

TELEFONICA OF ARGENTINA INC

Form SC 13E3/A

December 04, 2009

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

**Schedule 13E-3  
(Amendment No. 1)  
RULE 13e-3 TRANSACTION STATEMENT UNDER SECTION 13(e)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**Telefónica de Argentina S.A.**  
*(NAME OF ISSUER)*

**Telefónica, S.A.**  
**Telefónica de Argentina S.A.**  
*(Name of Person(s) Filing Statement)*

**Class B Ordinary Shares, nominal value Ps.0.10 per share  
American Depositary Shares, each representing 40 Class B Ordinary Shares**  
*(Title of Class of Securities)*

**879378404/879378206**  
*(CUSIP Number of Class of Securities)*

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*(Name, Address and Telephone Number of Person Authorized to Receive Notices  
and Communications on Behalf of Person(s) Filing Statement)*

***with copies to:***

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**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS TRANSACTION, PASSED UPON THE MERITS OR THE FAIRNESS OF THE TRANSACTION OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

This statement is filed in connection with (check the appropriate box):

- a.  The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C or Rule 13e-3(c) under the Securities Exchange Act of 1934.
- b.  The filing of a registration statement under the Securities Act of 1933.
- c.  A tender offer.
- d.  None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies:

Check the following box if this is a final amendment reporting the results of the transaction.

#### CALCULATION OF FILING FEE

| Transaction Value* | Amount of Filing Fee** |
|--------------------|------------------------|
| \$33,065,259       | \$1,845.00             |

\* Assumes the purchase of 126,001,784 Class B ordinary shares (including Class B ordinary shares represented by ADSs), par value Argentine Ps.0.10 per share, of Telefónica de Argentina S.A. at Argentine Ps.1.00 per share converted to U.S. dollars at the rate of Argentine Ps.3.8107 per U.S. dollar as published by the Argentine Central Bank for December 3, 2009.

\*\* Calculated by taking the aggregate U.S. dollar transaction value, calculated as described above, and applying the current fee rate of \$55.80 per million U.S. dollars.

Check the box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$1,839.00

Filing Party: Telefónica, S.A.

Telefónica de Argentina S.A.

Form or Registration No.: Schedule 13E-3  
(005-52425)

Date Filed: October 16, 2009

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**CROSS REFERENCE SHEET**

The following table provides cross references between the contents of this transaction statement and the requirements of Schedule 13E-3.

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*See Summary Term Sheet*

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*See Subject Company Information*

**Item 3. *Identity and Background of Filing Person***

(a) Name and Address

*See Identity and Background of Filing Person General*

(b) Business and Background of Entities

*Not applicable.*

(c) Business and Background of Natural Persons

*See Identity and Background of Filing Person Telefónica Directors and Executive Officers and Schedule I*

**Item 4. *Terms of the Transaction***

(a) Material Terms

(i) A brief description of the transaction;

*See Terms of the Transaction*

(ii) The consideration offered to security holder;

*See Terms of the Transaction Payment of Purchase Price to Non-Objecting Holders*

(iii) The reasons for engaging in the transaction;

*See Special Factors Purposes, Alternatives, Reasons and Effects*

(iv) The vote required for approval of the transaction;

*See Terms of the Transaction Appraisal Rights*

(v) Material differences in the rights of security holders as a result of the transaction, if material;

*Not applicable.*

(vi) Accounting treatment of the transaction, if material

*Not applicable.*

(vii) The federal income tax consequences of the transaction, if material.

*Special Factors Purposes, Alternatives, Reasons and Effects Certain U.S. Federal Income Tax Considerations and  
Special Factors Purposes, Alternatives, Reasons and Effects Certain Argentine Income Tax Considerations*

(c) Different Terms

*Not applicable.*

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(d) Appraisal Rights

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*Not applicable.*

**Item 5. Past Contacts, Transactions, Negotiations and Agreements**

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*See Purposes of the Transaction and Plans or Proposals*

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**Item 8. Fairness of the Transaction**

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*See Special Factors Determination of Fairness by Telefónica , Special Factors TASA Fairness Determination*

(b) Factors Considered in Determining Fairness

*See Special Factors Determination of Fairness by Telefónica , Special Factors TASA Fairness Determination .*

(c) Approval of Security Holders

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**Item 11. *Interest in Securities of the Subject Company***

*See Interest in Securities of TASA*

**Item 12. *The Solicitation or Recommendation***

*Not applicable.*

**Item 13. *Financial Statements***

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*See Financial Statements Financial Information*

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*Not applicable.*

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**Item 15. *Additional Information***

