



Corporate Action Announcement

Citibank, N.A., acting as sponsored depository bank, announces the following:

Date: December 4, 2009 **Status:** Final

Announcement For: [Termination](#)

Company Name: [Telefonica de Argentina, S.A.](#)

Security Information

Company: Telefonica de Argentina, S.A.
Ticker Symbol: TAR
CUSIP: 879378404
Country: Argentina
Exchange: NYSE
Ratio (ADR:ORD): 1:40
Underlying Ticker TEAR AR
Underlying ISIN:: ARP903251048
DR ISIN: US8793784047
Custodian: Citibank, N.A. Buenos Aires

Announcement

[Please see following page for details.](#)

Notice of Offer to Purchase and Termination of ADS Facility for Telefónica De Argentina S.A. ADSs

continued



**NOTICE OF OFFER TO PURCHASE
AND TERMINATION OF ADS FACILITY FOR
TELEFÓNICA DE ARGENTINA S.A. ADSs**

TO THE HOLDERS AND BENEFICIAL OWNERS OF AMERICAN DEPOSITARY SHARES (“ADSs”) REPRESENTING THE DEPOSITED SECURITIES.

COMPANY:	TELEFÓNICA DE ARGENTINA S.A.
DEPOSITARY:	CITIBANK, N.A.
DEPOSIT AGREEMENT:	Deposit Agreement, dated as of February 3, 1994, by and among the Company, the Depositary, and all holders from time to time of American Depositary Receipts issued thereunder.
DEPOSITED SECURITIES:	Class B ordinary shares, par value Ps.0.10 per share, of the Company (the “ <u>Class B Shares</u> ”).
ADS CUSIP NO:	879378404.
ADS RATIO:	1 ADS to 40 Class B Shares
TERMINATION DATE:	Date of Final Transfer (as defined herein)

The Transaction

Telefónica, S.A. (“Telefonica”) is purchasing all outstanding Class B Shares (including all Class B Shares represented by ADSs) of the Company not already owned by it or one of its affiliates (the “Transaction”). Telefónica is required to purchase these Class B Shares under the terms of the Argentine Presidential Executive Decree No. 677/01, Chapter VII (the “Decree”) because one of the Company’s unaffiliated minority shareholders requested this purchase. Telefónica will pay Ps.1.00 per Class B Share, the purchase price approved by the *Comisión Nacional de Valores* (the “CNV”) on December 3, 2009, 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 those represented by ADSs) held by unaffiliated minority holders. Following this funding, Telefónica will make the publications, 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, which is expected to be on or around December 31, 2009, all of the Class B Shares and all of the Class B Shares represented by ADSs and held by unaffiliated minority holders, including any of those as to which a holder may have exercised the appraisal rights described below, will be cancelled by operation of Argentine law and new Company shares will be issued to Telefónica in their place, resulting in Telefónica beneficially owning 100% of the Company (the “Final Transfer”).

Pursuant to the Decree, the Company’s unaffiliated minority shareholders do not have any voting rights on and are not entitled to opt out of the Transaction. However, unaffiliated minority holders



of Class B Shares (including unaffiliated minority holders of ADSs) do have the right under the Decree to exercise appraisal rights and thereby dispute the purchase price (“Appraisal Rights”) by initiating an arbitration or judicial proceeding in Argentina, provided that they do so within certain specified time limits and provided that they do not cause the Depositary to withdraw money from the escrow account containing the aggregate purchase price represented by their ADSs on their behalf. **Nevertheless, even if a holder of ADSs, effectively and validly disputes the purchase price of the Class B Shares underlying such holder’s ADSs, ownership of the Class B Shares underlying the ADSs held by such holder will be transferred automatically to Telefónica in accordance with the terms and conditions set forth in the amended Transaction Statement on Schedule 13E-3 describing the Transaction (the “Transaction Statement”) filed on December 4, 2009.**

