

Edgar Filing: BRASIL TELECOM SA - Form 425

BRASIL TELECOM SA
Form 425
May 03, 2010

Filed by Brasil Telecom S.A.

Pursuant to Rule 425 of the Securities Act of 1933

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 BRASIL TELECOM S.A. RELATING TO THE PROPOSED MERGER OF COARI PARTICIPAÇÕES S.A. WITH AND INTO TELEMAR NORTE LESTE S.A.

* * * * *

Additional Information and Where to Find It:

This communication contains information with respect to the proposed merger (*incorporação*) of Coari with and into Telemar Norte Leste S.A. (Telemar).

In connection with the proposed merger of shares (*incorporação de ações*) between Coari Participações S.A. (Coari) and Brasil Telecom S.A. (Brasil Telecom), Coari has filed with the U.S. Securities and Exchange Commission (the Commission) (1) a registration statement on Form F-4, containing a prospectus that was mailed to the shareholders of Brasil Telecom, and (2) other documents regarding the proposed merger of shares.

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 the proposed merger.

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

* * * * *

EXHIBITS

Exhibit Number	Description of Document
1	Call Notice for Extraordinary General Meeting of Brasil Telecom S.A., dated April 30, 2010.
2	Management's Proposal for the Extraordinary Shareholders Meeting of Brasil Telecom S.A., dated May 3, 2010.
3	Investor Relations Presentation regarding Management's Proposal dated May 2010.

BRASIL TELECOM S.A.

CNPJ/MF No. 76.535.764/0001-43

NIRE 53 3 0000622 - 9

Publicly-Held Company

CALL NOTICE

EXTRAORDINARY GENERAL MEETING

In compliance with legal and statutory provisions, the shareholders of Brasil Telecom S.A. (the "Company") are summoned to gather at an Extraordinary General Meeting ("Meeting ") to be held on **June 16, 2010, at 11 a.m.**, in the Company's headquarters, in the city of Brasília - Federal District, at **SIA SUL, ASP, LOT D, BLOCK B**, in order to consider and vote on the proposed new exchange ratios between the Company and Telemar announced in the Material Fact dated March 25, 2010 (the "New Exchange Ratios"), that would apply in the final step of the previously announced Corporate Reorganization involving the Company.

GENERAL INFORMATION ABOUT THE MEETING

I. At the Meeting, only the non-controlling holders of common and preferred shares of the Company will have the right to vote.

II. Management's proposal with respect to the subject matter of the Meeting, and any other documents necessary for the exercise of voting rights at the Meeting, are available to the shareholders of the Company at the Company's headquarters, at the Company's Investors Relations website (www.oi.net.br/ri) and at the IPE System of the Brazilian Securities and Exchange Commission, at www.cvm.gov.br.

III. In addition, pursuant to article 27 of CVM Instruction No. 481/09, the Company's management will initiate a public proxy solicitation process with respect to the matters to be voted on at the Meeting within 10 (ten) business days after the date hereof. For that purpose, in order to facilitate and encourage the participation of shareholders in the Meeting, the Company will make available to its shareholders, without any cost, the electronic voting system Assembleias Online (www.assembleiasonline.com.br) through which shareholders will be able to grant Powers of Attorney in order to vote in favor or against on the matter to be considered at the Meeting, or register their abstention from voting. Shareholders that are not registered with Assembleias Online must register on such website, deliver any required documents and take any actions necessary to be qualified to grant electronic proxies executed with digital certification. For additional information related to the procedures and documents necessary for participation in the Meeting via Assembleias Online, consult the document "Orientation for Participation at Brasil Telecom S.A. Shareholders Meeting called for June 16, 2010", through the electronic proxy system "Assembleias Online" available at the Company's Investors Relations website or at the aforementioned Assembleias Online website. The process of public solicitation of proxies will be initiated on May 17, 2010, and shareholders will be able to grant electronic proxies from such date until June 15, 2010. We recommend that shareholders that intend to use the electronic proxy system to initiate the process of registration and certification immediately, in order to ensure that there will be sufficient time for their participation.