(a) Agreements, Regulatory Requirements and Legal Proceedings

*Not applicable.*

(b) Other Material Information

*Not applicable.*

**Item 16. *Exhibits***

*See Exhibits*

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**INTRODUCTION**

**The Transaction and the Decree**

This Transaction Statement on Schedule 13E-3 is being filed by Telefónica, S.A., a *sociedad anónima* organized and existing under the laws of the Kingdom of Spain ( Telefónica ) and Telefónica de Argentina S.A., a *sociedad anónima* organized and existing under the laws of the Republic of Argentina ( TASA and, together with Telefónica, the Filing Persons ), pursuant to Section 13(e) of the Securities Exchange Act of 1934 (the Exchange Act ), and Rule 13e-3 thereunder. We are filing this Schedule 13E-3 in connection with Telefónica's purchase of all outstanding Class B ordinary shares, Ps.0.10 par value per share (including those represented by American Depositary Shares, or ADSs) (the Class B Shares ) of TASA not already owned by Telefónica or its affiliates (the Transaction ). Telefónica's purchase is required by and is being made in accordance with the provisions of Argentine Presidential Executive Decree No. 677/01, Chapter VII (the Decree ).

On April 27, 2009, an unaffiliated minority TASA shareholder delivered to Telefónica a notice under the Decree, the effect of which was to obligate Telefónica, within 60 days of that date, to either make a tender offer for all of the TASA shares not owned by Telefónica or its affiliates or to issue a declaration of acquisition (*declaración de adquisición*) the result of which would be the transfer, by operation of Argentine law and without any vote or other action on the part of the unaffiliated minority holders of the Class B Shares (including those represented by ADSs), to Telefónica of all of the minority shares at a fair price . Telefónica publicly disclosed receipt of the notice on April 28, 2009 (the Triggering Notice Publication Date ). On June 23, 2009, Telefónica issued a declaration of acquisition (*declaración de adquisición*) (the Declaration of Acquisition ), including the proposed purchase price for the Class B Shares held by unaffiliated minority shareholders, rather than make a tender offer for the Class B Shares. Had Telefónica failed to satisfy its obligation, under the Decree, the unaffiliated shareholder that delivered the April 27th notice would have had the right to ask an Argentine court to order Telefónica to purchase the Class B Shares held by it at a price determined by the court. Any Argentine court order issued to this unaffiliated shareholder would not have affected the ownership of Class B Shares held by other holders.

Telefónica will pay Ps.1.00 in cash per Class B Share in the manner and on the terms described in this Schedule 13E-3. The Class B Shares are quoted in lots of ten shares on the Buenos Aires Stock Exchange (the BASE ). Telefónica's purchase price represents a premium of (i) approximately 37% over the average closing prices of the Class B Shares during the six-month period ended June 22, 2009 (the trading day immediately preceding the day on which Telefónica announced its purchase pursuant to the Decree), (ii) a premium of approximately 60% over the closing price for the Class B Shares on the BASE on April 27, 2009 (the trading day immediately prior to the Triggering Notice Publication Date, or the trading day immediately prior to the day upon which investors first became aware that a buyout pursuant to the Decree was likely) and (iii) a premium of approximately 4% over the closing price for the Class B Shares on the BASE on June 19, 2009 (the last trading day on which a price for the Class B Shares was quoted on the BASE prior to Telefónica's announcement of the Transaction). ADSs each representing 40 Class B Shares are listed and traded on the New York Stock Exchange (the NYSE ). While Telefónica will be purchasing the Class B Shares underlying the ADSs rather than purchasing the ADSs directly, Telefónica's purchase price for Class B Shares is effectively equivalent to a cash purchase price of Ps.40.00 per ADS. Assuming this effective purchase price per ADS and that the Argentine peso purchase price is converted into U.S. dollars at the Argentine peso to U.S. dollar exchange rate of Ps.3.7792 per U.S. dollar (as published by the Argentine Central Bank for June 22, 2009, the trading day immediately preceding the day on which Telefónica announced the Transaction), the purchase price per ADS would represent (x) a premium of approximately 29% over the average of the closing market prices for the ADSs on the NYSE during the six month period ended June 22, 2009, (y) a premium of approximately 55% over the closing price of the ADSs on the NYSE on April 27, 2009 and (z) a premium of approximately 4% over the closing price of

the ADSs on the NYSE on June 22, 2009.

The Transaction, including the purchase price, was subject to review, and on December 3, 2009 was approved, by the *Comisión Nacional de Valores* (the CNV), the Argentine securities regulator.

A timetable, including the relevant dates and deadlines in connection with the Transaction, is set forth under Terms of the Transaction Transaction Timetable and Relevant Deadlines .

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Pursuant to the Decree, you will not have any voting rights on and are not entitled to opt out of the Transaction, whether you hold Class B Shares or ADSs.