Telefónica, through the Depositary, will make available to holders of ADSs the U.S. dollar purchase price for their ADSs calculated at the Argentine peso to U.S. dollar exchange rate of 3.8107 Ps. / US , the exchange rate in effect on December 3, 2009. The amount paid to each holder of Class B Shares (including Class B Shares represented by ADSs) will be equivalent to Ps.1.00 per Class B Share. To the extent that an exercise of Appraisal Rights in an Argentine arbitral tribunal or court results in a decision that any additional amount must be paid by Telefónica to the objecting shareholders or holders of ADSs, that additional amount will be paid to the objecting holders in the manner and currency agreed between such objecting holders and Telefónica or, failing such agreement, in the manner and currency ordered by the Argentine tribunal or court.

Upon the Final Transfer, the Class B Shares will be withdrawn from trading on the Buenos Aires Stock Exchange (“BASE”), and the Company’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, the Company’s ADSs will be withdrawn from trading on the New York Stock Exchange (the “NYSE”); however, the Company will continue to file reports and furnish information to the BASE and the U.S. Securities and Exchange Commission (“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.

To Waive Appraisal Rights and Accept Payment

In order to allow the Depositary to distribute the proceeds of the Transaction to non-objecting ADS holders after Telefónica funds the escrow account in the United States containing the aggregate U.S. dollar purchase price (the “U.S. Escrow Account”) and on a schedule substantially consistent with the availability of proceeds to non-objecting holders of Class B Shares from the escrow account in Argentina containing the aggregate Argentine peso purchase price (the “Argentine Escrow Account”), the Depositary will establish a weekly deadline (each such deadline, an “ADS Payment Instruction Deadline”) by which time any ADS holder wishing to receive the purchase price corresponding to his or her ADSs must provide, or cause to be provided, an instruction to the Depositary by taking the actions or delivering the documents described in the Transaction Statement.



Each ADS Payment Instruction Deadline will be 5:00 p.m. New York City time on the New York business day prior to the last New York business day of each calendar week and the first ADS Payment Instruction Deadline will be 5:00 p.m. New York City time on December 11, 2009. The last ADS Payment Instruction Deadline will be 5:00 p.m. New York City time on March 4, 2010.

A Holder of ADSs wishing to receive payment of the purchase price corresponding to his or her ADSs and thereby waive all corresponding Appraisal Rights must ensure that, prior to an ADS Payment Instruction Deadline, the Depository has received either (i) a properly completed and duly executed letter of instruction and transmittal (the "Letter of Transmittal"), in the case of ADSs that are held in registered form (including ADSs held via the direct registration system on the books of the Depository), along with the certificate evidencing the ADSs to be surrendered, or (ii) an instruction from The Depository Trust Company ("DTC") surrendering the relevant number of ADSs and waiving any objection to the purchase price on behalf of such holder, in the case of ADSs held in book-entry form. The Depository will distribute to holders of ADSs who cause to be delivered the required instructions and supporting documentation to the Depository prior to an ADS Payment Instruction Deadline payment for their ADSs no later than four New York business days after such ADS Payment Instruction Deadline. Holders of ADSs who hold their ADSs in book-entry form are advised that the bank, broker or other intermediary through which such ADSs are held may prescribe a deadline which is different from the ADS Payment Instruction Deadline. It is recommended that ADS holders check with their bank, broker or other intermediary to ensure that such bank, broker or other intermediary receives the relevant ADS holder's instructions to receive payment and waive its Appraisal Rights in time to transmit them to DTC for receipt by the Depository prior to the ADS Payment Instruction Deadline.

To Exercise Appraisal Rights

An ADS holder wishing to exercise his or her Appraisal Right must instruct the Depository of its intention to object in the manner described below and prior to 5:00 p.m. New York City time on March 10, 2010 (the "ADS Objection Deadline"). ADS holders who hold their ADSs through a bank, broker or other intermediary should be aware that the bank, broker or other intermediary may prescribe a deadline which is different from the ADS Objection Deadline or impose additional requirements in order for the exercise of Appraisal Rights, and holders of ADSs are urged you to check with their bank, broker or other intermediary to ensure that such bank, broker or other intermediary transmits instructions to the Depository for receipt prior to the ADS Objection Deadline.