IV. Any Shareholder that intends to be present at the Meeting or appoint an attorney-in-fact must file at SCN, Block 2, Tranch F, Ed. Estação Telefônica Centro Norte, mezzanine, Brasília, DF, to the attention of the Legal Department, between 9:00 a.m. and 12:00 noon or between 2:00 p.m. and 6:00 p.m., no later than two (2) business days prior to the Meeting, the following documents: (i) Legal Entities: certified copies of Acts of Incorporation, Bylaws or Articles of Association, minutes of the meeting that elected the Board of Directors, if any, and minutes of the meeting that elected the Executive Committee, indicating the election of the attorney-in-fact that will be present at the Meeting, (ii) Individuals: certified copy of an identification document and Individual Taxpayers' Register of the represented shareholder, and (iii) Investment Funds: certified copies of the regulation of the Fund and Bylaws or Articles of Association of its manager, and minutes of election of the attorney-in-fact that will be present at the Meeting. In addition to the documents described in items (i), (ii) and (iii), when represented by an attorney-in-fact, shareholders

shall also deliver the corresponding power of attorney, with special powers and notarized by a notary public, certified copies of an identification document and the minutes of the election of the attorney-in-fact that executed the power of attorney that prove the powers to represent the shareholder, and an identification document and Individual Taxpayers Register of the attorney-in-fact present at the Meeting.

V. Shareholders holding shares in the Fungible Custody of Registered Shares who wish to participate in the Meeting must file a custody statement issued no later than two (2) business days prior to the Meeting, containing the respective share interest provided by the custodian.

VI. Holders of American Depositary Shares representing common shares or preferred shares of the Company (ADSs) will not be entitled to vote at the meeting. However, the Company intends to solicit proxies from holders of ADSs in accordance with the deposit agreements governing such ADSs and the applicable rules of the New York Stock Exchange. Holders of ADSs will receive instructions from The Bank of New York Mellon, as the depositary under the Company's American Depositary Receipt programs, explaining how to instruct the depositary to vote the common shares and preferred shares represented by the Company's ADSs.

VII. Holders of ADSs that wish to attend the Meeting or to vote through the electronic system must surrender their ADSs and receive delivery of the common shares or preferred shares of the Company represented thereby in accordance with the terms of the deposit agreements governing the ADSs in sufficient time to allow ownership of the common shares or preferred shares of the Company to be reflected in the custody statement mentioned in item V above.

VIII. Other information related to the Meeting can be obtained from the Investor Relations Department of the Company, by telephone at (21) 3131-1314; (21) 3131-1315 and (21) 3131-1316 or via e-mail:invest@oi.net.br.

Rio de Janeiro, April 30, 2010

José Mauro Mettrau Carneiro da Cunha

Chairman of the Board of Directors

Important Additional Information for U.S. Resident Shareholders and ADR Holders:

The agenda for the Meeting does not include deliberations or votes to approve the proposed share exchange between the Company and Coari Participações S.A. (Coari) or the proposed merger of Coari with and into Telemar. Deliberations and votes on these matters will only occur at separate meetings of the affected companies that are validly convened following publication of proper notices of such meetings. A vote or abstention of a shareholder of the Company in the Meeting will not bind that shareholder to vote any applicable voting rights in favor or against the proposed share exchange or the proposed merger, or to abstain from voting, if and when shareholders meetings of the Company, Coari and Telemar, as applicable, are called to deliberate and vote on the proposed share exchange or the proposed merger.

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 Telemar, Coari, and the Company, 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.

BRASIL TELECOM S.A.

Publicly-held Company

MANAGEMENT'S PROPOSAL

FOR THE EXTRAORDINARY SHAREHOLDERS MEETING

TO BE HELD ON 06/16/2010

Shareholders,

The Extraordinary Shareholders Meeting of Brasil Telecom S.A. (the "Company"), to be held on June 16, 2010, which was called on this date will consider the proposed new exchange ratios (the "New Exchange Ratios") between shares of the Company and shares of Telemar Norte Leste S.A. (the "Telemar"), which were announced in the Material Fact dated March 25, 2010, and approved by the Board of Directors of the Company on April 22, 2010. These New Exchange Ratios represent the calculation basis to determine the number of shares of Telemar that current shareholders of the Company will receive in the event that all steps of the ongoing corporate reorganization are concluded.