Under the Decree, you will have appraisal rights, or the right to object to and dispute the purchase price under the Decree, until March 15, 2010, which is a period of three months after the completion of publication of the CNV's approval of the Transaction (the **Objection Period**) subject to certain terms and conditions, whether you hold Class B Shares or ADSs. **Nevertheless, even if you effectively and validly dispute the purchase price of the Class B Shares or corresponding purchase price of the ADSs, ownership of the Class B Shares held by you or ownership of the Class B Shares represented by your ADSs, as applicable, will be transferred automatically to Telefónica at the time and in the manner described below. See **Terms of the Transaction Automatic Transfer of Shares to Telefónica; Appraisal Rights**.**

Upon the consummation of the Transaction, the Class B Shares will be withdrawn from trading on the BASE, and TASA's obligations to file reports with the CNV with respect to the Class B Shares will be terminated. In addition, upon consummation of the Transaction, TASA's ADSs will be withdrawn from trading on the NYSE; however, TASA will continue to file reports and furnish information to the BASE and the U.S. Securities and Exchange Commission (the **SEC**) for so long as it is required to do so as a result of having outstanding debt securities that give rise to these reporting and other obligations under Argentine and U.S. securities laws.

As of June 23, 2009, TASA had issued and outstanding 4,367,388,680 Class A Ordinary Shares, Ps.0.10 par value per share (the **Class A Shares**), and 2,616,811,616 Class B Shares (the **Class B Shares**, together with the Class A Shares, the **Shares**). As of June 23, 2009, Telefónica and its affiliates held 4,367,388,680 Class A Shares, representing 100.0% of the total Class A Shares outstanding and 2,490,809,832 Class B Shares, representing 95.19% of the total Class B Shares outstanding. TASA's Class A Shares represent approximately 62.5% of TASA's capital stock and the Class B Shares represent approximately 37.5% of TASA's capital stock. Consequently, Telefónica indirectly controls over 98% of TASA's capital stock.

## **Additional Available Information**

More information regarding TASA is available from its public filings with the SEC. See **Subject Company Information**, in this Schedule 13E-3. In addition, more information regarding Telefónica is available from its public filings made with the SEC. See **Identity and Background of Filing Persons**, in this Schedule 13E-3.

Copies of the exhibits to this Schedule 13E-3 referred to herein and listed under **Exhibits** are not being distributed together with the remainder of this Schedule 13E-3 to holders of ADSs or holders of Class B Shares who are U.S. residents. Nevertheless, any holder of an ADS or any holder of a Class B Share who is a U.S. resident may obtain a copy of any of these exhibits, free of charge, by contacting Telefónica's Investor Relations Office by phone at +34 914828700 or from the SEC's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549. The SEC also maintains a web site that contains reports and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>.

## **Forward Looking Statements**

This Schedule 13E-3 and the documents incorporated by reference in this Schedule 13E-3 include certain forward-looking statements. These statements appear throughout this Schedule 13E-3 and include statements regarding the intent, belief or current expectations of the Filing Persons and their affiliates, including statements concerning the Filing Persons' strategies following completion of the Transaction. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors, such as general economic conditions,

positions and strategies of competitors.

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**SUMMARY TERM SHEET**

*We are providing this summary term sheet for your convenience. It highlights certain material information in this Schedule 13E-3, but you should realize that it does not describe all of the details of the Transaction to the same extent described elsewhere in this Schedule 13E-3. We urge you to read this entire Schedule 13E-3 because it contains the full details of the Transaction.*

**The Transaction**

Telefónica is purchasing all outstanding Class B Shares (including all Class B Shares represented by ADSs) of TASA not already owned by Telefónica or its affiliates. Telefónica is required to purchase these Class B Shares under the terms of the Decree because one of TASA's unaffiliated minority shareholders requested this purchase. Telefónica has chosen the Transaction as the means to satisfy its obligation under the Decree. Telefónica will pay Ps.1.00 per Class B Share, in cash. On or prior to December 11, 2009, Telefónica will make available the funds necessary to pay the purchase price for all of the Class B Shares (including all Class B Shares represented by ADSs). Following this funding, Telefónica will publish a notice and take the administrative steps and make the filings and recordings required to be taken or made under Argentine law in order to complete its acquisition of the minority-owned Class B Shares (including Class B Shares represented by ADSs). Once all of these actions are taken, all of your Class B Shares and all of the Class B Shares represented by your ADSs, including any of those as to which you may have exercised the appraisal rights described below, will be cancelled by operation of Argentine law and new TASA shares will be issued to Telefónica in their place, resulting in Telefónica beneficially owning 100% of TASA (the Final Transfer).

**Purpose of the Transaction**

The purpose of the Transaction is to comply with Telefónica's obligations under the Decree by acquiring all outstanding Class B Shares (including all Class B Shares represented by ADSs) held by unaffiliated minority shareholders at a fair price approved by the CNV. See Special Factors Purposes, Alternatives, Reasons and Effects of the Transaction.

**Principal Terms of the Transaction**

***The Purchase of and Payout for the Class B Shares and ADSs.*** Telefónica will purchase all your outstanding Class B Shares (including all Class B Shares represented by ADSs) in the Transaction for the CNV-approved purchase price of Ps.1.00 per share, as set forth in its Declaration of Acquisition, a document required by the Decree and described in more detail below, a translation of which is included as an exhibit to this Schedule 13E-3 and is available to holders as described under Introduction Availability of Additional Information. Telefónica's Declaration of Acquisition, which was initially published on July 1, 2009 in the Argentine publications required by the Decree, included Telefónica's purchase price. However, prior to this time, as a result of receiving a notice from one of TASA's unaffiliated minority shareholders, Telefónica had already announced publicly on April 28, 2009 that it was considering its options as to how to fulfill its obligations under the Decree.

