

NORTEL INVERSORA S.A.  
SERIES A PREFERRED SHARES  
TERMS OF ISSUANCE

1. Amount of Issuance, Purpose, Subscription Price, Manner and Terms of Payment.

(a) Nortel Inversora S.A. (the "Company") hereby increases its capital in the amount of A 238,948,900,000 (Australas two hundred and thirty-eight billion nine hundred and forty-eight million nine hundred thousand) through the issuance of 2,389,489 Series A Preferred Shares of A 100,000 (Australas one hundred thousand) nominal value each.

This capital increase represents 26% of the share capital of the Company after the issuance of (i) 400 common shares with a nominal value of A 100,000 (Australas one hundred thousand) each, subscribed at the time of incorporation of the Company; (ii) 5,330,000 common shares with a nominal value of A 100,000 (Australas one hundred thousand) each, in the aggregate nominal amount equivalent to U.S.\$ 100,000,000 (U.S. Dollars one hundred million) issued concurrently herewith (jointly with the shares described in (i), the "Common Stock"); (iii) this issue of Series A Preferred Shares and (iv) the 1,470,455 Series B Preferred Shares issued concurrently herewith.

(b) The proceeds of this and the other issues mentioned above (except for that mentioned in 1(a)(i), *supra*) shall be applied solely towards the purchase price (the "Purchase Price") for a 60% equity interest in Sociedad Licenciataria Norte S.A. (hereinafter "Telco Norte") in accordance with the contract (the "Transfer Contract") executed by and among the National Executive Branch of the Government of Argentina, the National Telecommunications Enterprise ("ENTEL"), the members of the consortium formed by STET - societa finanziaria telefonica p.a. ("STET"), France Cables et Radio S.A. ("FCR"), Sociedad Naviera Perez Companc S.A.C.F.I.M.F.A. ("PEREZ COMPANC") and J.P. MORGAN & Co. Incorporated ("MORGAN") and the Company, following the award to said consortium of the right to purchase shares of Telco Norte pursuant to the International Public Call for Bids for the privatization of the supply of the public telecommunications service of Argentina called for by the National Executive Branch of Government.

(c) The Series A Preferred Shares are issued for a total subscription price of A 3,800,290,000,000 (Australas three trillion eight hundred billion two hundred and ninety million) equivalent to US\$ 713,000,000 (U.S. Dollars seven hundred and thirteen million) at the exchange rate of A 5,330=US\$1 as per the buyers' rate of exchange quoted by Banco de la Nacion Argentina at the close of business on November 8, 1990. The U.S. Dollar value of such subscription price is referred to hereafter as the "Subscription Price". Accordingly, the Subscription Price per share shall be US\$ 298.3901579 (such amount being US\$ 713,000,000 divided by the total number of Series A Preferred Shares). The amount by which the equivalent in Australas of the Subscription Price per share exceeds the nominal value of each share constitutes an issuance premium which may not be capitalized or distributed except through redemption of the Series A Preferred Shares or, after complying with the preferences to which the Series A Preferred Shares are entitled, the Series B Preferred Shares.

(d) The Subscription Price for the Series A Preferred Shares shall be paid exclusively with any of the Argentine public sector external indebtedness set forth in Resolution 667/90 of the Ministry of Economy and in the Transfer Contract as being acceptable consideration for the voting stock of Telco Norte, which is accepted by the Central Bank of the Argentine Republic (the "Central Bank") upon verification (hereinafter "Argentine Debt"), as set forth in the Exchange Agreement dated as of November 8, 1990 among the Company as Issuer, the Investors and the Designee Banks listed therein, and Morgan Guaranty Trust Company of New York as Exchange Agent, and the Schedules and Exhibits attached thereto (the "Exchange Agreement"). For such purpose, the Argentine Debt shall be valued at sixty-two percent (62%) of the total composed of the face principal amount of the debt plus accrued and unpaid interest (excluding default interest) on such principal up to June 26, 1990 or such later date as may be agreed upon by the Government of Argentina (the "Accrual Date"). Accordingly, the total principal and interest amount of Argentine Debt to be tendered in exchange for the Series A Preferred Shares shall be US\$ 1,150,000,000. In addition, the Subscribers will be required to waive all claims to interest accrued on such principal on and after the Accrual Date.

