

BRASIL TELECOM HOLDING CO
Form 6-K
December 11, 2006

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

FORM 6-K

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

THROUGH December 08, 2006

(Commission File No. 1-14477)

BRASIL TELECOM PARTICIPAÇÕES S.A.
(Exact name of registrant as specified in its charter)

BRAZIL TELECOM HOLDING COMPANY
(Translation of Registrant's name into English)

**SIA Sul, Área de Serviços Públicos, Lote D, Bloco B
Brasília, D.F., 71.215-000
Federative Republic of Brazil**
(Address of Registrant's principal executive offices)

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

Form 20-F Form 40-F

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

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

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

Yes No

Edgar Filing: BRASIL TELECOM HOLDING CO - Form 6-K

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

**FEDERAL PUBLIC SERVICE
SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION
COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS**

CORPORATE LAW

Date: September 30, 2006

REGISTRATION AT THE CVM DOES NOT REQUIRE ANY EVALUATION OF THE COMPANY, BEING ITS DIRECTORS RESPONSIBLE FOR THE VERACITY OF THIS INFORMATION.

01.01 - IDENTIFICATION

1 - CVM CODE 01768-0	2 - COMPANY NAME BRASIL TELECOM PARTICIPAÇÕES S.A.	3 - CNPJ - TAXPAYER REGISTER 02.570.688/0001-70
4 - NIRE 5.330.000.581.8		

01.02 - ADDRESS OF COMPANY HEADQUARTERS

1 - FULL ADDRESS SIA/SUL - ASP LOTE D - BL B - 1º ANDAR		2 - DISTRICT SIA		
3 - ZIP CODE 71215-000	4 - MUNICIPALITY BRASILIA		5 - STATE DF	
6 - AREA CODE 61	7 - TELEPHONE NUMBER 3415-1010	8 - TELEPHONE NUMBER 3415-1256	9 - TELEPHONE NUMBER 3415-1119	10 - TELEX
11 - AREA CODE 61	12 - FAX 3415-1593	13 - FAX 3415-1315	14 - FAX -	
15 - E-MAIL ri@brasiltelecom.com.br				

01.03 - INVESTOR RELATIONS OFFICER (Address for correspondence to Company)

1 - NAME CHARLES LAGANÁ PUTZ				
2 - FULL ADDRESS SIA/SUL - ASP - LOTE D- BL A 2º ANDAR			3 - DISTRICT SIA	
4 - ZIP CODE 71215-000	5 - MUNICIPALITY BRASILIA		6 - STATE DF	
7 - AREA CODE 61	8 - TELEPHONE NUMBER 3415-1010	9 - TELEPHONE NUMBER -	10 - TELEPHONE NUMBER -	11 - TELEX
12 - AREA CODE 61	13 - FAX 3415-1593	14 - FAX -	15 - FAX -	
15 - E-MAIL cputz@brasiltelecom.com.br				

01.04 - REFERENCE / INDEPENDENT ACCOUNTANT

CURRENT FISCAL YEAR		CURRENT QUARTER			PRIOR QUARTER		
1 - BEGINNING	2 - ENDING	3 - QUARTER	4 - BEGINNING	5 - ENDING	6 - QUARTER	7 - BEGINNING	8 - ENDING
01/01/2006	12/31/2006	3	07/01/2006	09/30/2006	2	04/01/2006	06/30/2006
9 - INDEPENDENT ACCOUNTANT DELOITTE TOUCHE TOHMATSU AUDITORES INDEPENDENTES					10 - CVM CODE 00385-9		
11 - NAME TECHNICAL RESPONSIBLE MARCO ANTONIO BRANDÃO SIMURRO					12 - CPF TAXPAYER REGISTER 755.400.708-44		

01.05 - COMPOSITION OF ISSUED CAPITAL

1 - QUANTITY OF SHARES (IN THOUSAND)	2 - CURRENT QUARTER 09/30/2006	3 - PRIOR QUARTER 06/30/2006	4 - SAME QUARTER OF PRIOR YEAR 09/30/2005
ISSUED CAPITAL			
1 - COMMON	134,031,688	134,031,688	134,031,688
2 - PREFERRED	229,937,526	229,937,526	229,937,526
3 - TOTAL	363,969,214	363,969,214	363,969,214
TREASURY SHARES			
4 - COMMON	1,480,800	1,480,800	1,480,800
5 - PREFERRED	0	0	0
6 - TOTAL	1,480,800	1,480,800	1,480,800

01.06 - COMPANY S CHARACTERISTICS

1 - TYPE OF COMPANY INDUSTRIAL, COMMERCIAL COMPANIES AND OTHERS
2 - SITUATION PRE-OPERATING
3 - TYPE OF CONTROLLING INTEREST NATIONAL HOLDING
4 - ACTIVITY CODE 1130 TELECOMMUNICATIONS
5 - MAIN ACTIVITY PROVIDING SWITCHED FIXED TELEPHONE SERVICE (STFC)
6 - TYPE OF CONSOLIDATED TOTAL
7 - TYPE OF ACCOUNTANTS REPORT UNQUALIFIED

01.07 - SUBSIDIARIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENT

1 - ITEM	2 - CNPJ - TAXPAYERS REGISTER	3 - NAME
----------	-------------------------------	----------

01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - ITEM	2 - EVENT	3 - APPROVAL	4 - DIVIDEND	5 - BEGINNING PAYMENT	6 - TYPE OF SHARE	7 - VALUE OF THE DIVIDEND PER SHARE

01.09 - ISSUED CAPITAL AND CHANGES IN CURRENT YEAR

1 - ITEM	2 - DATE OF CHANGE	3 - CAPITAL STOCK (In R\$ thousands)	4 - VALUE OF CHANGE (In R\$ thousands)	5 - ORIGIN OF ALTERATION	6 - QUANTITY OF ISSUED SHARES (Thousands)	7 - SHARE PRICE ON ISSUANCE DATE (In R\$)
----------	--------------------	---	---	--------------------------	--	---

01.10 - INVESTOR RELATIONS OFFICER

1 - DATE	2 - SIGNATURE
10/31/2006	

02.01 - BALANCE SHEET ASSETS (IN THOUSANDS OF REAIS)

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 09/30/2006	4 - 06/30/2006
1	TOTAL ASSETS	5,553,674	5,834,477
1.01	CURRENT ASSETS	1,526,157	1,175,804
1.01.01	CASH AND CASH EQUIVALENTS	1,213,305	859,693
1.01.02	CREDITS	0	0
1.01.03	INVENTORIES	0	0
1.01.04	OTHER	312,852	316,111
1.01.04.01	DEFERRED AND RECOVERABLE TAXES	162,947	172,807
1.01.04.02	DIVIDENDS RECEIVABLE	140,104	140,104
1.01.04.03	OTHER ASSETS	9,801	3,200
1.02	LONG-TERM ASSETS	327,030	998,604
1.02.01	SUNDRY CREDITS	0	0
1.02.02	CREDITS WITH RELATED PARTIES	47,981	604,371
1.02.02.01	FROM ASSOCIATED COMPANIES	0	0
1.02.02.02	FROM SUBSIDIARIES	47,981	604,371
1.02.02.02.01	LOANS AND FINANCING	47,981	604,371
1.02.02.02.02	ADVANCES FOR FUTURE CAPITAL INCREASE	0	0
1.02.02.03	FROM OTHER RELATED PARTIES	0	0
1.02.03	OTHER	279,049	394,233
1.02.03.01	LOANS AND FINANCING	97,400	97,400
1.02.03.02	DEFERRED AND RECOVERABLE TAXES	174,875	250,435
1.02.03.03	INCOME SECURITIES	0	0
1.02.03.04	JUDICIAL DEPOSITS	4,788	46,398
1.02.03.05	INVENTORIES	0	0
1.02.03.06	OTHER ASSETS	1,986	0
1.03	PERMANENT ASSETS	3,700,487	3,660,069
1.03.01	INVESTMENTS	3,699,366	3,658,941
1.03.01.01	ASSOCIATED COMPANIES	0	0
1.03.01.02	SUBSIDIARIES	3,692,072	3,651,650
1.03.01.03	OTHER INVESTMENTS	7,294	7,291
1.03.02	PROPERTY, PLANT AND EQUIPMENT	1,084	1,084
1.03.03	DEFERRED CHARGES	37	44