Regardless of how Telefónica elects to satisfy its obligations under the Decree, Telefónica is obligated to pay an equitable or fair price for your Class B Shares. The Decree sets forth a number of factors that Telefónica was required to take into account when establishing the purchase price, including the mean price of the Class B Shares on the BASE during the six month period preceding the announcement of the Transaction, the book value of the Class B Shares and TASA's enterprise value. Telefónica determined the purchase price in accordance with these and certain other factors as explained in more detail under Special Factors Determination of Fairness by Telefónica Substantive

Fairness .

On or prior to December 11, 2009, Telefónica will establish (1) an escrow account in Argentina (the Argentine Escrow Account ) with BBVA Banco Francés S.A., a qualified Argentine financial institution (the Escrow Agent ), and deposit in such account the aggregate Argentine peso purchase price for the Class B Shares held directly, and not in the form of ADSs, by TASA's unaffiliated minority holders of the Class B Shares regardless of the nationality, domicile or residence of such minority shareholders and (2) an escrow account maintained by the Escrow Agent with Standard Chartered Bank in New York by depositing in such account the U.S. dollar equivalent

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of the aggregate Argentine peso purchase price for the Class B Shares held indirectly, in the form of ADSs, by TASA's unaffiliated minority holders of ADSs (the U.S. Escrow Account, and together with the Argentine Escrow Account, the Escrow Accounts) regardless of the nationality, domicile or residence of such minority holders of ADSs. For purposes of funding the Argentine Escrow Account, the number of Class B Shares will be calculated as (1) the number of Class B Shares (not represented by ADSs) held by unaffiliated minority holders on December 3, 2009, the date of CNV approval, and (2) the number of Class B Shares pending transfer to unaffiliated minority holders by Citibank, N.A. as depositary for TASA's ADS program (the Depository) as a result of requests for cancellation of ADSs by unaffiliated minority holders prior to 5:00 p.m. New York City time on that same date. The U.S. Escrow Account will be funded in U.S. dollars based on (1) the number of ADSs held by unaffiliated minority holders on the date of CNV approval and (2) the number of ADSs pending issuance by the Depository as a result of deposits of Class B Shares by unaffiliated minority holders prior to 5:00 p.m. New York City time on that same date. In addition, for purposes of funding the U.S. Escrow Account and determining the U.S. dollar equivalent purchase price payable to holders of ADSs, the Argentine peso purchase price will be converted into U.S. dollars at Ps.3.8107 per U.S. dollar, the exchange rate in effect on the business day on which the CNV approved the Transaction.

If you hold Class B Shares directly and do not wish to dispute the purchase price, you may obtain payment for your directly-held Class B Shares by following the steps set forth under Terms of the Transaction Payment of Purchase Price to Non-Objecting Holders Payment to Holders of Class B Shares at any time following the date on which Telefónica funds the Argentine Escrow Account. If you hold ADSs and do not wish to dispute the purchase price, you may obtain payment for your ADSs by following the steps set forth under Terms of the Transaction Payment of Purchase Price to Non-Objecting Holders Payment to Holders of ADSs and thereby instructing the Depository to withdraw from the U.S. Escrow Account, on your behalf, an amount equal to the U.S. dollar equivalent of the purchase price of the Class B Shares represented by your ADSs. By withdrawing, or causing the Depository to withdraw, funds from an Escrow Account you definitively waive your appraisal rights with respect to the purchase price.

If you hold Class B Shares directly and you neither dispute the fairness of the purchase price nor withdraw funds from the Argentine Escrow Account before the end of the Objection Period, you will receive payment of the CNV-approved purchase price from the Argentine Escrow Account automatically and promptly after the end of the Objection Period. If you hold ADSs and you neither dispute the fairness of the purchase price prior to March 10, 2010, the objection deadline established for holders of ADSs, nor instruct the Depository to withdraw funds from the U.S. Escrow Account on your behalf before March 15, 2010, the expiry date of the Objection Period, you will receive payment of the U.S. dollar equivalent of the CNV-approved purchase price from the U.S. Escrow Account after the end of the Objection Period and, if you hold your ADSs in registered form evidenced by American Depositary Receipts, or ADRs, after you have surrendered your ADRs evidencing your ADSs to the Depository in the manner set forth in this Schedule 13E-3. The Depository will distribute amounts received by it from the U.S. Escrow Account on your behalf no later than three New York business days after the end of the Objection Period or the surrender of ADRs evidencing your ADSs, as the case may be.

If you dispute the purchase price, you will not receive payment until the conclusion of appraisal proceedings. To exercise an appraisal right, you must follow the procedures described under Terms of the Transaction Appraisal Rights Exercise of Appraisal Rights by Holders of Class B Shares or Terms of the Transaction Appraisal Rights Exercise of Appraisal Rights by ADS Holders, as applicable, below.

