

Significant Differences of Corporate Governance Practices

Pursuant to the Corporate Governance Rules established by the New York Stock Exchange (“NYSE”), which were also approved by the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*, “CVM”) on November 4, 2003 (except for Section 303A.08, which was approved by the CVM on June 30, 2003), private foreign issuers that are listed on the NYSE, including Tele Norte Leste Participações S.A. (“TNL”), are subject to fewer requirements than those imposed on U.S. domestic issuers. As a foreign private issuer, TNL must comply with the following requirements pursuant to the NYSE rules:

- TNL must comply with the requirements established by the SEC concerning audit committees, which are undertaken by TNL’s fiscal council;
- TNL’s Chief Executive Officer must promptly notify the NYSE in writing if any executive officer of TNL becomes aware of any material non-compliance with any of the applicable NYSE corporate governance rules (section 303.A.12(b));
- TNL must provide a brief description of any significant ways in which TNL’s corporate governance practices differ from those required to be followed by U.S. domestic issuers under the NYSE corporate governance rules; and
- TNL must submit an executed Written Affirmation annually to the NYSE and an interim Written Affirmation to the NYSE each time a change occurs to TNL’s board of directors or any committees of TNL’s board of directors that are subject to Section 303A, in each case in the form specified by the NYSE.

The significant differences between TNL’s corporate governance practices and the NYSE’s corporate governance standards are mainly due to the differences between the U.S. and Brazilian legal systems. TNL must comply with the corporate governance standards set forth under Brazilian Law No. 6,404/76 (as amended by Brazilian Law No. 9,457/97 and Brazilian Law No. 10,303/01, or collectively the "Brazilian Corporate Law"), the rules of the CVM and the applicable rules of the São Paulo Stock Exchange (the “BOVESPA”), as well as those set forth in TNL’s bylaws. These differences are summarized below:

Majority of the board of directors composed of independent members:

A majority of the voting power of TNL’s capital stock is directly controlled by Telemar Participações S.A. (“TmarPart”). Under the NYSE corporate governance standards, a listed company (whether U.S or foreign) of which more than 50% of the voting power is held by another company (a "controlled company"), is not required to comply with the following NYSE corporate governance standards:

- A controlled company is not required to have a majority of independent directors.
- A controlled company is not required to have a nominating/corporate governance committee composed of independent directors with a charter that complies with the NYSE corporate governance rules; and

- A controlled company is not required to have a compensation committee composed of independent directors with a charter that complies with the NYSE's corporate governance rules.

The NYSE's corporate governance standards require listed companies to have a majority of independent directors and set forth the principles by which a listed company can determine whether a director is independent. However, as a controlled company, TNL would not be required to comply with this requirement if it were a U.S. domestic company.

Although the Brazilian Corporate Law and TNL's by-laws establish rules in relation to certain qualification requirements of members of its board of directors, neither Brazilian Corporate Law nor TNL's by-laws require that TNL have a majority of independent directors nor do they require TNL's board of directors or management to test the independence of TNL's directors before any such directors are appointed.

Separate meetings held by independent board members:

The NYSE corporate governance standards require non-management directors of a listed company to meet at regularly scheduled executive sessions without management.

According to the Brazilian Corporate Law, up to 1/3 of the members of TNL's board of directors can be elected to management positions. The remaining non-management directors are not expressly empowered to serve as a check on TNL's management, and there is no requirement that those directors meet regularly without management. Accordingly, the independent members of the board of directors of TNL do not hold separate meetings.

Audit Committee:

The SEC has adopted a rule that prohibits the NYSE from listing, or continuing to list, any security of any issuer, that does not have an audit committee which meets a number of requirements, such as independence from management, and that performs various duties, such as the retention and oversight of the issuer's independent registered public accounting firm and the processing of any complaints regarding internal accounting controls and general auditing matters.

Pursuant to an exemption under the SEC rules regarding the audit committees of listed companies, a foreign private issuer is not required to have a separate audit committee composed of independent members if it has a committee established and selected pursuant to home country legal or listing provisions expressly requiring or permitting the formation of such a committee.

In our case, this committee is our fiscal council.