An ADS holder wishing to dispute the purchase price in his or her capacity as an ADS holder must either (i) deliver to the Depository a properly completed and duly executed Appraisal Rights Exercise Instruction Form substantially in the form attached as Annex C to the Transaction Statement (the "Appraisal Rights Exercise Instructions Form"), in the case of ADSs that are held in registered form, or (ii) transmit or cause to be transmitted to DTC on behalf of such holder a Withdrawal and Objection Message (as defined below) and deliver or cause to be delivered to the Depository a duly completed Appraisal Rights Exercise Instructions Form in the case of ADSs held in book-entry form, in each case prior to the ADS Objection Deadline.



A “Withdrawal and Objection Message” means a message transmitted to DTC by or on behalf of an ADS holder and further transmitted by DTC to, and received by, the Depository stating that DTC has received from a participant instructions on behalf of its client to remove the ADSs held in the DTC system and instructing the Depository to issue such client’s ADSs in registered form using the direct registration system (“DRS”) in the name of such client and on the books and records of the Depository.

In addition, to exercise an Appraisal Right a holder of ADSs must file an action with the relevant Argentine arbitral tribunal or court prior to March 15, 2010, the expiration of the objection period set forth in the Decree, and be prepared to deliver to the arbitral tribunal or court, as the case may be, documentation evidencing such holder’s beneficial ownership of the Class B Shares represented by such holder’s ADSs. Such documentation should include (A) a certificate from Caja de Valores, the Argentine clearing system, addressed to the Depository evidencing the Depository’s ownership of the aggregate number of Class B Shares underlying the outstanding ADSs on December 3, 2009, the date of the CNVs approval of the Transaction and (B) a certificate from the Depository addressed to the holder evidencing the number of ADSs beneficially owned by such Holder. These documents will be provided by the Depository to holders of ADSs properly exercising their Appraisal Rights promptly after receipt by the Depository of the requisite documentation described above. Holders of ADSs wishing to exercise their Appraisal Rights are strongly advised to contact Argentine counsel as soon as possible.

The method of delivery of all documents, including the Letter of Transmittal, and the Appraisal Rights Exercise Instructions Form is at the election and risk of the holder of ADSs. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure delivery.

Termination of the Deposit Agreement

The Company has directed the Depository to terminate the Deposit Agreement. In accordance with the terms of Section 6.02 of the Deposit Agreement, the Deposit Agreement will terminate as of the date of the Final Transfer (the “Termination Date”).

Please note that, as provided in Section 6.02 of the Deposit Agreement, if any ADSs remain outstanding after the Termination Date, the Depository shall discontinue the registration of transfer of the ADSs, shall suspend the distribution of dividends to the holders of the ADSs, and shall not give any further notices or perform any further acts under the Deposit Agreement, except that the Depository shall continue to collect dividends and other distributions pertaining to the Deposited Securities, shall sell the rights as provided in the Deposit Agreement and shall continue to deliver Deposited Securities (upon the terms set forth in the Deposit Agreement and subject to the limitations described below), together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property (in all cases, without liability for interest), in exchange for ADSs surrendered to the Depository (after deducting, or charging, as



the case may be, in each case the fees of the Depositary for the surrender and cancellation of ADSs, any expenses for the account of a holder in accordance with the terms of the Deposit Agreement and any applicable taxes or governmental charges or assessments).

If you have any questions about the Transaction or the above termination, please call 1-800-308-7887.

Citibank, N.A., as Depositary

December 4, 2009

Shareholder Services

For further information on Citi's Depositary Receipt Services, visit www.citi.com/dr.