(e) The terms for payment of the Series A Preferred Shares through the tendering of Argentine Debt shall be as specified in the Exchange Agreement.

2. Form of the Series A Preferred Shares. Transferability.

(a) The Series A Preferred Shares shall be issued in registered form - "acciones escriturales" - in accordance with article 208 of law 19.550, as amended (the "Corporations Law"). Accordingly, the issuance, ownership, transfer or other form of disposition, including pledges or usufruct of said shares and any payments in respect of same shall be recorded in accounts under the name of the respective shareholders, subject to the provisions of article 213 of the Corporations Law. The Company may at any time appoint an authorized commercial or investment bank or a Stock Clearing House ("Caja de Valores") to keep this registry, in which case it must notify such appointment to the shareholders. Although recordings in the accounts at this registry shall be sufficient evidence of ownership and other transactions in respect of the shares, the Company or the entity keeping the registry, as the case may be, must deliver to the shareholders a certificate evidencing the opening of the accounts and all transactions therein recorded, and every shareholder shall have the right to receive, at any time and at its own cost, evidence of the balance in its account.

The Company shall be directly responsible vis-a-vis the shareholders for any mistakes or irregularities in the accounts, even if incurred by the bank or Stock Clearing House keeping the registry, notwithstanding the responsibility of the bank or Stock Clearing House vis-a-vis the Company for any such mistakes or irregularities.

The procedures and documentation to evidence the subscription and payment of the Series A Preferred Shares shall be as set forth in the Exchange Agreement.

(b) The transfer of the Series A Preferred Shares is subject to compliance with all requirements and conditions set forth by the applicable securities and similar laws of any country, including Argentina, where such transfer may be carried out or have legal effect. The Series A Preferred Shares have not been and will not be registered under the United States Securities Act of 1933 or similar regulations of other countries, and accordingly may not be offered or sold in contravention of such Act or regulations. A legend to this effect will be included in all certificates issued by the Company as to ownership, transfer or other transaction affecting the Series A Preferred Shares. Furthermore, no transfer or other transaction affecting the shares shall be effective without notice to, and recording in the Stock Registry of, the Company upon compliance with the procedures

established by the Company to assure and to verify the legality of any such transfer or transaction.

### 3. Ranking and Preferences.

The preference granted to the Series A Preferred Shares consists of (i) a cumulative preferred annual dividend as contemplated in Clause 4 (a) of these Terms of Issuance, (ii) an additional non-cumulative preferred annual dividend as contemplated in Clause 4 (b) of these Terms of Issuance, (iii) their redemption as contemplated in Clause 5 of these Terms of Issuance, (iv) a priority in payment of dividends and proceeds of Liquidation (as defined below) as contemplated in Clauses 7 and 8 of these Terms of Issuance and (v) the other preferences and privileges granted to them herein.

The Series A Preferred Shares will, with respect to dividend rights and rights upon Liquidation rank senior to all classes of the Company's common stock, the Series B Preferred Shares and to any other series of preferred stock (except preferred stock issued in connection with a merger in which the Company is the survivor in which case the preferred stock may be pari passu) issued by the Company at any time.

### 4. Dividend Rights

The Series A Preferred Shares shall be entitled to a preferential dividend to be declared annually by a General Shareholders Meeting of the Company out of net and realized profits, which will be paid within five (5) months from the close of each fiscal year of the Company and will have two components:

(a) Base Dividend: From the date of subscription through the fiscal year ended March 31, 1992, 3.0% (three percent) flat; for each fiscal year thereafter, 6% (six percent) per annum. Said percentage shall be calculated on the Subscription Price (as defined in Clause 1(c) of these Terms of Issuance), less any previous redemption payments.

