

BRASIL TELECOM HOLDING CO
Form 6-K
March 30, 2005

**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 MARCH 29, 2005

(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

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

Investor Relations

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Media Relations

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Free Translation

BRASIL TELECOM PARTICIPAÇÕES S.A.

Publicly Traded Company

Corporate Taxpayer Registration CNPJ/MF N° 02.570.688/0001-70
 Board of Trade NIRE 53 3 0000581 8

**NOTICE TO SHAREHOLDERS
 CAPITAL INCREASE**

BRASIL TELECOM PARTICIPAÇÕES S.A. (BTP or Company) informs that its Board of Directors, on a meeting held on March 29, 2005, approved a capital increase, as described below.

According corporate restructuring approved in 1999, BTP incorporated the goodwill paid by Solpart Participações S.A. (Solpart) in the acquisition of the control of BTP. The objective of this restructuring was the possibility of the use of the tax benefit of R\$358,788,247.89 (three hundred fifty-eight million, seven hundred eighty-eight thousand, two hundred forty-seven reais and eighty-nine centavos), generated by the goodwill of R\$1,055,259,552.61 (one billion, fifty-five million, two hundred fifty-nine thousand, five hundred fifty-two reais and sixty-one centavos), that will be amortized in 5 years, in compliance with the Comissão de Valores Mobiliários CVM (Brazilian Securities and Exchange Commission) Instruction 319/99.

In 2004, BTP amortized 12/60 of the goodwill corresponding to R\$211,051,910.52 (two hundred eleven million, fifty-one thousand, nine hundred and ten reais and fifty-two centavos), resulting in tax savings of R\$71,757,649.58 (seventy-one million, seven hundred and fifty-seven thousand, six hundred and forty-nine reais and fifty eight centavos), that will be used to increase the capital and the share subscription goodwill reserve, in compliance with the CVM rules.

In compliance with article 7 of CVM Instruction 319/99, the capitalization of the tax benefit will be made to Solpart (controlling shareholder), with the extension of preemptive rights for the remaining shareholders, in which the price of the new shares will consider the economic value of company.

The beneficiary of this credit is Solpart, which will receive shares issued under this capital increase and/or cash, in the case of the current BTP shareholders exercise the preemptive rights.

The following table shows the capital increase booked until this moment:

| FISCAL YEAR | DATE OF CAPITAL INCREASE | TOTAL AMOUNT OF SHARE SUBSCRIPTION | NUMBER OF SHARES ISSUED | TYPE OF SHARE | SUBSCRIPTION PRICE | AMORTIZATION |
|-------------|--------------------------|------------------------------------|-------------------------|---------------|--------------------|--------------|
| 2000 | 03/23/2001 | R\$72,285,279.36 | 4,090,847,728 | Common | R\$17.67 | 12/60 |
| 2001 | 03/26/2002 | R\$71,757,649.58 | 3,895,637,871 | Common | R\$18.42 | 12/60 |
| 2002 | 03/17/2003 | R\$71,757,649.58 | 1,676,172,072 | Common | R\$13.34 | 12/60 |
| | | | 2,806,676,939 | Preferred | R\$17.60 | |
| 2003 | 03/18/2004 | R\$71,757,649.58 | 3,337,565,097 | Preferred | R\$21.50 | 12/60 |

Total Amount of Share Subscription:

R\$71,757,649.58

Total Amount of Capital Increase:

R\$28,031,926.17

Total Amount of the Share Subscription - Goodwill Reserve Increase:

R\$43,725,723.41

Number and Class of Shares to be Issued:

3,929,772,704 preferred shares, without par value.

Issuance and Subscription Price:

R\$18.26 per lot of one thousand shares.

Reasons for the Issuance Price:

BTP believes that its preferred shares have considerable liquidity in BOVESPA (São Paulo Stock Exchange) and for that reason the Company based the issuance price on average prices between March 14, 2005 and March 28, 2005.

The choice of using average prices in the stock exchange is based on article 170 of Law 6,404/76, which allows the use of that price in determining the economic value of shares. In addition, CVM Guideline (Parecer de Orientação) 01/78 indicates average prices as the preferred criteria for determining the economic value of shares, given that the shares have a sufficient standard of negotiability and that the market is well informed about the Company.

Conditions for Payment:

In cash upon subscription.

Period for the Exercising the Preemptive Rights:

From March 30, 2005 to April 28, 2005

Shares traded on or before March 29, 2005 shall be deemed to carry subscription rights. From and after March 30, 2005, shares shall be traded without subscription rights.

Number of Shares to Be Subscribed under Preemptive Rights:

In order to determine the number of shares to be subscribed under preemptive rights, the shareholder should multiply the number of shares held on March 29, 2005 by the following factors:

| Class of Shares | Factor | Class of Shares to be Subscribed |
|-----------------|----------------|----------------------------------|
| Common | 0,010959916322 | Preferred |
| Preferred | 0,010959916322 | Preferred |

Note: *Holders of BTP American Depositary Receipts must not subscribe to purchase additional shares or American Depositary Receipts in the preemptive rights offer.*

Subscription Bulletin:

In order to obtain the Share Subscription Bulletin or trade their subscription rights, shareholders must present the following documents to the Banco ABN AMRO Real S.A., depositary institution for shares issued by the Company:

- Natural persons: Original identity card and Individual Taxpayer Registration (CPF) card, or certified copies;
- Legal persons: Original Federal Corporate Taxpayer Registration (CNPJ/MF) card and current consolidated articles of association (contrato social) or bylaws (estatuto social). The bylaws must have attached the minutes of the shareholders meeting at which the current officers (diretoria) were elected. Managing partners (sócios-gerentes) and officers (diretores) with powers to represent the company must present a certified copy of their identity card, Individual Taxpayer Registration (CPF) card and proof of address.

Where shareholders are represented under power of attorney, the public instrument of grant of power of attorney and certified copies of the attorney's identity card and Individual Taxpayer Registration (CPF) card must be presented.

Assignment of Rights:

- ◆ Shareholders wishing to trade their subscription rights during the period for exercising the preemptive rights should request an instrument of assignment of rights, which will be issued by the Depositary Institution for shares issued by the Company or by the

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Custodian Entities;

- ◆ The Custodian Entities can only issue one assignment of rights to each subscriber;
- ◆ Once an assignment of rights has been issued, a new one must be issued in the case of a new sale;
- ◆ The Custodian Entities will be able to subscribe for themselves, as fiduciary proprietary, up to the limit of shares in custody;
- ◆ A copy of the assignment of rights will not be accepted in any circumstances.

Unexercised Subscription Rights:

Unexercised subscription rights shall automatically be extinguished, once the capital increase is related to the goodwill tax credit capitalization.

Dividends:

Shares resulting from this capital increase shall carry rights to full dividends or other capital remuneration announced from this date on and relative to the 2005 fiscal year.

Services to Shareholders:

Any branch of Banco ABN-AMRO Real S.A.

Brazil, Brasília, March 30, 2005

Paulo Pedrão Rio Branco
Investor Relations Officer

This announcement is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from Brasil Telecom Participações S.A. and that will contain detailed information about the Company and its management, as well as financial statements.

SIGNATURE

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

Date: March 29, 2005

BRASIL TELECOM PARTICIPAÇÕES S.A.

By: /s/ Paulo Pedrão Rio Branco

Name: Paulo Pedrão Rio
Branco
Title: Financial Executive
Officer