02.02 - BALANCE SHEET LIABILITIES (IN THOUSANDS OF REAIS)

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 09/30/2006	4 - 06/30/2006
2	TOTAL LIABILITIES	5,553,674	5,834,477
2.01	CURRENT LIABILITIES	252,507	567,357
2.01.01	LOANS AND FINANCING	0	135
2.01.02	DEBENTURES	0	283,083
2.01.03	SUPPLIERS	502	753
2.01.04	TAXES, DUTIES AND CONTRIBUTIONS	42,931	40,845
2.01.04.01	INDIRECT TAXES	122	18,141
2.01.04.02	TAXES ON INCOME	42,809	22,704
2.01.05	DIVIDENDS PAYABLE	208,453	213,255
2.01.06	PROVISIONS	13	12
2.01.06.01	PROVISIONS FOR CONTINGENCIES	13	12
2.01.07	DEBTS WITH RELATED PARTIES	0	0
2.01.08	OTHER	608	29,274
2.01.08.01	PAYROLL AND SOCIAL CHARGES	19	21
2.01.08.02	CONSIGNMENTS IN FAVOR OF THIRD PARTIES	75	27,899
2.01.08.03	EMPLOYEE PROFIT SHARING	0	0
2.01.08.04	OTHER LIABILITIES	514	1,354
2.02	LONG-TERM LIABILITIES	25,228	65,522
2.02.01	LOANS AND FINANCING	0	0
2.02.02	DEBENTURES	0	0
2.02.03	PROVISIONS	4,160	4,025
2.02.03.01	PROVISIONS FOR CONTINGENCIES	4,160	4,025
2.02.04	DEBTS WITH RELATED PARTIES	0	0
2.02.05	OTHER	21,068	61,497
2.02.05.01	PAYROLL AND SOCIAL CHARGES	0	0
2.02.05.02	SUPPLIERS	0	0
2.02.05.03	INDIRECT TAXES	0	41,153
2.02.05.04	TAXES ON INCOME	21,068	20,344
2.03	DEFERRED INCOME	0	0
2.05	SHAREHOLDERS EQUITY	5,275,939	5,201,598
2.05.01	PAID-UP CAPITAL	2,596,272	2,596,272
2.05.02	CAPITAL RESERVES	309,178	309,178
2.05.03	REVALUATION RESERVES	0	0
2.05.03.01	COMPANY ASSETS	0	0
2.05.03.02	SUBSIDIARIES/ASSOCIATED COMPANIES	0	0
2.05.04	PROFIT RESERVES	282,667	282,667
2.05.04.01	LEGAL	208,487	208,487
2.05.04.02	STATUTORY	0	0
2.05.04.03	CONTINGENCIES	0	0
2.05.04.04	REALIZABLE PROFIT RESERVES	74,180	74,180
2.05.04.05	PROFIT RETENTION	0	0

02.02 - BALANCE SHEET - LIABILITIES (IN THOUSANDS OF REAIS)

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 09/30/2006	4 - 06/30/2006
2.05.04.06	SPECIAL RESERVE FOR UNDISTRIBUTED DIVIDENDS	0	0
2.05.04.07	OTHER PROFIT RESERVES	0	0
2.05.05	RETAINED EARNINGS/ACCUMULATED DEFICIT	2,087,822	2,013,481

03.01 - STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

1 - CODE	2 - ACCOUNT DESCRIPTION	3 - 07/01/2006 TO 09/30/2006	4 - 01/01/2006 TO 09/30/2006	5 - 07/01/2005 TO 09/30/2005	6 - 01/01/2005 TO 09/30/2005
3.01	GROSS REVENUE FROM SALES AND/OR SERVICES	0	0	0	0
3.02	DEDUCTIONS FROM GROSS REVENUE	0	0	0	0
3.03	NET REVENUE FROM SALES AND/OR SERVICES	0	0	0	0
3.04	COST OF GOODS AND/OR SERVICES SOLD	0	0	0	0
3.05	GROSS PROFIT	0	0	0	0
3.06	OPERATING INCOME/EXPENSES	86,082	56,639	(7,921)	(94,262)
3.06.01	SELLING EXPENSES	0	0	0	0
3.06.02	GENERAL AND ADMINISTRATIVE EXPENSES	(3,406)	(12,435)	(9,170)	(22,453)
3.06.03	FINANCIAL	45,825	(54,313)	58,692	(46,797)
3.06.03.01	FINANCIAL INCOME	51,535	182,615	80,377	261,352
3.06.03.02	FINANCIAL EXPENSES	(5,710)	(236,928)	(21,685)	(308,149)
3.06.04	OTHER OPERATING INCOME	4,066	5,933	338	2,391
3.06.05	OTHER OPERATING EXPENSES	(825)	(1,548)	(1,181)	(3,188)
	EQUITY IN THE EARNINGS OF SUBSIDIARIES AND ASSOCIATED COMPANIES	40,422	119,002	(56,600)	(24,215)
3.06.06					
3.07	OPERATING INCOME	86,082	56,639	(7,921)	(94,262)
3.08	NON-OPERATING INCOME	52	300	544	2,520
3.08.01	REVENUES	52	300	687	2,685
3.08.02	EXPENSES	0	0	(143)	(165)
3.09	INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST	86,134	56,939	(7,377)	(91,742)
3.10	PROVISION FOR INCOME AND SOCIAL CONTRIBUTION TAXES	(16,199)	(35,501)	(18,362)	(33,305)
3.11	DEFERRED INCOME TAX	0	0	0	0
3.12	STATUTORY INTEREST/ CONTRIBUTIONS	0	0	0	0
3.12.01	INTEREST	0	0	0	0

03.01 - STATEMENT OF INCOME (IN THOUSANDS OF REAIS)

1 - CODE	2 ACCOUNT DESCRIPTION	3 07/01/2006 TO 09/30/2006	4 - 01/01/2006 TO 09/30/2006	5 - 07/01/2005 TO 09/30/2005	6 - 01/01/2005 TO 09/30/2005
3.12.02	CONTRIBUTIONS	0	0	0	0
3.13	REVERSAL OF INTEREST ON SHAREHOLDERS EQUITY	0	185,300	0	216,600
3.15	INCOME/LOSS FOR THE PERIOD	69,935	206,738	(25,739)	91,553
	NUMBER OF SHARES, EX-TREASURY (THOUSAND)	362,488,414	362,488,414	362,488,414	362,488,414
	EARNINGS PER SHARE	0.00019	0.00057		0.00025
	LOSS PER SHARE			(0.00007)	

FEDERAL PUBLIC SERVICE

**SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION**

COMMERCIAL, INDUSTRIAL COMPANY AND OTHERS

**CORPORATION
LAW**

**Date: September 30,
2006**

01768-0

BRASIL TELECOM PARTICIPAÇÕES S.A.

02.570.688/0001-70

04.01 - NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE QUARTERLY INFORMATION AS OF 09/30/2006

(In thousands of Brazilian reais)

1. OPERATIONS

Brasil Telecom Participações S.A. (the Company) is a joint stock publicly-held company, incorporated according to article 189 of Law 9,472/97 - Telecommunications General Law, as part of TELEBRÁS spin-off process, whose protocol and justification was approved on May 22, 1998 at a shareholders meeting.

The Company has as purpose to control companies exploring fixed telephony public services in Region II of the General Concession Plan (PGO), approved by Decree 2,534 of April 2, 1998. Such control is exercised through Brasil Telecom S.A., which is a concessionaire responsible for the Switched Fixed Telephone Service (STFC) in Region II of PGO. In addition, the Company may participate in the capital of other companies.