Base Dividends shall be cumulative. Base Dividends in respect of any fiscal year of the Company which have not been declared and paid by the end of the fifth calendar month after the close of such fiscal year will continue to be calculated, denominated and maintained in U.S. Dollars and will bear interest from the last day of such fifth calendar month until the date on which such Base Dividends are made available for payment to the shareholders, at an annual rate

equal to the average of the rates per annum, rounded upward if necessary to the nearest 1/32 of one percent, at which deposits in dollars are offered to Morgan Guaranty Trust Company of New York and to National Westminster Bank in the London interbank market ("LIBOR").

(b) Additional Dividend: Beginning with the fiscal year commencing April 1, 1994 and for each fiscal year thereafter for which earnings are legally available for distribution after providing for payment of the Base Dividend, the holders of the Series A Preferred Shares will receive an Additional Dividend that will be calculated on the basis of the Distributable Return on Equity ("DROE") of Telco Norte according to the following scale:

- If DROE is 0% to 10%, there will be no Additional Dividend;

If DROE is greater than 10% but less than 30%, the Additional Dividend will be calculated according to the following formula;  $(DROE - 10\%) \times 25\%$ ;

If DROE is 30% or higher, the Additional Dividend will be calculated according to the following formula:  $[(DROE - 30\%) \times 10\%] + 5\%$ ;

The resulting percentages will be calculated on the Subscription Price, as defined in Clause 1(c), less any previous redemption payments.

DROE is defined pursuant to Argentine generally accepted accounting principles ("Argentine GAAP") as in effect from time to time as (i) Telco Norte's net distributable income of the fiscal year closed prior to the date of declaration of the dividend as determined pursuant to Argentine GAAP in effect at the close of such fiscal year, divided by (ii) the Net Worth (as defined below) of Telco Norte at the close of such fiscal year minus the earnings of Telco Norte for such fiscal year.

Net Worth is defined as the reported value of all outstanding capital stock plus (less) accumulated earnings (losses), plus adjustments for inflation and legal reserves, excluding any surplus resulting from future technical revaluations of assets and goodwill.

The Additional Dividend shall not be cumulative. If the earnings legally available for distribution in any fiscal year are not sufficient to fully pay the Additional

Dividend calculated as set forth above, the Additional Dividend for such fiscal year will be reduced accordingly. Any Additional Dividend due and payable in accordance with the foregoing provisions which is not declared and made available for payment by the end of the fifth calendar month after the close of the respective fiscal year of the Company will continue to be calculated, denominated and maintained in U.S. Dollars and will bear interest from the last day of such calendar month until such dividend is made available for payment to the Shareholders, at an annual rate equal to LIBOR.

(c) All dividends (whether Base Dividends or Additional Dividends) declared with respect to the Series A Preferred Shares shall be made available pro rata to the holders entitled thereto.

#### 5. Redemption

(a) **Scheduled Redemption:** The Company undertakes to redeem all Series A Preferred Shares in 10 equal annual consecutive payments of the Australes equivalent of US\$ 71,300,000 each during years 1998 to 2007, payable five business days after the shareholders meeting at which the shareholders approve the financial statements for the Company's fiscal years ending on March 31 of each such year, but not later than five months after the close of the fiscal year.

(b) **Mandatory Redemption:** If at any time STET and PCR, jointly, sell or cease to own or control directly or indirectly more than 50% of the outstanding common stock of the Company while any Series A Preferred Shares are outstanding (a "Change In Control"), each holder of Series A Preferred Shares will be entitled to have its Series A Preferred Shares redeemed by the Company at a price in Australes determined by an international independent appraiser on the basis of the fair value of the Series A Preferred Shares. Such fair value shall be calculated on the basis of the present value on the "Redemption Value Date" (as defined below) of the scheduled future redemption payments outstanding at that time and the future Base Dividends due on the Series A Preferred Shares through the last of the scheduled redemption dates set forth in subparagraph (a) above, discounted annually at a rate of 28.24% per annum, subject to any reductions which in the appraiser's opinion are appropriate taking into account the actual net worth and condition of the Company at the time of the mandatory redemption. The appraiser will be selected in good faith by the

Board of Directors of the Company and will be an internationally recognized investment banking firm.