***The Final Transfer.*** Unless you have already received payment for your securities, effective upon the Final Transfer all of the rights represented by the Class B Shares, including those represented by ADSs, convert automatically, and by operation of Argentine law into the right to receive the CNV-approved cash purchase price and the right to exercise appraisal rights as described below (the rights which you retain after the Final Transfer are referred to herein as the Transaction Proceeds Rights). If you are a direct holder of Class B Shares other than the Depository on the date of the



Final Transfer, Caja de Valores S.A. ( Caja de Valores ), the Argentine clearance and settlement system, will make a notation on your account indicating that, until the end of the objection period provided under the Decree, you continue to be entitled to present your Class B Shares for payment and continue to be entitled to exercise appraisal rights in connection with the Transaction (each such notation, a Credit Notation ). As explained in greater detail below, the absence of a Credit Notation on the account of the Depositary at Caja de Valores will not impair the Transaction Proceeds Rights of the Depositary or, indirectly, of the ADS holders.

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***Outstanding TASA Class B Shares Not Owned by Telefónica and its Affiliates.*** As of June 23, 2009, a total of 126,001,784 Class B Shares (including Class B Shares represented by ADSs), or 1.8% of TASA's total outstanding Shares, were held by persons other than Telefónica and its affiliates.

***Source and Amount of Funds.*** The total amount of funds expected to be required by Telefónica to purchase the outstanding TASA Class B Shares not already owned by Telefónica or its affiliates, and to pay related fees and expenses, is estimated to be approximately Ps.131 million. For a more detailed description of the funds used in and the expenses related to the Transaction, see Source and Amount of Funds or Other Consideration .

***Telefónica's Position on the Fairness of the Transaction.*** Telefónica has determined that the Transaction is both substantively and procedurally fair to the unaffiliated minority shareholders of TASA for purposes of Rule 13e-3 under the Exchange Act. Telefónica has also determined that the purchase price it is offering is fair for purposes of the Decree, in each case, based primarily on the factors set forth in Special Factors Determination of Fairness by Telefónica .

***TASA's Position on the Fairness of the Transaction.*** The Decree requires that each of TASA's board of directors and its audit committee deliver to the CNV a document expressing its opinion as to the fairness of the purchase price offered by Telefónica and that TASA's *comisión fiscalizadora*, or statutory audit committee, confirm that the acts of the board of directors and of the audit committee relating to these opinions were taken in accordance with applicable law and TASA's bylaws. On July 15, 2009, TASA delivered to the CNV documents confirming to the CNV that both TASA's board of directors (excluding directors who are also directors of Telefónica) and TASA's audit committee believe that the purchase price offered by Telefónica is fair for purposes of the Decree. TASA's statutory audit committee also confirmed to the CNV that the acts of TASA's board of directors (excluding directors who are also directors of Telefónica) and TASA's audit committee were properly taken. TASA also has determined that the Transaction is both substantively and procedurally fair to the unaffiliated minority shareholders of TASA for purposes of Rule 13e-3 under the Exchange Act. See Special Factors TASA Fairness Determination .

**Despite the determinations made by TASA, the TASA board of directors (excluding directors who are also directors of Telefónica), its audit committee and its statutory audit committee described above, none of TASA, its board of directors (excluding directors who are also directors of Telefónica), its audit committee or its statutory audit committee is making any recommendation to you with respect to the exercise of your rights to seek appraisal of your Class B Shares or the Class B Shares represented by your ADSs or otherwise to object in connection with the Transaction. You are required to make your own decisions on these matters.**

***Cancellation of ADSs and Withdrawal of Underlying Class B Shares and Deposit of Class B Shares and Issuance of ADSs.*** The deposit agreement governing the ADSs (the Deposit Agreement ) generally provides, subject to certain limitations and to the payment of certain fees and expenses, for the right of ADS holders to cancel their ADSs and withdraw the underlying Class B Shares represented by the ADSs and for holders of Class B Shares to deposit their Class B Shares for the issuance of ADSs. Under Argentine law, Telefónica is required to fund the entire purchase price for the relevant transaction based on the number of Class B Shares outstanding and held by unaffiliated minority holders as of the date of CNV approval. Because the Transaction requires Telefónica to fund the Argentine Escrow Account for the payment of unaffiliated minority holders of Class B Shares and the U.S. Escrow Account for the payment of unaffiliated minority holders of ADSs, it is necessary for the respective numbers of outstanding Class B Shares (not represented by ADSs) and ADSs to remain static as from the date of CNV approval of the Transaction. To achieve this, TASA and the Depositary were required to take appropriate action to prevent holders from requesting conversion of their securities from Class B Shares to ADSs or from ADSs to Class B Shares after 5:00 p.m. (New York City time) December 3, 2009, the date of the CNV approval. **Thus, notwithstanding the general terms of the Deposit Agreement, you can no longer exchange ADSs for the underlying Class B Shares, or vice versa.**