The Company is registered at the Brazilian Securities and Exchange Commission (CVM) and at the U.S. Securities and Exchange Commission (SEC). Its shares are traded on the São Paulo Stock Exchange (BOVESPA), where it also integrates Level 1 of Corporate Governance, and trades its American Depositary Receipts (ADRs) on the New York Stock Exchange (NYSE).

The control of the Company is exercised by SOLPART Participações S.A. (SOLPART), corresponding, at the quarter closing date, to 51.00% of the voting capital and 18.78% of the total capital.

Direct Subsidiaries of the Company

a. Brasil Telecom S.A.

Brasil Telecom S.A. is a concessionaire of the Switched Fixed Telephone Service (STFC) and operates in Region II of the General Concession Plan, covering the Brazilian states of Acre, Rondônia, Mato Grosso, Mato Grosso do Sul, Tocantins, Goiás, Paraná, Santa Catarina and Rio Grande do Sul, besides the Federal District. In this area of 2,859,375 square kilometers, which corresponds to 34% of the Brazilian territory, Brasil Telecom S.A. renders since July 1998 the STFC in the modalities of local and intra-regional long distance.

With recognition of the prior fulfillment of the obligations for universalization stated in the General Plan of Universalization Goals (PGMU), required for December 31, 2003, Brasil Telecom S.A obtained from the National Agency for Telecommunications (ANATEL), on January 19, 2004, issued authorizations for the Company to exploit STFC in the following service modalities: (i) Local and Domestic Long Distance calls in Regions I and III and Sectors 20, 22 and 25 of Region II of the General Concession Plan (PGO); and (ii) International Long Distance calls in Regions I, II and III of PGO. As a result of these authorizations, Brasil Telecom S.A began to exploit the Domestic and International Long Distance Services in all Regions, starting on January 22, 2004. In the case of the Local Service in the new regions and PGO sectors, the service began to be rendered as from January 19, 2005.

New concession agreements under the modalities of local and long distance services came into force as of January 1, 2006, effective until December 31, 2025. Additional information about these agreements is mentioned in Note 5.i.

Information related to the quality and universal service targets of the Switched Fixed Telephone Service of its Parent Company are available to interested parties on ANATEL's homepage, on the website www.anatel.gov.br.

b. Nova Tarrafa Participações Ltda. e Nova Tarrafa Inc.

The Company also holds the control of Nova Tarrafa Participações Ltda (NTP) and Nova Tarrafa Inc. (NTI). The purpose of these subsidiaries is the capital interest in Internet Group (Cayman) Limited (IG Cayman), which is focused on Internet access provision. On November 24, 2004, IG Cayman started taking part in the Company's group of subsidiaries, with acquisition of equity interest through Brasil Telecom Subsea Cable Systems (Bermuda) Ltd., an indirect subsidiary.

NTP's and NTI's interest in IG Cayman on the quarter closing date represented 9.25% and 0.16%, respectively, and together with Brasil Telecom Subsea Cable Systems (Bermuda) Ltd. The total interest was 98.2% .

Indirect Subsidiaries of the Company

The subsidiary Brasil Telecom holds the control of the following companies:

a. 14 Brasil Telecom Celular S.A.

A wholly-owned subsidiary which operates since the fourth quarter of 2004 to provide Personal Mobile Service (SMP), with authorization to render such services to the Region II of the PGO.

b. BrT Serviços de Internet S.A.

BrT Serviços de Internet S.A. (BrT Celular) is a wholly-owned subsidiary that started operating at the beginning of 2002, providing Internet services and correlated activities.

BrTI, on the other hand, has the control of the following companies:

(i) BrT Cabos Submarinos Group

This group of companies operates through a system of submarine fiber optics cables, with connection points in the United States, Bermuda Islands, Venezuela and Brazil, allowing data traffic through packages of integrated services, offered to local and international corporate customers. It is comprised of the following companies:

- Brasil Telecom Cabos Submarinos do Brasil Ltda. (BrT CSB).

Up to August 1, 2006, BrTI held the control of Brasil Telecom Cabos Submarinos do Brasil (Holding) Ltd. (BrT CSH) which controlled BrT CSB. On the date mentioned, there was the merger of BrT CSH by BrT CSB.

- **Brasil Telecom Subsea Cable Systems (Bermudas) Ltd. (BrT SCS Bermuda):**

Up to September 1, 2006, BrTI held a minority interest at BrT SCS Bermuda and the Company held the controlling power. On that date, the Company transferred to BrTI its interest in BrT SCS Bermuda, representing a capital increase at BrTI.

On its turn, BrT SCS Bermuda holds the total shares of Brasil Telecom of America Inc. (BrT of America) and of Brasil Telecom de Venezuela, S.A. (BrT Venezuela).

(ii) iBest Group

iBest Companies have their operations concentrated in providing dialup connection to the Internet, sale of advertising space for divulgation in its portal and value-added service with the availability of its Internet access accelerator. They are represented by the companies: iBest Holding Corporation, incorporated in Cayman Islands, and Freelance S.A., established in Brazil.

IG Companies

IG Companies have operations based on providing dial up access to the Internet, inclusively, its mobile internet portal related to mobile telephony in Brazil. They also render value-added services related to broadband access to its portal and web page hosting and other services in the Internet market.

On November 24, 2004, BrT SCS Bermuda acquired 63.0% of the total capital, and the resulting control, of Internet Group (Cayman) Limited (IG Cayman), incorporated in the Cayman Islands. On July 26, 2005, BrT SCS Bermuda complemented the acquisition of additional 25.6% of IG Cayman 's total capital. On the quarter closing date, the interest held by BrT SCS Bermuda was 88.8% . IG Cayman is a holding which, in its turn, has control of Internet Group do Brasil Ltda. (IG Brasil) and Central de Serviços Internet Ltda. (CSI), both established in Brazil.

Agência O Jornal da Internet Ltda (Jornal Internet).

BrTI holds thirty per cent interest in the capital stock of Jornal Internet, which aims at the commercialization of goods and services through the Internet, edition of newspapers or magazines, as well as the obtainment, generation and publication of news on selected facts. Seventy per cent of the capital stock of Jornal Internet is held by Caio Túlio Vieira Costa, executive vice-president of the Company 's subsidiaries related to internet businesses.

c. MTH Ventures do Brasil Ltda.

Brasil Telecom S.A. holds 100% of the capital of MTH Venturres do Brasil Ltda. (MTH), a holding company which has 100% of the capital of Brasil Telecom Comunicação Multimídia Ltda. (BrT Multimídia).

BrT Multimídia is a service provider of private telecommunications network through optical fiber digital networks in São Paulo, Rio de Janeiro and Belo Horizonte and long distance network connecting these metropolitan commercial centers. It also has an Internet solution center in São Paulo, which offers co-location, hosting and other value-added services.

d. Vant Telecomunicações S.A. (VANT)

Corporation of which Brasil Telecom S.A. holds the total capital stock. VANT aims at the rendering of telecommunications services in general, especially multimedia communication services, execution of works, assemblies and installations in public and private environments referring to the implementation, operation and maintenance of networks and telecommunications systems, acquisition and onerous assignment of capabilities and means and other necessary supplementary activities, operating throughout Brazil, and is present in the main Brazilian state capitals.

e. Santa Bárbara dos Pampas S.A. (SB dos Pinhais)

Company which was not operating on the quarter closing date, aims at rendering services in general comprising the management activities of real estate or assets, among others.

On August 1, 2006, the following companies, which were also not operating, were merged into SB dos Pinhais: Santa Bárbara dos Pampas S.A., Santa Bárbara do Cerrado S.A. and Santa Bárbara do Pantanal S.A.

Change in the Management

On July 27, 2005, the Extraordinary Shareholders Meeting dismissed from office the members of the Company's Board of Directors connected with former manager Opportunity. At Board of Directors Meeting held on August 25, 2005, a new Board of Executive Officers was elected, and the Technical Officer was maintained in his position.