(c) Procedure for Mandatory Redemption: Within 30 days following any Change in Control, the Company shall notify each holder of Series A Preferred Shares by certified letter addressed to the last domicile recorded for such holder in its Stock Registry and, in such notice (the "Redemption Notice") shall state: (1) that a Change in Control has occurred and that such holder has the right to require the Company to redeem the Series A Preferred Shares of such holder at the price set forth in subparagraph (b) above; (2) the circumstances and relevant facts regarding such Change in Control; (3) the "Redemption Value Date", which shall be not earlier than 30 days or later than 60 days from the date of the Redemption Notice; (4) that any Series A Preferred Shares not tendered for redemption shall continue to enjoy all the rights and benefits set forth in these Terms of Issuance; (5) that any shares tendered for redemption shall cease to accrue dividends after the Redemption Value Date; and (6) that any holder electing to have all or part of its Series A Preferred Shares redeemed in accordance with this Clause will be required to surrender such Series A Preferred Shares to be redeemed, by delivering to the Company or the agent designated by the Company for such purpose (the "Agent"), a notice (the "Notice of Election") in the form to be specified in the Redemption Notice within the time period set forth below.

The Redemption Notice will in addition be published for five days in the Official Gazette of Argentina and in such business newspapers in Buenos Aires and New York assuring reasonable circulation as the Board of Directors may at its sole discretion determine.

Within 30 days from the Redemption Value Date, the Board of Directors will designate the appraiser as provided in sub-paragraph (b) above, which shall be required to determine the redemption price within the following 60 days. Upon receipt of the appraisal, the Board will convene a Special Meeting of the holders of Series A Preferred Shares to be held in accordance with article 250 of the Corporations Law within the next 30 days for the purpose of approving the mandatory redemption price determined by the appraiser.

Within ten days from the approval of the redemption price by said Special Shareholders Meeting, the Company shall make the respective funds available for payment to the holders of Series A Preferred Shares at its offices or at the offices of the Agent in Buenos Aires. Any shareholders who

do not deliver a Notice of Election or who, having delivered a Notice of Election, fail to collect the redemption price within a period of 90 days from the date on which the respective funds are made available for payment as set forth above, shall be deemed to have elected not to have their shares redeemed under this Clause and shall not be entitled to such redemption thereafter.

(d) Limitation: Redemption payments (whether scheduled or mandatory) will be made only out of net and realized earnings and/or distributable reserves. Any accrued and unpaid redemption payments (whether scheduled or mandatory) will continue to be calculated, denominated and maintained in U.S. Dollars and will bear interest from the date the same have accrued until the date on which redemption payments are made available for payment to the shareholders at an annual rate equal to LIBOR.

## 6. Voting Rights

The holders of Series A Preferred Shares, or their proxies, shall be entitled to attend the Shareholder Meetings of the Company but their attendance shall not be required in order to form a quorum and they shall have no voting rights under any circumstances, except as specifically set forth in this Clause. The holders of Series A Preferred Shares will have voting rights only: (i) if after the third full fiscal year of the Company, the full Base Dividends in respect of the first three fiscal years of the Company have not been paid in full or any subsequent Base Dividend (whether or not accrued) or any accrued Additional Dividend has not been paid in full, (ii) if the Company fails to comply with any of the Covenants set forth in Clause 9, of these Terms of Issuance; or (iii) upon the occurrence of the events specified in articles 217 or 244, fourth paragraph, of the Corporations Law. In the event any such voting rights are triggered, each holder of Series A Preferred Shares will be entitled to exercise one vote per share and will vote together with the Series B Preferred Shares--if same are also entitled to vote--and the Common Stock as one class, except as to matters related to the election of Directors where, as set forth in article 15 of the Company's By-Laws ("Estatutos"), all the preferred shares of the Company shall vote as a separate class and shall be entitled to elect one Acting and one Alternate Director. The voting rights of the Series A Preferred Shares will cease upon the full distribution by the Company of all previously accrued and unpaid Base Dividends and Additional Dividends, plus any applicable interest thereon.