In the Material Fact dated April 25, 2008, that was published as a result of the announcement of Telemar's agreement to acquire control of Brasil Telecom Participações S.A. (the "BrT Part") and the Company, Telemar announced its intentions to implement a corporate reorganization that would result in the migration of the shareholder bases of BrT Part and the Company to Telemar after the conclusion of such acquisition. The Material Fact also announced the proposed exchange ratios applicable to the merger of BrT Part into the Company, which were based on the relative market value of the shares of BrT Part and the shares of the Company, as well as the proposed exchange ratios applicable to the eventual migration of shareholders of the Company to Telemar, which were based on the relative market value of the shares of the Company and the shares of Telemar. The merger of BrT Part with and into the Company was concluded in September 2009.

After Telemar assumed control of BrT Part and the Company on January 8, 2009, the Company began the process of reviewing and reconciling the accounting practices and estimates used by the Company under its prior management with those of Telemar and Telemar Norte Leste Participações S.A.

On April 3, 2009, during the initial process of review and reconciliation, the Company announced to its shareholders and the market the need for an increase in the Company's provisions related to civil, labor and fiscal legal claims, in the net amount of R\$1,450 million. The civil legal claims, in particular, relate to the rights of holders of Financial Interest Agreements.

As disclosed in the Material Fact dated January 14, 2010, at the end of 2009 BDO Trevisan Auditores Independentes (the "BDO") was hired to review the underlying final data related to such civil legal contingencies, especially in the State of Rio Grande do Sul, and the effects of Precedent No. 371/2009 of the Superior Court of Justice. BDO's review resulted in an increase in the Company's provisions related to civil legal contingencies in the gross amount of R\$1,290 million, which increase was recognized in the financial statements of the Company for the year ended in December 31, 2009. This value was further audited by the Company's external auditors and revised to R\$1,084 million. As a result, the total gross adjustment to the provision related to such contingencies was R\$2,326 million.

As a result of the aforementioned facts, the corporate reorganization was interrupted in order to preserve the economic balance between all of the minority shareholders involved, including BrT's and Telemar's (direct and indirect), as the exchange ratios applicable to the migration of shareholders of the Company to Telemar proposed in the Material Fact of April 25, 2008, did not consider the effects of the accounting adjustment mentioned above.

Therefore, for the purpose of securing an equitable exchange ratio that preserves the economic balance between the shareholders of the companies involved in the corporate reorganization, the Company undertook to prepare studies to adjust the exchange ratios proposed in the Material Fact of April 25, 2008, and engaged Banco de Investimentos Credit Suisse (Brasil) S.A. (Credit Suisse) to prepare a presentation outlining the adjustments to the original exchange ratios necessary in order to reflect the modifications to the provision for civil legal contingencies of the Company, as well as other adjustments related to the distribution of dividends to the shareholders of the companies involved.

On March 25, 2010, after debating the relevant issues related to the adjustments and analyzing the presentation prepared by Credit Suisse, the Board of Directors of Telemar examined and approved the New Exchange Ratios. The Board of Directors of Telemar also approved the submission of the New Exchange Ratios for the approval of the non-controlling holders of common and preferred shares of the Company.

On April 22, 2010, the Board of Directors of the Company examined the information and analyses contained in the material prepared by Credit Suisse and approved Telemar's proposal of the New Exchange Ratios.

The New Exchange Ratios would result in holders receiving 0.3955 common shares of Telemar for each common share of the Company and 0.2191 class C preferred shares of Telemar for each preferred share of the Company if the corporate reorganization is completed as currently contemplated. The New Exchange Ratios will be submitted to the approval of non controlling holders of common and preferred shares of the Company at the Extraordinary Shareholders Meeting of the Company to be held on June 16, 2010, which is being called on this date.

Shareholders of the Company interested in accessing information or having doubts related to the aforementioned proposal should contact the Investor Relations Department of the Company, by telephone: (21) 3131 1314; (21) 3131 1315 or (21) 3131 1316 or via e-mail: invest@oi.net.br.

Rio de Janeiro, May 3, 2010

Brasil Telecom S.A.

Management

Important Additional Information for U.S. Resident Shareholders and ADR Holders:

The agenda for the Extraordinary Shareholders Meeting of the Company does not include deliberations or votes to approve the proposed share exchange between the Company and Coari Participações S.A. (Coari) or the proposed merger of Coari with and into Telemar. Deliberations and votes on these matters will only occur at separate meetings of the affected companies that are validly convened following publication of proper notices of such meetings. A vote or abstention of a shareholder of the Company in the Extraordinary Shareholders Meeting will not bind that shareholder to vote any applicable voting rights in favor or against the proposed share exchange or the proposed merger, or to abstain from voting, if and when shareholders meetings of the Company, Coari and Telemar, as applicable, are called to deliberate and vote on the proposed share exchange or the proposed merger.