At the Extraordinary Shareholders Meeting held on September 30, 2005, the Board of Directors members of Brasil Telecom S.A. were dismissed from office and new members were elected. On the same date, the Board of Directors Meeting resolved to dismiss the Chairman and to elect new members for the Board of Executive Officers, and the Network Officer was reelected. Such resolutions were ratified by the Board of Directors of Brasil Telecom S.A. at a meeting held on October 5, 2005.

The process to change the management of the Company and Brasil Telecom S.A. was litigious, according to various material facts published by the Company during 2005 and various lawsuits brought by the former manager, aiming at recovering the management of the Companies, which are still under progress.

Agreements as of April 28, 2005 under the Previous Management

On April 28, 2005, still under previous management, Brasil Telecom Participações S.A. and Brasil Telecom S.A. entered into various agreements involving the Opportunity Group and Telecom Italia (April 28 Agreements).

Among such agreements, Brasil Telecom S.A. and its subsidiary 14 Brasil Telecom Celular S.A.(BTC) executed with TIM International N.V. (TIMI) and TIM Brasil Serviços e Participações S.A. (TIMB) an instrument named as Merger Agreement and a Protocol related thereto.

As mentioned in material facts published, the merger was forbidden by injunctions issued by the Brazilian and U.S. courts. It is also subject-matter of discussion under arbitration involving the controlling shareholders.

The current management of Brasil Telecom Participações S.A. and of Brasil Telecom S.A. understands that the Merger Agreement, the respective Protocol, and other April 28 agreements, which included the waiver and transaction in lawsuits involving the Companies, were entered into with conflict of interests, breaching the laws and the Bylaws of the Companies, and also, in opposition to shareholders' agreements and without the necessary corporate approvals. In addition, the new management deems that such agreements are contrary to the best interest of the Companies, especially regarding its mobile telephony business.

TIMI and TIMB sent to Brasil Telecom S.A. and to BrT Celular a correspondence dated as of May 2, 2006, terminating unilaterally the referred Merger Agreement, reserving supposed right for recovery damages. The arbitration is currently in progress.

2. PRESENTATION OF FINANCIAL STATEMENTS

Preparation Criteria

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, in compliance with the Brazilian corporate law, rules of the Brazilian Securities and Exchange Commission (CVM) and rules applicable to telephony service concessionaires.

As the Company is registered with the SEC, it is subject to SEC's standards, and it must prepare financial statements and other information by using criteria that comply with that agency's requirements. To comply with these requirements and aiming at meeting the market's information needs, the Company adopts, as a principle, the disclosure of information in both markets in their respective languages.

The notes to the financial statements are presented in thousands of reais, unless otherwise demonstrated. According to each situation, they present information related to the Company and the consolidated statements, identified as PARENT COMPANY and CONSOLIDATED, respectively. When the information is common to both situations, it is indicated as PARENT COMPANY AND CONSOLIDATED.

In compliance with Resolution 489/05, of CVM, as from 2006 the amounts of judicial deposits linked to the provisions for contingencies are presented in a deductive way from the liabilities established. Aiming at providing a better comparison between the data presented in the quarterly information, an identical reclassification of balances belonging to 2005 was promoted, as well as of the amounts referring to the cash flow.

The accounting estimates were based on objective and subjective factors, based on management's judgment to determine the appropriate amount to be recorded in the financial statements. Significant elements subject to these estimates and assumptions include the residual amount of the fixed assets, allowance for doubtful accounts, inventories and deferred income tax and social contribution, provision for contingencies, valuation of derivative instruments, and assets and liabilities related to benefits to employees. The settlement of transactions involving these estimates may result in significantly different amounts due to the inaccuracy inherent to the process of determining these amounts. Management reviews its estimates and assumptions at least quarterly.

Consolidated Financial Statements

The consolidation was made in accordance with CVM Instruction 247/96 and includes the companies listed in Note 1.

Some of the main consolidation procedures are:

- Elimination of balances of the asset and liability accounts among the consolidated companies, as well as revenues and expenses of transactions among them;
- Elimination of the balances of the investment accounts and corresponding investor's shareholdings, reserves and accumulated results in the consolidated companies.
- Segregation of the portions of shareholders' equity and income belonging to minority shareholders, indicated in specific items.

The conciliation of the net income and the shareholders' equity belonging to the Parent Company and the Consolidated is shown below:

	NET INCOME (LOSS)		SHAREHOLDERS EQUITY	
	09/30/06	09/30/05	09/30/06	06/30/06
PARENT COMPANY	206,738	91,553	5,275,939	5,201,598
Registrations carried out in the Subsidiary's Shareholders' Equity				
Dividends Barred by Law and Donations	(6,778)	(5,165)	-	-
Capitalized Interest in the Subsidiary	2,620	2,620	(1,455)	(2,329)
CONSOLIDATED	202,580	89,008	5,274,484	5,199,269

Supplementary Information

The Company is presenting as supplementary information the statement of cash flows, which was prepared in accordance with Accounting Rules and Procedures - NPC 20 of the Brazilian Institute of Independent Auditors - IBRACON. The statement of cash flows is shown together with note 17.

Report per Segment

The Company is presenting, supplementary to note 43, the report per business segment. A segment is an identifiable component of the company, intended for service rendering (business segment), or provision of products and services which are subject to risks and compensations which are different from those of other segments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The criteria mentioned in this note refer to the practices adopted by the Company and its subsidiaries that are included in the consolidated balance sheet.

a. Cash and Cash Equivalents: Cash equivalents are temporary high-liquid investments, with immediate maturity. They are recorded at cost, plus income registered until the closing dates of the quarters, and do not exceed market value. Investment funds quotas are appreciated considering the quota values on June 30, 2006.

b. Accounts Receivable from Services: Receivables from users of telecommunications services are recorded at the amount of the fee or the service on the date the service is rendered. Accounts receivable from services include credits for services rendered and not billed until the closing dates of the quarters. Receivables resulting from sales of cell phones and accessories are recorded by the amount of sales made, at the moment in which the goods are delivered and accepted by the customer. The criterion adopted for making the allowance for doubtful accounts takes into account the calculation of the actual percentage of losses incurred on each range of accounts receivable. The historic percentages are applied to the current ranges of accounts receivable, also including accounts coming due and the portion of services rendered yet to be billed, thus composing the amount that could become a future loss, which is recorded as a provision.

c. Inventories: Stated at average acquisition cost, not exceeding replacement cost. Inventories are segregated into inventories for plant expansion and those for maintenance and goods inventories for resale, mainly composed of cell phones, accessories and electronic cards - chips. The inventories to be used in expansion are classified in property, plant and equipment (construction in progress), and inventories to be used in maintenance are classified as current and long-term assets, in accordance with the period in which they will be used, and the resale inventories are classified as current assets. Obsolete inventories are recorded as allowance for losses. With regard to cell phones and accessories, the subsidiary BrT Celular records adjustments, in the cases in which the acquisitions presented higher values, conforming them to the realization value.

The composition of the inventories is shown in note 20.

d. Investments: Investments in subsidiaries are assessed using the equity method of accounting. Goodwill is calculated based on the expectation of future results and its amortization is based on the expected realization/timing over an estimated period of not more than ten years. Other investments are recorded at acquisition cost, less allowance for losses, when applicable. The investments resulting from income tax incentives are recognized on the date of investment, and result in shares of companies with tax incentives or investment fund quotas. In the period between the investment date and receipt of shares or quotas of funds, they remain recognized in long-term assets. The Company adopts the criterion of using the maximum percentage of tax allocation. These investments are periodically valued and the result of the comparison between its original and market costs, when the latter is lower, results in the constitution of allowances for probable losses.

e. Property, Plant and Equipment: Stated at cost of acquisition and/or construction, less accumulated depreciation. Financial charges resulting from obligations for financing assets and construction in progress are capitalized.

The costs incurred, when they represent improvements (increase in installed capacity or useful life) are capitalized. Maintenance and repair are charged to the profit and losses accounts, on an accrual basis.