As required by the rules governing the privatization of the Telebrás system, our bylaws establish that we maintain a permanent fiscal council (*Conselho Fiscal*). Under Brazilian Corporate Law, the fiscal council is a corporate body, which is independent of our board of directors and board of executive officers. The fiscal council's primary responsibilities include: (1) monitoring the activities of our management, (2) reviewing our financial statements, (3) reporting its findings regarding the financial statements to our shareholders, and (4) reporting to our management, or to our shareholders in case

management fails to act, any cases of gross error, fraud or crime and present suggestions to cure these incidents.

Brazilian Corporate Law establishes that the fiscal council may not contain members that: (1) serve on our board of directors or board of executive officers or the board of directors or board of executive officers of companies we control or that are under common control; (2) we or our affiliates employ; or (3) are spouses or relatives of members of our board of directors or board of executive officers, up to and including the third degree of relationship.

Our fiscal council is comprised of three to five effective members and their respective alternates, each elected for a one-year tenure by a vote of our shareholders at our annual shareholders' meeting. Our fiscal council is comprised of five effective members and their respective alternates. Under Brazilian Corporate Law, holders of our preferred shares have the right to elect separately one member of our fiscal council. Also, under Brazilian Corporate Law, our minority shareholders that hold at least 10% of our voting shares also have the right to elect separately one member of our fiscal council.

In addition, Brazilian Corporate Law requires that fiscal council members receive remuneration which is at least 10% of the average amount paid to each of our executive officers. The fiscal council meets once every three months, and otherwise whenever necessary on an extraordinary basis.

We have relied on the above-mentioned exemption set forth in the SEC rules and assigned the required audit committee responsibilities to our fiscal council, to the extent permissible under Brazilian law. We do not believe that reliance on this exemption materially adversely affects the ability of our fiscal council to act independently, and our fiscal council has been able to exercise the required duties and responsibilities of the audit committee of a U.S. public company to the extent permissible under Brazilian Corporate Law. Nevertheless, a fiscal council established under Brazilian Corporate Law has not typically been considered equivalent or comparable to a U.S. audit committee as provided for under the Sarbanes-Oxley Act.

To comply with the SEC rules, our fiscal council must meet the following standards: (1) be separate from our full board of directors; (2) its members must not be elected by our management; (3) none of its members may serve concurrently on our board of executive officers; and (4) Brazilian law must set forth standards for the independence of its members. In addition, in order to qualify for the fiscal council exemption, our fiscal council must, to the extent permitted by Brazilian law:

- be responsible for the appointment, retention, compensation and oversight of our independent registered public accounting firm (including the resolution of any disagreements between our management and our independent registered public accounting firm regarding financial reporting);
- be responsible for establishing procedures for the receipt, retention and treatment of any complaints regarding accounting, internal accounting controls or auditing matters, and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing practices;

- have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties;
- be responsible for analyzing, discussing, evaluating and questioning the structure of monitoring and efficiency of our internal controls;
- receive appropriate funding from us for payment of compensation to our independent registered public accounting firm, for any advisors and ordinary administrative expenses; and
- be responsible for the oversight of our independent auditor's work (our fiscal council's policy is required to pre-approve all audit and non-audit services provided by PricewaterhouseCoopers Auditores Independentes ("PricewaterhouseCoopers"), our independent registered public accounting firm. These services may include audit services, audit-related services and other services, as described above. In this event, our fiscal council sets forth the terms of its pre-approval in detail, listing the particular services or categories of services which are pre-approved, and setting forth a budget for such services.).

Because Brazilian Corporate Law (1) does not permit our board of directors to delegate the responsibility for the oversight, appointment, retention and compensation of our independent registered public accounting firm, and (2) does not provide our fiscal council with the authority to resolve disagreements between our management and our independent registered public accounting firm regarding financial reporting, our fiscal council cannot and will not perform these functions. Therefore, our fiscal council may only perform an advisory role in making recommendations to our board of directors with respect to the oversight, appointment, retention and compensation of our independent registered public accounting firm. Similarly, our fiscal council may only perform an advisory role to our board of directors and board of executive officers regarding the resolution of any disagreements between our management and our independent registered public accounting firm.