**Appraisal Rights.** You have the right under the Decree to dispute the CNV-approved purchase price by initiating an arbitration or judicial proceeding in Argentina provided that you do so no later than three months after completion of publication of CNV approval of the Transaction, comply with certain other procedures described in this Schedule 13E-3, do not withdraw money from the Argentine Escrow Account, or, if you hold ADSs, cause the Depository to withdraw money from the U.S. Escrow Account on your behalf and provide certain notices to the Depository by the ADS objection deadline of March 10, 2010. In any appraisal proceeding, an Argentine judge or

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arbitrator will determine whether the price approved by the CNV is fair as contemplated by the Decree and notify the participants in the proceeding of the decision. This decision will not affect the purchase price paid to any non-objecting holders of Class B Shares or ADSs. **Additionally, successful appraisal proceedings will not prevent or otherwise affect the automatic cancellation of your Class B Shares (including those represented by ADSs) or the issuance of new TASA shares to Telefónica upon the Final Transfer.**

If you are a direct holder of Class B Shares as of the date of CNV approval of the Transaction (whether or not you were an ADS holder prior to CNV approval), you validly dispute the CNV-approved purchase price, you do not sell or otherwise dispose of your Class B Shares prior to the completion of the appraisal proceeding and you succeed in disputing the purchase price, you will be paid the original CNV-approved purchase price and the additional amount ordered by the Argentine tribunal or court (the Top Up Amount) in the manner and currency agreed between you and Telefónica or, failing such agreement, in the manner and currency ordered by the Argentine tribunal or court. If you are a holder of ADSs as of the date of CNV approval of the Transaction (whether or not you were a holder of Class B Shares and deposited those Class B Shares for the issuance of ADSs prior to CNV approval), you validly dispute the CNV-approved purchase price, you do not sell or otherwise dispose of your ADSs prior to the completion of the appraisal proceeding and you succeed in disputing the purchase price, you will be paid the original CNV-approved purchase price in U.S. dollars from the U.S. Escrow Account based on the U.S. dollar equivalent of the Argentine peso purchase price calculated at the Argentine peso to U.S. dollar exchange rate of Ps.3.8107 per U.S. dollar, the exchange rate in effect as of the date of CNV approval of the Transaction, and you will be paid the Top Up Amount in the manner and currency agreed between you and Telefónica or, failing such agreement, in the manner and currency ordered by the Argentine tribunal or court.

If you hold Class B Shares directly as of the date of CNV approval or after, including by virtue of having cancelled your ADSs and withdrawn the underlying Class B Shares prior to CNV approval, you will be required to have a bank or brokerage account in Argentina into which the Argentine peso proceeds of the Transaction may be deposited. In addition, if you are an objecting ADS holder entitled to receive a Top Up Amount, you may be required to have an Argentine bank or brokerage account into which the Top Up Amount may be deposited if the Top Up Amount is to be paid in Argentine pesos in Argentina as a result of a failure to reach an alternative agreement with Telefónica or as a result of a court or arbitration order. A brief explanation of the requirements for opening a bank or brokerage account in Argentina by non-residents is presented below under Terms of the Transaction Payment of Purchase Price to Non-Objecting Holders General. Argentine law imposes certain restrictions on the immediate conversion of these Argentine peso proceeds into U.S. dollars or other foreign currencies and transfer thereof outside of Argentina. See Terms of the Transaction Payment of Purchase Price to Non-Objecting Holders General.

**Timetable.** The timetable set forth below provides an overview of the timeline for and relevant deadlines in connection with the Transaction. Capitalized terms set forth in the table below have the meanings ascribed to them elsewhere in this Schedule 13E-3. Unless otherwise indicated, all references in this Schedule 13E-3 to business days are to days that are business days in both Buenos Aires, Argentina and the City of New York, New York.

| <b>Date and Time</b> | <b>Event</b>                    | <b>Description</b>                        |
|----------------------|---------------------------------|---|
| December 3, 2009     | CNV approval of the Transaction | CNV approved Telefónica's purchase price. |