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 Telemar, Coari, and the Company, 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.

Investor Relations
BRASIL TELECOM
May 2010
Exhibit 3

The acquisition of Brasil
Telecom was strategic
Telecommunication sector -
a
scale business with rapid
technology changes and capital
intense, where consolidation is

a natural trend
(62 million RGUs
in 2009)
The
acquisition
created
a
group
with size comparable to TMAR's
major competitors
in Brazil
The largest national footprint
for mobile and a nationwide
data backbone
in Brazil
National and International Backbone*
1. Globenet
connects Brazil, USA, Bermuda and Venezuela.
* Backbone
of
the
new
company:
138,000
Km
of
fiber
optical
cable
and
30,400
Km
of
metropolitan
rings.
Investor Relations | 2

General
Plan
of
Concessions
did
not
permit

the
acquisition
of
one
fixed
line
incumbent
by
another
since
the
privatization
of
Telebrás
(1998)

Due
to
legal
restrictions,
Oi
did
not
have
access
to
non-public
information
from
BrT

operations and finances until the control was transferred. It was not possible to have due diligence before the operation was concluded

All
decisions
were
made
using
the
public information
available:

Prices to be paid to the
controlling shareholders

Swap ratios at market value

A public company with Level 1 of
Corporate
Governance

at
the
Bovespa
Awarded
with

best
practices
in
accounting
procedures/releases
and
information availability
Decision
seemed
reasonable
as
BrT
was:
Investor Relations | 3

The origin of the problem: the Expansion Plans (PEX)
The
Expansion
Plans

(PEX)

* Book Value per Share. ** After the decision of the Superior Court of Justice only the claims

made prior to March/09 could be converted using the previous FY Book Value.

Acquisition of a

phone before

Telebrás

Privatization

Clients received

shares in

exchange for the

money paid

Shares were

issued with BVS*

a month before

the acquisition

Shareholders

claimed BVS* of

the last audited

Balance Sheet

FY

before the

acquisition

Decision of the

Superior Court of

Justice in

March/09**

Inflation

was very high

Lower

book

values

led

to

higher

#

of

shares

to

be

issued

Shareholders

also

demanding

dividends

and

all

of

the rights

of those shares

Limits

the

losses

per
claim
in
the pending lawsuits
Discourage
new lawsuits
Investor Relations | 4
BrT
had to provision a total of R\$2.3 billion in contingencies in its Financial Statements
In April 2009, BrT
recorded and disclosed R\$1.2 billion in PEX contingencies.
Additional
R\$1.1
billion
was
announced
in
Jan/2010:
BDO
Trevisan
was
engaged
to
review the claims related to PEXs.

Contingencies for Expansion Plans vs. Book Value and Enterprise Value Paid
Provisions in the amount
of R\$2.3 billion
(Expansion Plans)
accounted for almost 20%
of the enterprise value
paid and 40% of the

Shareholders' Equity of

Brasil

Telecom.

R\$ Billion

The Expansion Plans provisions were representative

6.2

38%

19%

2.3

12.4

*@49% of the Equity

Investor Relations | 5

2,355
387
334
(75%)
62
(12%)
(10%)

(3%)

Expansion Plan

Tax

Labor

PBD & Interconnection

Contingencies at BrT

R\$ Million; 100% = R\$3,138 Million

The loss belongs to the Company, hence, to all of its shareholders

Although the provisions related to the Expansion Plans totaled R\$2.3 billion, the total value of the contingencies amounted to R\$3.1 billion.

Investor Relations | 6

TMAR's
Board
of
Directors
decided
to
revise

the
exchange
ratios
in
the
proposed
incorporation
and
submit
the
revised
ratios
to
Brasil
Telecom s
minority
shareholders

1.
TMAR s
Board has the obligation
to take into consideration the **rights**
of
the
shareholders,
including
TMAR s
and
TNE s
(indirectly),
in
order
to
preserve the balance between them;

2.
At the **time the Material Fact** announcing the intention to acquire BrT
(April/08)
was
published,
TMAR s
contingencies
were
known
by
the
market, therefore **reflected in its market value**. Differently, **BrT s**
contingencies were not reflected in its market value because they
were
not known by the market
Why did TMAR s
Board decide to

revise the ratio?

