela, S.A. These companies own and operate the GlobeNet fiber optic cable system that connects the United States, Bermudas, Brazil and Venezuela.

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Brasil Telecom of America, Inc. is headquartered in Boca Raton, Florida, and coordinates all GlobeNet's activities and supports the commercial activities of the group in the international market.

14 Brasil Telecom Celular S.A.

Brasil Telecom Celular S.A., or, BT Celular, provides wireless telecommunications services, which we have recently begun offering. BT Celular currently has over 18,400 active subscribers.

Vant Telecomunicações S.A.

On May 13, 2004, we exercised our option to purchase for R\$15.6 million the remaining 80.1%, giving us 100%, of the capital of Vant. This purchase was made possible once we received certification by Anatel of our compliance with our 2003 universalization targets. Vant offers internet protocol as well as other products to the corporate market throughout Brazil.

MetroRED Telecomunicações Ltda.

On May 13, 2004, we exercised our option to purchase for U.S.\$51.0 million the remaining 80.1% giving us 100% of the capital of MTH. This purchase was made possible once we received certification by Anatel of our compliance with our 2003 universalization targets. MetroRED is a leading local fiber optic network provider, with 331 kilometers of local area network in São Paulo, Rio de Janeiro and Belo Horizonte, and a 1,485 kilometer long-distance network linking these three metropolitan areas as well as an internet solutions data center in São Paulo which will provide internet support to our customers. As part of the acquisition, we also acquired a management team with expertise in these markets.

Concessions and Authorizations

The concessions and authorizations for supplying telecommunications services in Brazil are granted under the public and private regimes. Services under the public regime are supplied through concessions while services under the private regime are supplied through authorizations granted by Anatel. Each public regime company, such as ours, operates under concessions that expire in 2005 but are renewable for an additional 20-year period, subject to the meeting of certain obligations. Every second year during the 20-year renewal period, public regime companies will be required to pay renewal fees equal to 2% of the annual net revenues from the provision of telecommunications services (excluding taxes and social contributions) during the immediately preceding year, beginning as of April 30, 2007, based on the net revenues for 2006. On June 20, 2003, Anatel approved a form of extension to the concession agreements under which all fixed-line telecommunications incumbents such as ourselves will operate as of January 1, 2006. In June 2003, we notified Anatel of our intention to extend our current concession. While we expect to formally enter into a new concession agreement with Anatel by the end of 2005, we cannot provide assurances that this will occur as planned.

Our Strategy

Our goal is to become a leading provider of integrated telecommunications services in Brazil and South America by maintaining our strong position in the local and intraregional long distance markets while at the same time enhancing our existing services and developing new services which complement our existing products and services. We intend to achieve this goal by implementing the following key strategies:

Offer interregional and international long-distance services

We intend to increase our market share in our principal business of providing intraregional long-distance service in Region II. Since January 22, 2004 we have begun offering interregional and international long distance services and started competing directly with other regional operators which currently provide such services. By offering interregional and international long-distance services, we expect to be able to offer our existing corporate and residential clients more competitive and integrated plans and capture market share. We intend to leverage the strength of the "Brasil Telecom" brand in Region II and to solidify Brasil Telecom as the carrier of choice through

advertising campaigns that promote the use of our carrier selection code "14", and the synergies across our growing portfolio of integrated services, including wireless, data and long-distance services nationwide.

Develop our wireless telecommunications services

As we have received Anatel's certification that our 2003 universalization targets have been met, we have recently begun offering wireless telecommunications services using Global System for Mobile Communications ("GSM"), technology through our subsidiary, 14 Brasil Telecom Celular S.A., and under the brand name "Brasil Telecom GSM". With the introduction of wireless services, we are the only company in Region II to offer both wireline and wireless services and we expect to leverage this to increase our brand awareness and overall market share. We are able to offer competitive wireless service plans due, among other things, to the attractive prices paid for our licenses and the favorable terms available to us from our equipment vendors. We also intend to realize the synergies between our wireline and wireless operations by marketing to our existing client database, using our existing wireline sales channels, providing integrated packages and sharing infrastructure and operational systems. We also intend to develop new mobile products and services for the corporate market.