Depreciation is calculated under the straight-line method. Depreciation rates used are based on expected useful lives of the assets and in accordance with the standards of the Public Telecommunications Service. The main rates used are set forth in note 28.

f. Deferred Charges: Segregated between deferred charges on amortization and formation. Their breakdown is shown in note 29. Amortization is calculated under the straight-line method, for a five-year period, in accordance with the legislation in force. When benefits are not expected from an asset, it is written off against non operating income.

g. Income and Social Contribution Taxes: Corporate income and social contribution taxes are accounted for on an accrual basis. These taxes levied on temporary differences, tax losses and the social contribution negative basis are recorded under assets or liabilities, as applicable, according to the assumption of realization or future demand, within the parameters set forth in CVM Instruction 371/02.

h. Loans and Financing: These are updated for monetary and/or exchange variations and interest incurred until the quarter closing date. Equal restatement is applied to the guarantee contracts to hedge the debt.

i. Provision for Contingencies: The contingency provisions are made based on a survey of the respective risks and they are quantified according to economic grounds and legal opinions on the contingency proceedings and facts known on the quarter closing date. The basis and nature of the provisions are described in note 7.

j. Revenue Recognition: Revenues from services rendered are recognized when provided. Local and long distance calls are charged based on time measurement according to the legislation in force. Revenues from sales of payphone cards (Public Use Telephony - TUP), cell phones and accessories are recorded when delivered and accepted by the client. For prepaid services linked to mobile telephony, the revenue is recognized in accordance with the utilization of services. Revenue is not recognized if there is a significant uncertainty in its realization.

k. Recognition of Expenses: Expenses are recognized on an accrual basis, considering their relation with revenue realization. Expenses related to future periods are deferred.

l. Financial Income (Expense), Net: Financial income is recognized on an accrual basis and comprises interest earned on overdue accounts settled after the term, gains on financial investments and hedges. Financial expenses comprise interest incurred and other charges on loans, financing and other financial transactions.

Interest on shareholders' equity, when credited, is included in the financial expenses balance, and for financial statement presentation purposes, the amounts are reversed to profit and loss accounts and reclassified as a deduction of retained earnings, in the shareholders' equity.

m. Benefits to Employees: Private pension plans and other retirement benefits sponsored by the Company and its subsidiaries for their employees are managed under three Foundations. Contributions are determined on an actuarial basis, when applicable, and accounted for on an accrual basis. As of December 31, 2001, the Subsidiary Brasil Telecom S.A. recorded its actuarial deficit on the balance sheet date against shareholders' equity, excluding the corresponding tax effects. As from 2002, as new actuarial revaluations show the necessity for adjustments to the provision, they are recognized in the profit and loss accounts.

Additional information related to private pension plans is described in Note 6.

n. Profit Sharing: The provision for employees profit sharing is recognized on an accrual basis, being accounted as operating expense. The calculation of the amount, which is paid in the subsequent year after the provision is recognized, is based on the target program established with the labor union, by means of collective labor agreement, in accordance with Law 10,101/00 and the Company's Bylaws.

o. Earnings or losses per thousand shares: Calculated based on the number of shares outstanding on the quarter closing date, which comprises the total number of shares issued, minus shares held in treasury.

4. RELATED-PARTIES TRANSACTIONS

Related parties transactions refer to operations of the Company with the subsidiaries Brasil Telecom S.A., Nova Tarrafa Participações Ltd. and Nova Tarrafa Inc, also including transactions with SOLPART, its parent company.

Operations between related parties and the Company are carried out under regular market prices and conditions. The main transactions are:

Brasil Telecom S.A.

Loans with the Subsidiary: Asset balance arose from the spin-off of Telebrás and are indexed to exchange variation, plus interest of 1.75% per year, amounting to R\$47,981 (R\$51,169 as of 6/30/06). The financial loss recognized against the result in the quarter, due to the drop of the U.S. dollar was R\$3,443 (R\$10,477 of financial loss in 2005, due to the drop of the exchange rate).

Debentures: On July 27, 2006, Brasil Telecom S.A. settled the debt balance of its private debentures with the Company. Total amount received was R\$556,911 (R\$553,202 was the balance on 6/30/06). Yields recognized in the period, up to settlement date, were of R\$44,203 (R\$111,754 in 2005).

Sureties and Guarantees: (i) The Company renders sureties as guarantee of loans and financing owed by the Subsidiary to the lending financial institutions. Up to the quarter, on the guarantee granted, the Company assessed revenues at the amount of R\$2,442 (R\$3,134 in 2005); and (ii) the Company renders surety for the Company related to the contracting of insurance policies, guarantee of contractual liabilities (GOC) for 2006, which amounted to R\$220,305 (R\$217,142 in 2005). In the end of the quarter, in return to such surety, the Company registered an operating revenue of R\$198 (R\$195 in 2005).

Expenses and Accounts Receivable: arising from transactions related to share of resources. The balance receivable is R\$1,819 (R\$439 receivable on 3/31/06) and the amounts recorded in income in the quarter comprises operating expenses of R\$337 (R\$3,244 in 2005).

5. MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES (FINANCIAL INSTRUMENTS) AND RISK ANALYSIS

The Company and its subsidiaries assessed the book value of its assets and liabilities as compared to market or realizable values (fair value), based on information available and evaluation methodologies applicable to each case. The interpretation of market data regarding the choice of methodologies requires considerable judgment and determination of estimates to achieve an amount considered adequate for each case. Accordingly, the estimates presented may not necessarily indicate the amounts, which can be obtained in the current market. The use of different assumptions for calculation of market value or fair value may have material effect on the obtained amounts. The selection of assets and liabilities presented in this note took place based on their materiality. Instruments whose values approximate their fair values, for example cash and cash equivalents, accounts receivable, assets and liabilities of taxes, pension funds, among others, and whose risk assessment is not significant, are not mentioned.

In accordance with their natures, the financial instruments may involve known or unknown risks, and the potential of such risks is important for the best judgment. Thus, there may be risks with or without guarantees, depending on circumstantial or legal aspects. Among the principal market risk factors which can affect the Company's and its subsidiaries' business are the following:

a. Credit Risk

The majority of services provided by the subsidiary Brasil Telecom S.A. are related to the Concession Agreement, and a significant portion of these services is subject to the determination of fees by the regulatory agency. The credit policy, in its turn, in case of telecommunications public services, is subject to legal standards established by the concession authority. The risk exists since the Subsidiary may incur losses arising from the difficulty in receiving amounts billed to its customers. Until the quarter, the consolidated amount of losses with accounts receivable, including the allowance for doubtful accounts, corresponded to 2.60% of the gross revenue (2.68% in the same period in 2005). By means of internal controls, the level of accounts receivable is constantly monitored, thus limiting the risk of past due accounts by cutting the access to the service (out phone traffic) if the bill is overdue for over 30 days. Exceptions are made for telephone services, which should be maintained for national security or defense.

The subsidiary Brasil Telecom S.A. operates in co-billing, concerning long distance calls with the use of its CSP (Operator Selection Code) originated by subscribers of other fixed and mobile telephony operators. The co-billing accounts receivable are managed by these operators, based on the operational agreements entered into with them and according to the rules set forth by ANATEL. The blocking rules set forth by the regulating agency are the same for the fixed and mobile telephony companies, which are co-billing suppliers. The Parent Company separately monitors receivables of this nature and maintain an allowance for losses that may occur, due to the risks of not receiving such amounts.

In respect to mobile telephony, credit risk in cell phones sales and in service rendering in the postpaid category is minimized with the adoption of a credit pre-analysis. Still in relation to postpaid service, whose client base at the end of the quarter was 31% of total portfolio (32.4% on 06/30/06), the receivable accounts are also monitored in order to limit default and the block is made to the service (out of phone traffic) if the bill is overdue for over fifteen days.

b. Exchange Rate RiskAssets

The Company holds loan agreements in assets in foreign currency and, therefore, subjected to exchange rate fluctuations. The amount of assets exposed to this kind of risk is as follows:

	PARENT COMPANY		CONSOLIDATED	
	Book value		Book value	
	09/30/06	06/30/06	09/30/06	06/30/06
Assets				
Loans with Subsidiary	47,981	51,169	-	-
Loans	97,400	97,400	97,400	97,400
Total	145,381	148,569	97,400	97,400
Long term	145,381	148,569	97,400	97,400

The loans in assets in US dollar were changed to the Company because of Telebrás spin-off. Due to the characteristics in which such loans were originated, there is no financial instrument in the market with the possibility of contracting in similar conditions, which leads to the presentation only in book value.