As a foreign private issuer, we have decided to modify our fiscal council to comply with the SEC exemption requirements for a fiscal council to the extent permissible under Brazilian law. Hence, in order to comply with the NYSE listing standards and to the extent not inconsistent with Brazilian Corporate Law, our board of directors has agreed to provide certain additional responsibilities to our fiscal council, which are not among those inalienable duties and responsibilities of a board of directors' pursuant to Brazilian Corporate Law. To implement these responsibilities, certain amendments were made to our fiscal council's internal charter. Also, we created a self-evaluation guide to the members of our fiscal council, a policy of pre-approval to non-audit services provided by PricewaterhouseCoopers and a "report and advise channel" so that the public in general (including employees) could present to our fiscal council through our website, anonymously or not, denunciations of irregularities in facts, terms or procedures related to our company's accountability, internal control or audit issues.

Nominating/Corporate Governance Committee:

The NYSE corporate governance standards require that a listed company have a nominating/corporate governance committee composed entirely of independent directors and with a written charter that addresses certain duties. However, as a

controlled company, TNL would not be required to comply with these requirements if it were a U.S. domestic company. Additionally, TNL is not required under Brazilian law to have a nominating/corporate governance committee.

Nevertheless, TNL has a Press, Communications, Risk Management and Corporate Governance Working Group that has the same functions as a Corporate Governance Committee.

Compensation Committee:

The NYSE corporate governance standards require that a listed company have a compensation committee composed entirely of independent directors and with a written charter that addresses certain duties. However, as a controlled company, TNL would not be required to comply with these requirements if it were a U.S. domestic company. Additionally, TNL is not required under Brazilian law to have a nominating/corporate governance committee.

Stock Option Plans:

The NYSE corporate governance standards require that shareholders of a listed company must be given the opportunity to vote on all equity compensation plans and material revisions thereto, subject to certain exceptions.

Under Brazilian Corporate Law, shareholder pre-approval is required for the adoption and revision of any equity compensation plans, but this decision can be delegated to the board of directors.

TNL's shareholders' meeting held on April 11, 2007 approved a stock option plan, as published in our website (www.oi.com.br) and in the website of the CVM (www.cvm.gov.br). Our board of directors was granted the power to manage and periodically create new stock option plans.

The 2007 stock option plan covers 40 beneficiaries that, together, have been granted 1.31% of our outstanding capital stock, or 5.12 million common shares. Beginning on April 12, 2008, these options may be exercised in four equal annual lots, with each lot representing 25% of the total granted options.

The option grant price was based on the weighted average of the share trading price on the BOVESPA during the 30 days immediately preceding the date on which the options were granted, and will be adjusted for inflation (IGP-M).

Corporate Governance Guidelines:

The NYSE corporate governance standards require that a listed company must adopt and disclose corporate governance guidelines that address certain minimum specified standards which include: director qualification standards; director responsibilities; director access to management and independent advisors; director compensation; director orientation and continuing education; management succession; and annual performance evaluation of the board of directors.

TNL complies with certain corporate governance standards set forth under the Brazilian Corporate Law, under CVM rules and under certain applicable BOVESPA rules,

including in connection with the use and disclosure of information and securities trading.

Code of Business Conduct and Ethics:

The NYSE corporate governance standards require that a listed company must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or officers. Each code of business conduct and ethics should address the following items: conflicts of interest; corporate opportunities; confidentiality; fair dealing; protection and proper use of company assets; compliance with laws, rules and regulations (including insider trading laws); and encouraging the reporting of any illegal or unethical behavior.

Although the adoption of a code of ethics is not required by Brazilian law, TNL adopted a Code of Conduct and Transparency and a Code of Ethics that is applicable to its directors, officers and employees, and which addresses the items listed above. TNL's Code of Conduct and Transparency and Code of Ethics can be found in the Portuguese language at TNL's website: www.oi.com.br/ir, and in the English language attached to TNL's annual report on Form 20F for the fiscal year ended December 31, 2007, which can be found on the website of the U.S. Securities and Exchange Commission: www.sec.gov.