Continue to integrate and acquire high technology network infrastructure in order to position ourselves as a market leader in the Brazilian corporate market

Our acquisition in June 2003 of GlobeNet, our submarine fiber optic cable system, and our acquisition in May 13, 2004 of MetroRED, our local fiber-optic network, provided us with a state-of-the-art broadband infrastructure as well as local network capacity. These networks consist of a 22,000 kilometer submarine fiber optic system connecting us to most of Latin America and the United States, as well as 331 kilometers of local and 1,485 kilometers of long-distance fiber-optic lines in Brasil, allowing us to expand geographically to three principal corporate markets outside our region - São Paulo, Rio de Janeiro and Belo Horizonte. In addition, through MetroRED we obtained an internet center in São Paulo that will host various internet services. We intend to integrate these networks and this center into our existing network and business and to use this capacity to meet the growing demands for our network and data transmission services in order to become the market leader in both residential and corporate network and data transmission services.

Develop integrated voice, data and multimedia services for residential and corporate clients

We intend to offer voice, data and multimedia products and services through our existing distribution channels as well as through new mobile phone stores, which we expect to open this year. Our strategy is to provide a one-stop shopping environment for both residential and corporate clients, satisfying all of their local, long distance, mobile, network and data transmission service needs. We intend to maximize synergies and increase client loyalty by providing value-added services and to attract new clients and maintain existing clients by offering competitively priced products. We also intend to provide integrated customer service which will allow us to improve our service quality as well as increase our sales.

Evaluation of possible participation in consolidation of Brazilian telecommunications industry

The Brazilian telecommunications industry has experienced and may continue to experience consolidation. We continue to evaluate potential consolidation opportunities in Brazil, which may include acquisitions or other methods of participation designed to increase our market share or to improve our efficiency.

We are engaged in on-going discussions with Intelig's shareholders, France Telecom, Sprint Corp. and National Grid Group PLC, with respect to a possible acquisition of Intelig. Intelig started operations in 2000, and provides national and international long distance services on a nationwide basis and competes directly with Embratel. Intelig has built out an extensive fixed-line telecommunications network throughout the country. The terms of any acquisition have not been determined and accordingly, it is not possible to predict the outcome of this process.

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We are also in discussions with respect to the acquisition of iG, a free internet services provider. This acquisition would consolidate our already leading position in the Brazilian ISP market by giving us more than three million active internet users.

Competition

General

The implementation of the Brazilian Telecommunications Regulations brought dramatic changes in the marketplace for Brazilian telecommunications services as of 1999. In general, the increasingly competitive marketplace has resulted in decreasing prices for telecommunications services, driven by increasing competition, implementation of new technology and regulatory oversight.

Fixed-Line Services

We compete primarily on the basis of features, pricing and customer service. Currently, we are the leading local fixed-line telecommunication services provider in our region. Global Village Telecom is our sole competitor in providing local fixed-line telecommunications services in our region and began operating in November 2000. In the short-term, we could lose market share in the provision of local fixed-line telecommunications services as additional competitors are allowed to enter the fixed-line market in our region. Also, to date, Telesp, Telemar, Embratel and Intelig, among others, have been granted authorization by Anatel to provide local fixed-line telecommunications services in our region.

Global Village Telecom, Intelig and Embratel are our competitors in providing intrastate and interstate long-distance telecommunication services in our region. The authorization awarded to Global Village Telecom, Intelig and Embratel are not subject to the same service quality and network expansion and modernization obligations that we are subject to under our concessions. In the short-term, we expect to lose market share in the provision of intraregional long-distance telecommunications services as additional competitors are allowed to enter the market. To date, Telesp, Albra Telecomunicações Ltda., which we refer to as Albra, Portale Rio Norte S.A., which we refer to as Portale Rio Norte, a subsidiary of Telecom Italia Mobile, which we refer to as TIM Brasil, Global Village Telecom and TNL PCS S.A. (Telemar's wireless provider), among others, have been granted permission by Anatel to provide intraregional, interregional and international telecommunications services in our region.