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| <b>Date and Time</b>                                   | <b>Event</b>  | <b>Description</b>   |
|--|---|--|
| On or prior to<br>December 11, 2009                    | Deposit by Telefónica of the aggregate purchase price into the Escrow Accounts and commencement of the Approval Publication | If you are a direct holder of Class B Shares, you may begin withdrawing payment for your Class B Shares from the Argentine Escrow Account in the manner set forth in this Schedule 13E-3 and, if you are a holder of ADSs, you may begin surrendering your ADSs to the Depositary and instructing the Depositary to withdraw payment for your ADSs from the U.S. Escrow Account in the manner set forth in this Schedule 13E-3.  |
| December 15, 2009                                      | Completion of Approval Publication and commencement of Objection Period   | First day on which you may commence the process to exercise your appraisal rights and dispute the CNV-approved purchase price by filing a claim with the relevant arbitral tribunal or court in Buenos Aires, Argentina and, if you hold ADSs, by notifying the Depositary in the manner set forth in this Schedule 13E-3.   |
| On or around<br>December 31, 2009                      | Notarization of the Public Deed and Final Transfer  | Your Class B Shares (including Class B Shares represented by ADSs) are automatically cancelled and thereafter your Class B Shares or ADSs, as applicable, represent only the right to receive the cash price payable in the Transaction or the right to dispute the purchase price. Upon cancellation of the Class B Shares, including the Class B Shares represented by ADSs, new shares are issued to Telefónica by operation of law. The Class B Shares and ADSs will be delisted and will no longer be negotiable or transferable after this date.   |
| March 10, 2010<br>(5:00 p.m.<br>New York City<br>time) | ADS Objection Deadline  | If you hold ADSs, this is the deadline by which the Depositary must be notified of your intention to dispute the purchase price in accordance with the procedures set forth herein so that the Depositary can deliver to you prior to the end of the Objection Period certain documentation that you will need to validly dispute the purchase price in Argentina. <b>If your notification of intention to dispute the purchase price is not received by the Depositary by this deadline you will not be eligible to exercise your Appraisal Rights. To ensure timely delivery, you are urged to contact your bank, broker or other intermediary at least five business days prior to this deadline.</b> |
| March 15, 2010   | End of Objection Period   | Holders of Class B Shares and ADSs wishing to exercise their Appraisal Rights and dispute the purchase price must file an action with the competent  |

Argentine arbitral tribunal or court in Buenos Aires on  
or prior to this date.

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| <b>Date and Time</b>  | <b>Event</b>   | <b>Description</b>  |
|---|--|---|
| On or after March 16, 2010 (subject to special payment procedures for holders of ADSs in registered form evidenced by ADRs) | Automatic payment to remaining non-objecting former direct holders of Class B Shares and holders of ADSs in book-entry form; eligibility of holders of ADS in registered form evidenced by ADRs to receive automatic payment | Caja de Valores sends payment to all direct holders of Class B Shares who are not disputing the purchase price and who have not previously withdrawn funds from the Argentine Escrow Account. In addition, the Escrow Agent sends payment to the Depository for all ADS holders who are not disputing the purchase price and who have not previously directed the Depository to withdraw funds from the U.S. Escrow Account. Remaining ADS holders who hold their ADSs in book-entry form automatically receive payment from the Depository and holders of ADSs in registered form evidenced by ADRs receive payment from the Depository upon surrender of their ADRs evidencing the ADSs in compliance with procedures set forth in this Schedule 13E-3. |
| Upon completion of appraisal proceeding   | Payment to objecting holders   | Direct holders of Class B Shares who validly disputed the purchase price receive payment of the original purchase price from the Argentine Escrow Account and holders of ADSs who validly objected to the purchase price receive payment of the original purchase price from the U.S. Escrow Account. If the Objecting Shareholders are successful in establishing a higher purchase price, the Objecting Shareholders will receive any Top Up Amount as agreed between Telefónica and the Objecting Shareholders or, failing such agreement, in the manner and currency ordered by the Argentine tribunal or court.  |

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**BACKGROUND**

**The Decree**

Under the Decree, any minority shareholder in a controlled company may serve notice on a controlling shareholder demanding that such controlling shareholder make an offer to purchase all shares held by unaffiliated minority shareholders at a fair price (the Triggering Notice). The Decree defines a controlled company as any corporation (*sociedad anónima*) controlled by a shareholder or group of shareholders that directly or indirectly owns 95% or more of the shares in such corporation. Consequently, TASA is a controlled company with respect to Telefónica. On April 27, 2009, Telefónica received a Triggering Notice from one of TASA's unaffiliated minority shareholders demanding that Telefónica purchase all of the Class B Shares held by such shareholder. Telefónica publicly disclosed receipt of the Triggering Notice on April 28, 2009. Upon receipt of a Triggering Notice, Telefónica became obligated to respond, within 60 days, in one of two ways: (1) commence a tender offer (*oferta pública de adquisición*) for all Class B Shares held by unaffiliated minority shareholders, in which case, each unaffiliated minority shareholder would have been given the decision of whether or not to sell its shares (the Tender Offer Option) or (2) issue a declaration of acquisition (*declaración de adquisición*) (the Declaration of Acquisition) the result of which is a transfer to Telefónica, by operation of Argentine law and without any vote or other action on the part of the unaffiliated minority holders of the Class B Shares, of all of the minority shares, at a fair price (the Declaration Option). If during the 60-day period after receipt of the Triggering Notice Telefónica had refused to exercise either of these two options, the petitioning shareholder would have been entitled to insist that an Argentine court declare its shares judicially sold to Telefónica at a fair price determined by such Argentine court (the Individual Judicial Sale Option). Telefónica has elected to pursue the Declaration Option and on June 23, 2009, Telefónica's board of directors approved its Declaration of Acquisition. In accordance with the requirements of the Decree, on July 4, 2009, Telefónica completed the initial required publication of its Declaration of Acquisition.