Liabilities

The Company and the subsidiary Brasil Telecom S.A. have loans and financing contracted in foreign currency. The risk related to these liabilities arises from possible exchange rate fluctuations, which may

increase these liabilities balances. Loans subject to this risk represent approximately 19.6% (24.3% on 06/30/06) of the total liabilities of consolidated loans and financing, minus the contracted hedge balances. In order to minimize this kind of risk, the Company has been entering into exchange hedge agreements with financial institutions. Of the debt installment consolidated in foreign currency, 42.5% (57.7% on 06/30/06) is covered by hedge operations and financial investments in foreign currency, resulting in an effective exposition of only 15.2%. Unrealized positive or negative effects of these operations are recorded in the profit and loss as gain or loss. In the current year, until the end of the quarter, the negative adjustments of the hedge contracts amounted to R\$107,876 (R\$245,302 of negative adjustments in 2005).

Net exposure as per book and market values, at the exchange rate risk as follows:

PARENT COMPANY

	09/30/06		06/30/06	
	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans and Financing	-	-	135	135
Total	-	-	135	135
Current	-	-	135	135
Long-term	-	-	-	-

CONSOLIDATED

	09/30/06		06/30/06	
	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans and Financing	863,215	917,966	932,422	958,333
Hedge Contracts	369,886	366,976	380,746	377,130
Total	1,233,101	1,284,942	1,313,168	1,335,463
Current	178,079	178,589	192,131	193,168
Long-term	1,055,022	1,106,353	1,121,037	1,142,295

The method used for calculation of market value (fair value) of loans and financing in foreign currency and hedge instruments was future cash flows associated to each contracted instruments, minus the market rates in force in the quarter closing date.

c. Interest Rate Risk

Assets

Consolidated assets result from loans remunerated by rates mentioned below, as well as income securities (CDBs) invested in Banco de Brasília S.A., related to the guarantee to tax incentive granted by the Federal District Government under a program called *Programa de Promoção do Desenvolvimento Econômico e Sustentável do Distrito Federal* PRO-DF, (Program to Promote the Economic and Sustained Development of the Federal District), and the remuneration of these securities is equivalent to 95% of the SELIC rate.

	PARENT COMPANY		CONSOLIDATED	
	Book and Market Value		Book and Market Value	
	09/30/06	06/30/06	09/30/06	06/30/06
Assets				
Loans (including Debentures)				
Debentures subjected to CDI	-	553,202	-	-
Loans subjected to CDI, IGP-M, Column 27 (FGV) and IGP-DI	-	-	8,382	9,030
Income Securities, subject to:				
SELIC rate	-	-	3,167	2,915
Total	-	553,202	11,549	11,945
Current	-	-	8,165	7,703
Long-term	-	553,202	3,384	4,242

The book values are equal to market values, as the current contracting conditions for these types of financial instruments are similar to the ones in which those come from or do not present parameters for quotation or contracting.

Liabilities

In 2000, the Company issued, in 2000, private debentures convertible into preferred shares. This liability was contracted to the interest rate linked to TJLP. The risk linked to this liability arises due to the possible increase of such rate.

The subsidiary Brasil Telecom S.A. has loans and financing contracted in local currency subject to interest rates linked to indexing units (TJLP, UMBNDES, CDI, etc.). The inherent risk in these liabilities arises from possible variations in these rates. The Subsidiary has contracted derivative hedge contracts to 17.2% (18.7% on 06/30/06) of the liabilities subject to the UMBNDES rate, using exchange rate swap contracts. However, the other market rates are continually monitored to evaluate the need to contract derivatives to protect against the risk of volatility of these rates. In addition to the loans and financing, the Subsidiary issued public debentures, non-convertible or exchangeable for shares. These liabilities were contracted at interest rates linked to the CDI, and the risk associated to this liability results from the possible increase of the rate.

The above mentioned liabilities on the quarter closing date are as follows:

	PARENT COMPANY			
	09/30/06		06/30/06	
	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans subject to TJLP (including Debentures)	-	-	283,083	282,676
Total	-	-	283,083	282,676
Current	-	-	283,083	282,676

CONSOLIDATED

	09/30/06		06/30/06	
	Book Value	Market Value	Book Value	Market Value
Liabilities				
Loans subject to TJLP (including Debentures)	1,612,839	1,613,695	2,073,866	2,074,707
Loan subject to CDI	1,650,569	1,652,020	539,989	542,364
Loans subject to UMBNDES	207,949	208,155	229,405	229,653
Hedge agreements in UMBNDES	27,021	25,502	32,290	30,034
Loans subject to IGP-DI	24,013	24,013	22,051	22,051
Loans subject to IGPM	907	907	2,567	2,567
Other loans (Fixed Rate)	38,120	38,120	38,791	38,791
Total	3,561,418	3,562,412	2,938,959	2,940,167
Current	922,394	922,227	1,111,521	1,105,773
Long-term	2,639,024	2,640,185	1,827,438	1,834,394

Book value is equivalent to market values where the current contractual conditions for these types of financial instruments are similar to those in which they were originated or they did not present parameters for quotation or contracting.

d. Risk of Not Linking Monetary Restatement Indexes of Loans and Financing to Accounts Receivable

Loan and financing rates contracted by the subsidiary Brasil Telecom S.A. are not linked to amounts of accounts receivable. Thus, a risk arises, since telephony fees adjustments do not necessarily follow increases in local interest rates, which affect the Subsidiary's debts.

e. Contingency Risks

Contingency risks are assessed according to loss hypotheses, as probable, possible or remote. Contingencies considered probable risks are recorded as liabilities. Details of these risks are presented in note 7.

f. Risks Related to Investments

The Company has investments, which are assessed through the equity method of accounting and acquisition cost. Brasil Telecom S.A., Nova Tarrafa Participações Ltd. And Nova Tarrafa Inc. are subsidiaries, whose investments are assessed by the equity accounting.

The investments assessed at cost are immaterial in relation to total assets. Their associated risks would not cause significant impacts to the Company in case of loss of part of these investments.

The amounts related to the investments are as follows:

	09/30/06		06/30/06	
	Book Value	Market Value	Book Value	Market Value
Investments	3,699,366	5,582,298	3,658,941	6,920,058
Interest in Subsidiaries	3,692,072	5,575,004	3,651,650	6,912,767
With Stock Exchange Quotation	3,659,515	5,542,447	3,615,932	6,877,049
Without Stock Exchange Quotation	32,557	32,557	35,718	35,718

Other Investments	7,294	7,294	7,291	7,291
--------------------------	--------------	--------------	--------------	--------------

The Stock Exchange quotation investment refers to the interest in Brasil Telecom S.A. and its market value was evaluated based on the market quotation used in the negotiation between minority shareholders.

g. Financial Investments Risks

The company has temporary high-liquid investments in exclusive financial investment funds (FIFs), whose assets comprise federal securities based on post-fixed, pre-fixed and foreign exchange rates, and post private securities issued by first-rate financial institutions (CDB s) all subject to CDI, exclusive financial investment funds (FIFs), subject to exchange variation through futures contracts in dollar with the Futures and Commodities Exchange - BM&F, short-term financial investments, represented by securities issued by Republic of Austria, remunerated at a percentage of CDI average variation, overnight financial investments, own portfolio of CD issued by financial institutions abroad. Overnight investments, in exchange fund and deposit certificates are subject to exchange rate fluctuation risks. The overnight investments that have spread in this type of certificate and the Deposit Certificate (CD) investments, are subject to the issuing financial institution credit risk.