Our fixed-line services are also subject to competition from wireless service providers. The competition from wireless service providers is increasing but it is still limited by the fact that tariffs for wireless calls are currently much higher than tariffs for calls on our fixed-line network. We also face competition from wireless service providers in the low end of the market through the offer of prepaid plans by such wireless providers.

The certification of our, and other service providers' compliance with universalization and expansion targets, allows other service providers to operate in our region, and us to operate in their regions. We may now have to compete in our region against competitors from outside of our region that offer a more extensive array of fixed-line, mobile, local and/or long-distance telecommunications services throughout Brazil.

Wireless Services

We have recently commenced offering our wireless services. Wireless services are equally competitive and we face competition in Region II from (i) a joint venture between Telefônica and Portugal Telecom (marketing under the brand name Vivo), (ii) Telmex, which competes against us in our region through América Móviles (marketing under the brand name Claro) and (iii) TIM. In addition, wireless services compete directly against local services.

Effects of Competition

The deregulation that started in 2002 and includes our recent certification and authorization to provide additional services inside and outside our region is expected to increase competition in our businesses. Although we believe we have a unique infrastructure in Region II (having inherited the incumbent network upon privatization of Telebrás) and we have been developing strategies to effectively protect our business, we expect that the entry of additional competitors into the market for local, long distance and wireless services in Region II as well as significant industry consolidation may adversely affect our related revenues. We anticipate, however, that growth in the Brazilian market will generate higher revenues, especially now that we are able to offer long distance and data services on a nationwide basis and wireless services in our region. While we expect that local traffic per line will continue to decline as we expand our network to lower-income customers who, on average, make fewer calls, we expect that our expansion into new business areas will provide us with new growth opportunities.

The impact of these competitive pressures will depend on a variety of factors that cannot currently be assessed at this time, some of which are beyond our control. Among such factors are the technical and financial resources available to our competitors, the business strategies and capabilities of our competitors, prevailing market conditions, the regulations applicable to new entrants and us, and the effectiveness of our efforts to prepare for increased competition and consolidation.

Ratio of Earnings to Fixed Charges

The following table sets forth our ratio of earnings to fixed charges for the periods indicated:

	Year ended December 31,					Six months ended June 30,
	1999	2000	2001	2002	2003	2004
Ratio of Earnings to Fixed Charges Brazilian GAAP(1)	1.46	1.93	0.22	0.97	0.44	0.91

(1) To calculate the ratio of earnings to fixed charges, we calculate earnings by adding income (loss) before taxes and minority interests, fixed charges and amortization of capitalized interest, less interest capitalized. Fixed charges represent the total of financial expenses, capitalized interest and the preferred stock guaranteed dividend.

Our headquarters are located at SIA Sul, Área de Serviços Públicos, Lote D, Bloco B, Brasília, D.F., 71.215-000, Brazil and our telephone number is +(55 61) 415-1140.

THE EXCHANGE OFFER

Securities Offered

Brasil Telecom is offering up to \$200,000,000 aggregate principal amount of its 9.375% Notes due 2014, which we refer to as the new notes, which have been registered under the Securities Act.

The Exchange Offer

Brasil Telecom is offering to issue the new notes in exchange for a like principal amount of your 9.375% Notes due 2014, which we refer to as the old notes. Brasil Telecom is offering to issue the new notes to satisfy its obligations contained in the registration rights agreement entered into when the old notes were sold in transactions permitted by Rule 144A and Regulation S under the Securities Act and therefore not registered with the SEC. For procedures for tendering, see "The Exchange Offer."