The

new

exchange

ratios

will

be

submitted

for

the

approval

by

BrT's

non-controlling

shareholders (ON and PN) only;

Investor Relations | 7

The Methodology for the revision of the exchange ratios
Rationale

Recalculate the ratio announced in Apr/08, considering exclusively the recognition of the
Expansion Plans (PEX) Contingencies

Reflect their effect on the ratio as if it they had been known on the date that the ratio

was determined

Total **value of PEX contingencies: R\$2,325.5 mn**

Present Value of the fiscal benefit: R\$421mn

(realized

over

the

period

of

11

years,

according

to

BrT

business

plan)

100% of PEX contingencies were provisioned with an

equivalent judicial deposit

Assumptions and Facts:

ON

PN

Original

Adjusted with

IoE* & Div.

Revised with

PEX

Contingencies

* Interest on Shareholder's Equity

Number of TMAR shares

per BrT

share:

Investor Relations | 8

0.4137

0.2531

0.4305

0.2685

0.3955

0.2191

Post Restructuring Ownership

Current Ownership

Ownership Structure

Investor Relations | 9

59.6%*

*

Total Capital

AG Telecom
 LF Telecom
 19.34%
 Fund. Atlântico
 11.50%
 BNDESPar
 16.86%
 Previ
 12.96%
 Petros
 10.00%
 Funcef
 10.00%
 81.9%*
 17.9%*
 Telemar
 Norte Leste
 (TMAR -
 Bovespa)
 5.5%*
 62.8%*
 17.9%*
 Telemar
 Norte Leste
 (TMAR
 Bovespa
 & NYSE)
 4.0%*
 BNDESPar
 31.383%
 Previ
 12.948%
 Funcef
 2.790%
 Petros
 2.739%
 AG Telecom
 L. F. Tel
 19.325%
 Fund. Atlântico
 11.490%
 100%
 Others
 100%
 Oi
 Mobile
 BrT
 100%
 Others
 49%

Oi
Mobile
BrT
BrT
GSM
Public Companies
4.2%*
New stake at previous ratio
BrT
GSM
19.325%
19.34%

The
approval
of
the
revised
ratios
is

up
to
Brasil
Telecom s
minority
shareholders

Simplification of the corporate structure

BrT
shareholders will become TMAR
shareholders

All shareholders of the same operational
company

Liquidity concentrated at TMAR, which will
have ADRs
representing PNs
and ONs

BrT
shareholders will receive lower number
of shares than initially announced
Ratios Approved
Not Approved

BrT
shareholders will keep receiving
dividends, although dividends may be
affected by the amortization and
depreciation of the goodwill and by higher
opex
and financial leverage
Pros
Cons

BrT
shares will be exchanged for Coari
shares; Coari
will be merged into TMAR
following a vote of Coari
shareholders
to
approve the merger

TMAR will end up with 100% of BrT

BrT
will remain as is: 49% owned by TMAR

Extremely complicated Corporate Structure

Low liquidity for shares

Investor Relations | 10

The
acquisition
of
BrT
was
strategic.
Due

to
regulatory
restriction,
the
value
for
the
acquisition
was
defined
based
on
publicly
available
information,
which
was
not
a
concern
as
BrT
was
recognized
as
Level
1
Corporate
Governance
at
Bovespa,
had
an
ADR program (in compliance with SOX) and was well covered by sell side analysts
After
the
acquisition,
BrT
had
to
provision
over
R\$3bn
of
previously
unrecognized
contingencies,
of
which
R\$2.3

bn
related
to
the
Expansion
Plans.
Due
to
its
commitments
to
grant
equal
rights
to
all
its
shareholders,
TMAR's
Board
decided
to
propose the revision of the exchange ratio.
New
ratios
were
calculated
and
will
be
submitted
to
BrT's
minority
shareholders.

The approval of those new ratios will help further simplify the corporate structure. In addition, liquidity of the shares should be increased.

Investor Relations | 11

This presentation contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements and involve inherent risks and uncertainties. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-

looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events periods.

Rua
Humberto
de Campos, 425 / 7th floor
Leblon

-

Rio de Janeiro -
RJ

E-mail: invest@oi.net.br

Visit our website:
www.oi.com.br/ir