The Decree requires that the board of directors of TASA, TASA's audit committee and TASA's *comisión fiscalizadora*, or statutory audit committee, provide certain opinions to the CNV regarding the Transaction. On July 15, 2009, TASA delivered to the CNV, as required by the Decree, documents confirming that both TASA's board of directors (excluding all directors who are also directors of Telefónica) and TASA's audit committee, which is comprised entirely of independent directors, believe that the price Telefónica is offering is fair for purposes of the Decree. The documents also confirmed that TASA's statutory audit committee believes that the acts of TASA's board of directors and TASA's audit committee were properly taken. Since TASA's submission on July 15, 2009, the CNV has requested, from time to time, certain additional documents or information from TASA and Telefónica and the CNV may continue to do this in the future. Both TASA and Telefónica have properly responded to all CNV requests and expect to continue to do so should additional requests be made.

Under Argentine law, there is no limit on the time that the CNV may take to review a transaction subject to the Decree or on the types of additional information that it may request in connection with reaching a conclusion on a transaction. Following its review procedure, on December 3, 2009, the CNV approved the Transaction.

Telefónica will make available the funds to pay the purchase price of all of the Class B Shares (including all Class B Shares represented by ADSs) held by unaffiliated minority shareholders by depositing those funds in the Escrow Accounts established for this purpose on or prior to December 11, 2009. Thereafter, holders of Class B Shares, including the Depository acting on behalf of holders of ADSs, who have not exercised and do not intend thereafter to exercise their right to object to the CNV-approved purchase price, may obtain payment for their Class B Shares from the Escrow Agent by following the procedures described in this Schedule 13E-3, and ADS holders may obtain payment for their ADSs by delivering their ADSs to the Depository and complying with the procedures described



below. On or about December 31, 2009, Telefónica will present for registration with the Argentine Commercial Registry certain documentation relating to the Transaction, including the CNV approval (such documentation, the Public Deed ) and upon the date on which the Public Deed is notarized prior to its presentation and registration, the Final Transfer completing Telefónica s acquisition of 100% of TASA will take place.

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**SPECIAL FACTORS**

**Purposes, Alternatives, Reasons and Effects**

On June 23, 2009, Telefónica's board of directors authorized the Transaction. The purpose of the Transaction is for Telefónica to comply with the Decree by issuing a Declaration of Acquisition that will result in the transfer to Telefónica, by operation of law and without any vote or other action on the part of TASA's unaffiliated minority shareholders, of all outstanding Class B Shares (including those represented by ADSs) held by them at a price determined to be fair by Telefónica's board of directors for purposes of the Decree and approved by the CNV.

As a result of the Transaction, Telefónica's beneficial ownership in TASA will increase from approximately 98.2% to 100%. On the date that Telefónica acquires 100% ownership of TASA, public trading of the Class B Shares on the BASE and ADSs on the NYSE will cease. Telefónica also will seek to cause the common stock of TASA to be deregistered under the Exchange Act.

As of the date of this Schedule 13E-3, TASA has outstanding and listed on the NYSE three series of debt securities (the Debt Securities). As of December 31, 2008, the total outstanding principal amount of the Debt Securities was approximately U.S.\$331.2 million. Approximately 59% of the principal amount of the Debt Securities matures in 2010 and the remainder matures in 2011. For so long as TASA has outstanding a series of Debt Securities that is listed on the NYSE or registered under the Exchange Act, TASA will continue to be required to file an annual report on Form 20-F and certain current reports with the SEC and to comply with certain other provisions of the Exchange Act.

On September 24, 2009, TASA launched tender offers to purchase up to U.S.\$50 million and Ps.200 million of the outstanding Debt Securities, and on October 8, 2009, TASA increased the size of the U.S. dollar tender offer up to U.S.\$75 million. The tender offers closed on October 22, 2009, and as a result, the total outstanding principal amount not held by TASA or its affiliates of Debt Securities as of such date was \$264.0 million. TASA may in the future consider from time to time various additional means by which it might retire some or all of these Debt Securities before their stated maturity dates, including by means of permitted prepayments, tender offers, defeasance or any other appropriate methods. Once all of these Debt Securities are repaid or otherwise retired, TASA will seek their delisting from the NYSE and will seek to terminate their registration under the Exchange Act. Upon completion of both (1) the delisting of TASA's ADSs from the NYSE and the termination of the registration of the Class B Shares and the ADSs under the Exchange Act following the Final Transfer and (2) the delisting of the Debt Securities from the NYSE and the termination of the registration of all of the Debt Securities under the Exchange Act, TASA will no longer be subject to SEC reporting obligations, including the requirement to file an annual report or make available annual financial statements, and TASA will no longer be subject to the rules of the SEC or the NYSE, including the requirement that it have an independent audit committee.

As the sole shareholder of TASA, Telefónica wi