Tenders, Expiration Date, Withdrawal

The exchange offer will expire at 5:00 p.m. New York City time on November 30, 2004, 2004 unless it is extended. If you decide to exchange your old notes for new notes, you must acknowledge that you are not engaging in, and do not intend to engage in, a distribution of the new notes. If you decide to tender your old notes in the exchange offer, you may withdraw them at any time prior to November 30, 2004. If Brasil Telecom decides for any reason not to accept any old notes for exchange, your old notes will be returned to you without expense to you promptly after the exchange offer expires.

U.S. Federal Income Tax Consequences

Your exchange of old notes for new notes in the exchange offer will not result in any income, gain or loss to you for Federal income tax purposes. See "Material Tax Considerations Certain Tax Consequences of the Exchange Offer" on page 99 of this prospectus.

Use of Proceeds

Brasil Telecom will not receive any proceeds from the issuance of the new notes in the exchange offer.

Exchange Agent

The Bank of New York is the exchange agent for the exchange offer.

Failure Tender Your Old Notes

to If you fail to tender your old notes in the exchange offer, you will not have any further rights under the registration rights agreement, including any right to require Brasil Telecom to register your old notes or to pay you additional interest.

You will be able to resell the new notes without registering them with the SEC if you meet the requirements described below.

Based on interpretations by the SEC's staff in no-action letters issued to third parties, Brasil Telecom believes that new notes issued in exchange for old notes in the exchange offer may be offered for resale, resold or otherwise transferred by you without registering the new notes under the Securities Act or delivering a prospectus, unless you are a broker-dealer receiving securities for your own account, so long as:

- you are not one of Brasil Telecom's "affiliates," which is defined in Rule 405 of the Securities Act;
- you acquire the new notes in the ordinary course of your business;
- you do not have any arrangement or understanding with any person to participate in the distribution of the new notes; and

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- you are not engaged in, and do not intend to engage in, a distribution of the new notes.

If you are an affiliate of Brasil Telecom, or you are engaged in, intend to engage in or have any arrangement or understanding with respect to, the distribution of new notes acquired in the exchange offer, you

- should not rely on our interpretations of the position of the SEC's staff; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

If you are a broker-dealer and receive new notes for your own account in the exchange offer:

- you must represent that you do not have any arrangement with Brasil Telecom, or any of their affiliates to distribute the new notes;
- you must acknowledge that you will deliver a prospectus in connection with any resale of the new notes you receive from Brasil Telecom in the exchange offer; the letter of transmittal states that by so acknowledging and by delivering a prospectus, you will not be deemed to admit that you are an "underwriter" within the meaning of the Securities Act; and
- you may use this prospectus, as it may be amended or supplemented from time to time, in connection with the resale of new notes received in exchange for old notes acquired by you as a result of market-making or other trading activities.

For a period of 180 days after the expiration of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any resale described above.

THE NEW NOTES

The terms of the new notes and the old notes are identical in all material respects, except that the new notes have been registered under the Securities Act, and accordingly are not subject to several restrictions on transfers applicable to the old notes. The following summary contains basic information about the new notes and the old notes, which we collectively refer to as the notes. It is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this document entitled "Description of the Notes."