The Company maintains immediate financial investments at the amount of R\$1,213,197 (R\$859,553 on 06/30/06). Income earned in the quarter closing date is recorded as financial revenue and amounts to R\$104,260 (R\$110,607 in 2005). Amounts conferred on the consolidated financial statements are R\$2,859,817 (\$1,968,251 on 06/30/06), related to financial investments, and R\$241,072 (R\$297,095 in 2005), related to earnings.

Consolidated short-term investments temporary investments are represented by the amount of R\$197,027 (R\$106,539 on 06/30/06) and income earned until the quarter closing date, recorded as financial revenue was R\$6,131.

h. Risk of Early Maturity of Loans and Financing

Liabilities resulting from financing, mentioned in note 35, concerning agreements of BNDES, public debentures and most of them referring to financial institutions, have clauses that estimate the early maturity of liabilities or retention of amounts pegged to debt covenants, in the cases in which certain minimum amounts for certain indicators are not reached, such as ratios of indebtedness, liquidity, cash generation and others.

Considering the provisions recognized by Brasil Telecom S.A in the financial statements of the fiscal year ended on 12/31/05 and provisions informed to the market by means of the Material Fact as of 01/04/06, the Subsidiary renegotiated, in February 2006, all the loan and hedge agreements that had financial covenants related to the Earnings before Interest, Taxes, Depreciation and Amortization EBITDA.

For the financing agreements maintained by the Subsidiary with BNDES, the Bank is allowed to request the temporary block of amounts, given as guarantee in a linked account, in the event of non-compliance with the financial ratios established in the contracts. In view of the non-compliance with this clause, Brasil Telecom S.A. is subject to the partial and temporary block of its financial investments, in the approximate total amount of R\$247,442, without prejudice of the remuneration to be received by the Company. Up to the quarter closing date, blocks in the consolidated investment fund of Brasil Telecom S.A. in the amount of R\$192,156 (R\$191,439 on 06/30/06,) which were reclassified for the item of contractual retentions, mentioned in note 25. The release of the blocked amounts will take place when Brasil Telecom S.A. returns to complying with the financial relations set forth in the agreements or it is successful in the negotiation of adequacy of financial covenants negotiated. BNDES granted a

renouncement in relation to the possible declaration of early maturity in view of the new non-compliance with the financial ratios.

Taking into account the new reality of telecommunications industry, the Subsidiary and BNDES are in phase of negotiations of new financial ratios for the current agreements and for the new financing agreement related to the three-year period between 2006 and 2008.

i. Regulatory Risks

On 12/22/05, new local and domestic long distance concession agreements were entered into by Brasil Telecom S.A., which took effect between January 1, 2006 and December 31, 2025. These new concession agreements, which provide for reviews on a five-year basis, in general have a higher intervention level in the management of the businesses and several provisions defending the consumer's interest, as noticed by the regulation body. The main highlights are:

- The burden of the concession defined as 2% of the net revenue from taxes, calculated every two years, starting in 2006 fiscal year, whose initial payment incur on 04/30/07 and then successively until the end of the concession. This calculation method, concerning accrual, corresponds to 1% for each fiscal year;
- The definition of new universalization targets, particularly AICE - Special Class Individual Access, of mandatory offer and the Telecommunications Service Centers - PST, with full burden for the Concessionaire;
- The possibility of the Regulating Agency to impose mandatory alternative plans;
- The introduction of Regulating Agency's right to intervene and modify agreements of the concessionaire with third parties;
- The inclusion of assets of the parent company, subsidiary, affiliated companies and third parties, indispensable to the concession, as reversible assets;
- The creation of the users' board in each concession;

Additionally, the regulation connected to the new concession agreement provides for changes in the local calls tariff system, which change from pulse to minute in the regular hours, in amounts of the public tariffs and in the readjustment criteria, which had the individual excursion factor reduced from 9% to 5% and will be then defined by a sector index - IST, in which composition the highest weight is IPCA.

On their turn, the interconnection tariffs, as provided for, are then defined as a percentage public tariff until the implementation of cost model by service/modality, estimated for 2008, as defined in the Regulation for Separation and Accounting Allocation (Resolution 396/05).

ANATEL, on February 23, 2006, issued the Resolution 432, postponing for a twelve-month period the dates mentioned in Rule 423, as of 12/06/05, which deals with the Amendment to the Tariff System of STFC Basic Plan in the Local Modality Rendered under Public Scheme.

It is not possible to assess, on the date this quarterly information was prepared, the future impacts to be generated by such regulation change.

Legislative Bill of Change in Telecommunications Act (LGT)

At the beginning of March 2006, the Executive Branch sent to the Brazilian Congress the Legislative Bill 6,677 to amend LGT 9,472, as of 07/16/97, whose content is essentially enabling the adoption of

distinctive criteria based on the social-economic condition of the aspirant-user, with the purpose of reducing the social disparities and facilitate the access to telecommunications services publicly provided.

Due to the lack of objective elements it is not possible to evaluate, on the date of the preparation of this quarterly information, the future impacts which will be produced in the Brasil Telecom S.A. s businesses, if the referred legislative bill is approved at the Brazilian Congress.

ANATEL Resolution 438

On 07/13/2006 the Resolution 438 was published and took effect, which approves the new Remuneration Regulation for the Use of Networks of Personal Mobile Service Providers SMP, revoking the Resolution 319/02.

The major alterations are:

- Obligatoriness of implementing the hour modulation for the network remuneration VU-M at same hours and percentages applicable to the public tariff.
- Change of criterion for the payment of VU-M amounts, which now is due whenever the SMP provider network is used to start or end calls, in opposition to the previous regulation when only VU-M was due upon out phone traffic in a given direction higher than fifty-five per cent (55%) of the total traffic run through.

The implementation of such Resolution incurred in a decrease of the consolidated net income, compared to the previous criteria, of about R\$8,054, free of minority interest.

Overlapping of Licenses

When the certification for achieving the universalization targets for 2003 was received, set forth by ANATEL, Brasil Telecom S.A. had already provided the fixed telephony service (STFC) in the local and domestic long distance modalities (LDN) intra-regional in the Region II of the General Concession Plan (PGO). After achieving the referred targets, ANATEL, in January 2004, issued authorizations that increase the possibility of Subsidiary s operation: Local STFC and LDN in the Regions I and III of the PGO (and a few sectors of the Region II); International Long Distance (LDI) in the Regions I, II and III of the PGO; mobile telephony, by means of the subsidiary 14 Brasil Telecom Celular S.A. (BrT Celular), in the Region II of the Personal Mobile Service (SMP). The already existing concession agreements were expanded, enabling LDN calls to any part of the Brazilian territory. If Telecom Italia International N.V. (TII) acquired an indirect interest in the Company or Brasil Telecom S.A., these ones and TIM Brasil Serviços e Participações S.A. (TIM) could be considered affiliates under the new Brazilian telecommunications legislation. That would imply the ability of providing domestic (LDN) and international (LDI) fixed and mobile telephony services throughout the same regions of TIM s, would be subject to risk of being partially closed by ANATEL. On January 16, 2004, ANATEL issued the Act 41,780 establishing an 18-month period for TII to reacquire an indirect interest in the Company, as long as TII did not participate or vote on issues related to the overlapping of services offered by Brasil Telecom S.A. and TIM, such as domestic and international long-distance and mobile services. On June 30, 2004, the Administrative Council of Economic Defense CADE, in the records of the Write of Prevention 08700.000018/2004-68, set forth restrictions to the exercise of the control rights on the part of Telecom Italia International N.V. and its representatives at the board of directors of Solpart Participações S.A., Brasil Telecom Participações S.A. and Brasil Telecom S.A.

On April 28, 2005, TII and TIM and Brasil Telecom S.A. and BrT Celular entered into various corporate agreements, including an instrument called Merger Agreement and a Protocol related thereto. Among other reasons alleged, this merger operation was justified by the management of that time as possible solution to overlapping of regulatory licenses and authorizations with TIM, to remove sanctions and penalties, which could be imposed by ANATEL. The operation was forbidden by an injunction issued by the U.S. court. It is also subject-matter of discussion in the Brazilian Court and in arbitration involving controlling shareholders. Whether or not confirming the validity of April 2005 agreements, there is the possibility of assets related to fixed and mobile segments (see Note 43) eventually lose their value, as a result of overlapping of operations or sanctions from ANATEL.