Issuer	Brasil Telecom S.A.
New notes	U.S.\$200,000,000 aggregate principal amount of 9.375% notes due February 18, 2014. The new notes and the old notes will be considered to be a single class for all purposes of the indenture, including waivers, amendments, redemptions and offers to purchase. The new notes will be entitled to the benefits of the indenture, under which the old notes were issued.
Maturity date	February 18, 2014, unless extended for a period of up to eighteen calendar-months from the expected maturity date as a result of the existence on the expected maturity date of a Currency Inconvertibility Event (as defined in "The Insurer and the Insurance Policy"). See "Description of the Notes Extension of the Expected Maturity Date."
Indenture	The new notes will be issued under the indenture between Brasil Telecom, as issuer, and The Bank of New York, as indenture trustee, registrar, paying agent and transfer agent, and The Bank of Tokyo-Mitsubishi Ltd., as principal paying agent.
Interest payment dates	February 17 and August 17 of each year.
Interest	The notes will bear interest at the annual rate of 9.375%, payable semiannually in arrears on each interest payment date, subject to the applicable grace period. See "Description of the Notes Payments of Principal and Interest" and "Description of the Notes Events of Default."
Ranking	The notes constitute our general unsecured and unsubordinated obligations which will at all times rank <i>pari passu</i> among themselves and with all our other unsecured obligations that are not by their terms expressly subordinated in right of payment to the notes. As of December 31, 2003, R\$1,995.5 million of our consolidated debt was secured and R\$2,640.4 million of our consolidated debt was unsecured.
Listing	The old notes are listed on the Luxembourg Stock Exchange in accordance with its rules. Brasil Telecom will apply to list the new notes on the Luxembourg Stock Exchange in accordance with its rules. In March 2003, the European Commission published a proposal for a Directive of the European Parliament and of the Council on the harmonization of transparency requirements with regard to information about issuers whose securities are admitted to trading on a regulated market in the European Union ((2003/0045(COD)) (the "Transparency Directive"). If the

Transparency Directive enters into force in a form which would require us to publish financial information either more regularly than we otherwise would be required to, or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information under the rules of the U.S. Securities Exchange Commission, we may seek an alternative admission to listing, trading and/or quotation for the notes by another listing authority, stock exchange and/or quotation system outside the European Union, including, but not limited to, the New York Stock Exchange, Inc.

The Required Amount

The indenture trustee will have access to certain reserves for the benefit of the noteholders in an amount (the "Required Amount") equal, on the closing date, to U.S.\$13,011,445.31, which amount shall be equal to the sum of (i) six months of interest on the notes at the initial note rate; (ii) prior to us satisfying our obligations under the registration rights agreement, an amount equal to eighteen months interest on the notes at the additional 0.5% payable as described under "Exchange Offer; Registration Rights"; (iii) 90 days of interest (calculated at the initial note rate) on the amount of interest payable under the notes on a single interest payment date (calculated, until we satisfy our obligations under the registration rights agreement, at a rate equal to the sum of the initial note rate plus 0.5% per annum); (iv) an amount representing indenture trustee fees (but not costs and expenses) due and payable by us to the indenture trustee during any eighteen month period; (v) an amount representing insurance trustee fees (but not costs and expenses) due and payable by us to the insurance trustee during any eighteen-month period; (vi) an amount equal to 10% of an amount equal to twelve months of interest on the notes at the initial note rate (which amount, when added to amounts payable under the insurance policy, will equal 100% of interest on the notes at the initial note rate for the twelve months of interest covered under the insurance policy) and (vii) any additional amounts as may be required as a result of the involuntary cancellation or termination of the insurance policy. This Required Amount will be maintained in specified qualifying instruments ("Qualifying Instruments") in the form of (i) one or more irrevocable standby letters of credit issued in the name of the indenture trustee on behalf of the noteholders by financial institutions meeting specified criteria; (ii) cash deposited in a reserve account established and maintained by the indenture trustee on behalf of the noteholders; or (iii) any combination thereof. The indenture trustee shall be entitled to draw on any Qualifying Instrument in the event of the occurrence and continuation of a Currency Inconvertibility Event. The indenture trustee shall also be entitled to draw on one or more letters of credit (i) in the event that the financial institution issuing any such letter of credit has its rating downgraded by Moody's below "Prime-1" or "A+" by Fitch (if rated by Fitch); or (ii) if the financial institution which issued any such letter of credit has notified the indenture trustee that it will not renew or replace such letter of credit and we have not presented the indenture trustee with a replacement letter of credit. Brasil Telecom has arranged for a letter of credit issued by Credit Suisse First Boston, acting through its Cayman Islands Branch in respect of the Required Amount.

All funds paid by a letter of credit as a result of a drawing thereunder shall be initially deposited in the reserve account for application in accordance with the terms of the indenture.

The amounts available in Qualifying Instruments may also be increased or reduced under certain limited circumstances. See "Description of the Notes Additional Support The Required Amount."

The insurance

The noteholders will have the benefit of a political risk insurance policy provided by the Overseas Private Investment Corporation or OPIC, an agency of the United States Government, which will be backed by the full faith and credit of the United States. In order to give effect to the political risk insurance provided by OPIC, or the insurance policy, and satisfy applicable legal requirement to which OPIC is subject, the insurance or the insurance policy is issued to a newly created trust established by us under New York law and The Bank of New York, as insurance trustee, for the benefit of the noteholders in their capacity as beneficiaries of the insurance trust. The insurance trustee will hold the insurance as credit support for the notes to the extent of the coverage set forth in the insurance. The insurance will cover the inability of Brasil Telecom or the insurance trustee to convert *reais* into U.S. dollars, and/or transfer from Brazil to the United States, U.S. dollars, in satisfaction of amounts to be paid by us under the indenture or the notes, as the case may be. OPIC's obligation to pay claims under the insurance is limited to 90% of an amount equal to twelve months of interest on the notes at the initial note rate and is subject to certain conditions, limitations and exclusions that may affect the ability of the noteholders to receive payments on the notes, including eligibility standards with respect to each noteholder and the expiration of a waiting period of approximately 180 calendar days. This amount of insurance, together with an amount equal to 10% of twelve months of interest on the notes at the initial note rate available under a letter of credit, will provide for payment to the noteholders of twelve months of interest on the notes at the initial note rate upon the occurrence of a Currency Inconvertibility Event and shall be in addition to the six months of interest covered under a letter of credit or in the reserve account in Qualifying Instruments.

To facilitate issuance of the insurance (and in order to comply with certain legal requirements applicable to the insurer), the insurance is issued to the insurance trust and the noteholders are deemed to have assigned to the insurance trust the right to the two interest periods, or twelve months, of interest that are insured by the insurer under the insurance policy. In addition, consistent with the foregoing, the noteholders are deemed to have agreed to certain restrictions on transfer of the notes and certain eligibility standards as a condition to payment by OPIC of amounts under the insurance policy. See "Description of the Insurer and the Insurance".

In certain circumstances related to the credit rating of the notes, we may direct the insurance trustee to cancel the insurance after the third anniversary of the closing date. In the case of an involuntary cancellation or withdrawal of the insurance, an event of default will occur unless we arrange for an increase in the amount of Qualifying

Instruments, which increase in shall be equal to the aggregate amount available under the insurance immediately prior to its cancellation. See "Description of the Insurer and the Insurance Policy Insurance Trust", "Description of the Insurer and the Insurance Policy Description of the Insurance Policy" and "Description of the Notes Additional Support The Required Amount."

Early redemption at the option of Brasil Telecom

The notes will be redeemable by us or an affiliate, in whole but not in part, at any time on or after February 17, 2009 at the applicable redemption prices specified in "Description of the Notes Redemption Early Redemption at the Option of Brasil Telecom." In addition, the notes will be redeemable in whole, but not in part, at their principal amount, plus accrued and unpaid interest, if any, to the date of redemption, at our option at any time in the event of certain changes affecting taxation.

Covenants

The terms of the indenture require us, among other things, to:

- pay all amounts owed by us under the indenture and the notes when such amounts are due;
- perform all obligations specified under the transaction documents;
- comply with all applicable laws;
- maintain our properties and corporate existence;
- maintain all necessary government approvals;
- comply with applicable laws and pay all taxes;
- maintain an office or agency in New York for the purpose of service of process;
- give notice to the indenture trustee of any default or event of default under the indenture and certain currency exchange control events;
- when Incurring additional Indebtedness (in each case, as defined below), observe certain interest coverage and leverage ratios;
- prevent its subsidiaries from being subject to any restrictions on the payment of dividends; and
- take actions to maintain the rights of the indenture trustee, the insurance trustee and/or the noteholders under the relevant transaction documents.