On July 7, 2005, ANATEL declared, by means of Act 51,450, that the counting of 18 month-term to solve the overlapping of licenses would start on the date of effective return of TII to the control group of Brasil Telecom S.A. On July 26, 2005, ANATEL, by means of Order 576/2005, declared that the counting of term had already started on April 28, 2005. Therefore, according to ANATEL, the interested companies shall adopt the measures necessary to eliminate the overlapping of the concessions until the end of referred term in October 2006, under the penalty of applying legal sanctions, which may affect either companies or both of them.

Depending on the final decision of ANATEL, these sanctions could have an adverse and material effect on businesses and operations conferred to the Company and of 14 Brasil Telecom Celular S.A.

On October 18, 2006, the Board of Executive Officers of ANATEL, by means of its press agency, informed its decision to approve the operation presented by Telecom Itália Internacional (TII) with the purpose of unmaking the concession overlapping of the Personal Mobile Service (SMP) in Region II of the General Plan of Authorizations (PGA) and of the domestic and international long distance Switched Fixed Telephone Service (STFC) in regions I, II and III of the General Concession Plan (PGO).

The Agency maintained the prohibitions related to the vote and veto exercise in the resolutions related to the STFC services (LDN and LDI) and SMP. The operation is about the transfer, to Brasilco S.r.l. (a wholly-owned subsidiary of TII, with headquarters in Italy), of the total voting shares held by TII in the capital stock of Solpart Participações S.A. (corresponding to 38%), the parent company of Brasil Telecom Participações S. A., of Brasil Telecom S. A. and of 14 Brasil Telecom Celular S. A. The stake of TII in Brasilco will be managed independently by Credit Suisse Securities (Europe) Limited.

With the effective implementation of the operation until October 28, 2006, the concession overlapping for the SMP exploration in Region II of PGA and domestic and international long distance STFC in regions I, II and III of PGO would cease, as a communication of ANATEL of October 18, 2006, mentioned above.

On October 27, 2006, the Company received the terms of resignation, dated October 20, 2006, from two members of its Board of Directors pointed by TII, as well as its respective alternate members. Also, on October 27, 2006, the Company received a letter from its controlling shareholder, SOLPART PARTICIPAÇÕES S.A., informing that TII had already transferred the shares in the terms approved by Anatel - however, within the deadline. On October 30, 2006, the Company disclosed to the market a material fact related to these two topics.

With Anatel's possible approval of the documentation presented by TII to the Agency on October 27, 2006, confirming the operation implementation until October 28, 2006, the concession overlapping for SMP exploration in Region II of PGA and domestic and international long distance in regions I, II and III of PGO would cease.

Regarding the Merger Agreement mentioned in this note, the subsidiary Brasil Telecom S.A. and BrT Celular started on March 15, 2006 arbitration against TII and TIM, aiming at annulling it. The Subsidiary disclosed material fact about this matter on March 16, 2006.

TII and TIM sent to the Company and to BrT Celular a correspondence dated as of May 2, 2006, unilaterally terminating the referred Merger Agreement, reserving supposed right for recovery damages. The Company published a material fact about it on May 2, 2006. The arbitration is currently in progress.

6. BENEFITS TO EMPLOYEES

The benefits described in this note are offered to the employees of the Company, its subsidiary Brasil Telecom S.A. and the companies controlled by it. These companies are better described jointly, and can be referred to as Brasil Telecom Companies and for the purpose of the supplementary pension plan mentioned in this note, are also denominated Sponsor or Sponsors.

a. Supplementary Pension Plan

The Company sponsors supplementary pension plans related to retirement for its employees and assisted members, and, in the case of the latter, medical assistance in some cases. These plans are managed by the following foundations: (i) Fundação 14 de Previdência Privada (Fundação 14); (ii) Fundação BrTPREV (FBrTPREV) former CRT, a company merged by the Company on 12/28/00; and (iii) Fundação SISTEL de Seguridade Social (SISTEL), originated from certain companies of the former Telebrás System.

The Bylaws stipulate approval of the supplementary pension plan policy, and the joint liability attributed to the defined benefit plans is linked to the acts signed with the foundations, with the agreement of the Secretaria de Previdência Complementar - SPC, where applicable to the specific plans.

The plans sponsored are valued by independent actuaries on the fiscal year closing date. In the case of the defined benefit plans described in this explanatory note, immediate recognition of the actuarial gains and losses is adopted. Liabilities are provided for plans which show deficits. This measure has been applied since the 2001 financial year, when the regulations of CVM Resolution 371/00 were adopted. In cases that show positive actuarial situations, no assets are recorded due to the legal impossibility of reimbursing these surpluses.

The characteristics of the supplementary pension plans sponsored by the Company are described below.

FUNDAÇÃO 14

As from the split of the only pension plan managed by SISTEL, the PBS, in January 2000, already predicted the evolution trend for a new stage. Such stage would result in an own and independent management model for TCSPREV pension plan, by means of a specific entity to manage and to operate them, and this fact has become more and more evident throughout the years. This trend also occurred in other main SISTEL pension plan sponsoring companies, which created their respective supplementary pension plan foundations. In this scenario, Fundação 14 de Previdência Privada was created in 2004, with the purpose of taking over the management and operation of the TCSPREV pension plan, which started as from March 10, 2005, whose process was backed by the segment's specific legislation and properly

approved by the Secretaria de Previdência Complementar SPC (the Brazilian pension s regulatory authority).

In accordance with the Transfer Agreement entered into between Fundação Sistel de Seguridade Social and Fundação 14 de Previdência Privada, SISTEL, by means of the Management Agreement, rendered management and operation services of TCSPREV and PAMEC-BrT plans to Fundação 14, after the transferring of these plans, which took place on March 10, 2005 up to September 30, 2006. From this date on, Fundação 14 took over the management and operation services of its plans.

Plans

TCSPREV (Defined Contribution, Settled Benefit and Defined Benefit)

This defined contribution and settled benefit plan was introduced on 02/28/00. On 12/31/01, all pension plans sponsored by the Company with SISTEL were merged, being exceptionally and provisionally approved by then Secretaria de Previdência Complementar SPC of document sent to that Agency, due to the need for adjustments to the regulations. Thus, TCSPREV is comprised of defined contribution groups with settled and defined benefits. The plans that were merged into the TCSPREV were the PBS-TCS, PBT-BrT, BrT Management Agreement, and the Unusual Contractual Relation Instrument, and the conditions established in the original plans were maintained. In March 2003, this plan was no longer offered to the sponsors new contracted ones. However, concerning the defined contribution, this plan started being offered as of March 2005. TCSPREV currently provides assistance to nearly 63.1% of the staff.

PAMEC-BrT Health Care Plan for Supplementary Pension Beneficiaries (Defined Benefit)

Destined for health care of retirees and pensioners subject to Grupo PBT-BrT, which was merged into TCSPREV on 12/31/01.

Contributions Established for the Plans

TCSPREV

Contributions to this plan, by group of participants, are established based on actuarial studies prepared by independent actuaries according to regulations in force in Brazil, using the capitalization system to determine the costs. Currently, contributions are made by the participants and the sponsor only for the internal groups PBS-TCS (defined benefit) and TCSPREV (defined contribution). In the TCSPREV group, the contributions are credited in individual accounts of each participant, equally by employee and sponsor, and the basic contribution percentages vary between 3% and 8% of the participant s salary, according to participant s age and limited to R\$19,520.40 for 2006. Participants have the option to contribute voluntarily or sporadically to the plan above the basic contribution, but without parity of the Company. In the case of the PBS-TCS group, the sponsor s contribution corresponds to 12% of the payroll of the participants; while the employees contribution varies according to the age, service time and salary. An entry fe