In addition, the terms of the indenture restricts our ability and the ability of our subsidiaries, among other things, to:

- undertake certain mergers, consolidations or similar transactions;
- create certain liens on our assets; and
- undertake certain sale and lease-back transactions. These covenants are subject to a number of important qualifications and exceptions. See "Description of the Notes Certain Covenants."

Events of default

The notes and the indenture contain certain events of default, consisting of, among others, the following:

- failure to pay principal when due;
- failure to pay interest and other amounts (i) within 30 calendar days of the due date therefor in the case of payments made in respect of any interest payment dates occurring prior to the expected maturity date, and (ii) when due, in the case of any interest payment date occurring on or after the expected maturity date;
- breach by us of any covenant or agreement in the indenture or any of the other relevant transaction documents;
- acceleration of our Indebtedness or of any of our material subsidiaries or a failure to pay amounts due in respect of Indebtedness when due that, in aggregate, equals or exceeds U.S.\$50 million;
- certain judgments against us, or any of our material subsidiaries that equals or exceeds U.S.\$50 million;
- certain events of bankruptcy, liquidation or insolvency of Brasil Telecom or any of our material subsidiaries;
- certain events relating to the unenforceability of any of the relevant transaction documents against us or the insurer;
- expropriation of all or substantially all of our or any of our material subsidiaries' assets;
- the failure to maintain Qualifying Instruments in an aggregate amount equal to the Required Amount; and
- the cancellation of the insurance policy (other than as allowed under the indenture), the unenforceability of the insurance policy or the failure of the insurer to make a payment thereunder.

Withholding taxes additional amounts

Any and all payments in respect of the notes will be made free and clear of, and without withholding or deduction for, any Taxes or other governmental charges of any nature imposed by Brazil, Japan (to the extent that any paying agent is organized in Japan),

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Luxembourg or by the jurisdictions in which any paying agents appointed by us are organized or the location where payment is made, or any political subdivision or taxing authority or agency therefor therein, unless such withholding or deduction is required by law, in which case we shall pay such additional amounts necessary to ensure that the noteholders receive the same amount as the noteholders would have received without such withholding or deduction, subject to certain exceptions. In certain circumstances during the occurrence of a Currency Inconvertibility Event, the payment of additional amounts owed by us to noteholders will be deferred. See "Description of the Notes Additional Amounts."

Governing law

The indenture, the notes, the insurance and related documents, the registration rights agreement and other transaction documents are governed by, and construed in accordance with, the laws of the State of New York.

Form and denomination

The form and denomination of the new notes will be the same as the form and denomination of the notes for which they are exchanged.

Clearance and settlement

The notes will be issued in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear Bank S.A./N.V. as the operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream"), and will trade in DTC's Same-Day Funds Settlement System. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of the Notes."

TIMETABLE FOR THE OFFERING

Commencement of the exchange offer	November 1, 2004
Expiration of the exchange offer	November 30, 2004
Brasil Telecom may, at its sole discretion, extend the period of time for which the exchange offer is open.	

RISK FACTORS

You should carefully consider the risks described below, as well as the other information contained in this prospectus and the information presented in Brasil Telecom's 2003 Form 20-F, before making a decision to tender your old notes in exchange for new notes. In particular, you should consider the special features applicable to an investment in Brazil and applicable to an investment in Brasil Telecom. In general, investing in the securities of issuers in emerging market countries, such as Brazil, involves a higher degree of risk than investing in the securities of issuers in the United States. We have included information in these risk factors concerning Brazil to the extent that information is publicly available to us.

For purposes of this section, when we state that a risk, uncertainty or problem may, could or would have an "adverse effect" on us, we mean that the risk, uncertainty or problem may, could or would have an adverse effect on our business, financial condition, liquidity, results of our operations or prospects, except as otherwise indicated or as the context may otherwise require. You should view similar expressions in this section as having a similar meaning.

Risks Relating to Transfer Restrictions on the Old Notes

If you do not participate in the exchange offer, you will continue to be subject to transfer restrictions.

If you d