Furthermore, in those cases where the granting of voting rights to the holders of Series A Preferred Shares would result in a violation of any commitment of the Company under the Transfer Contract, or any other law or regulation applicable to the holding of a controlling interest by the Company in Telco Norte, such voting rights may not be exercised until authorization has been obtained from the appropriate authority.

7. Priority with Respect to Dividends

No dividend or distribution in cash or other property may be paid or declared and set apart for payment on or in respect of (i) the Common Stock, the Series B Preferred Shares or on any other series of stock issued by the Company ranking junior to the Series A Preferred Shares in payment of dividends or upon Liquidation (as defined in Article 8 below) (collectively, the "Junior Securities") or (ii) stock ranking pari passu with the Series A Preferred Shares in payment of dividends or upon Liquidation ("Pari Passu Stock") unless contemporaneously therewith a dividend or distribution is paid or declared and set apart for payment on or in respect of the Series A Preferred Shares payable at the rate in effect at such time as set forth above and payable on a date no later than the payment date set for such dividend or distribution on or in respect of Junior Securities or Pari Passu Stock. In no event may the Company (i) pay a dividend or make a distribution in cash on or in respect of Junior Securities or Pari Passu Stock unless contemporaneously therewith a dividend or distribution in cash is paid (or declared and set aside for payment) on or in respect of the Series A Preferred Shares, (ii) pay a dividend or make a distribution on or in respect of Junior Securities or Pari Passu Stock while there are dividends or redemption payments in arrears on the Series A Preferred Shares or (iii) redeem, purchase or otherwise acquire for value any Junior Securities or Pari Passu Stock unless, prior to or contemporaneously therewith, the Series A Preferred Shares are redeemed in full (or with respect to Pari Passu Stock, on a pro rata basis); provided however, the Company may pay a dividend on shares of Junior Securities or Pari Passu Stock in shares of Junior Securities, may redeem, purchase or otherwise acquire Junior Securities with shares of other Junior Securities, and Series B Preferred Shares may be redeemed upon a change of control, in accordance with their terms of issuance but only if all Series A Preferred Shares which the holders thereof have elected to have redeemed as described above under "Mandatory Redemption" have been redeemed.

## 8. Priority on Liquidation

In the event of early termination, liquidation upon expiry of statutory term of existence or mandatory liquidation of the Company (collectively, a "Liquidation"), the holders of Series A Preferred Shares shall be entitled to receive out of the proceeds of liquidation, prior to the holders of the Junior Securities (i) the accrued and unpaid Base Dividends and Additional Dividends and (ii) a principal amount equal to the Subscription Price less any previous redemption payments.

## 9. Covenants

The Company hereby agrees as follows, unless the provisions set forth below are waived by the holders of 66 2/3% of the outstanding nominal amount of the Series A Preferred Shares expressed at a Special Shareholders Meeting of the class, conducted in accordance with Article 250 of the Corporations Law;

(a) The Company will not issue any additional Series A Preferred Shares in excess of the amount set forth in Clause 1(a) above other than Series A Preferred Shares issued free of payment to Series A Preferred shareholders to capitalize reserves, revaluation surpluses, or similar concepts;

(b) The Company will annually apply all cash derived from earnings legally and financially available for the payment of shareholder dividends and the redemption of Series A Preferred Shares;

(c) The Company will not permit Telco Norte to merge or consolidate with or into, or sell, lease or convey all or substantially all of its assets (whether in one transaction or in a series of transactions) to any other entity, except in the case of a merger where Telco Norte is the surviving corporation;

(d) The Company will not create, incur, assume, guarantee or otherwise become liable with respect to or responsible for the payment of, any indebtedness (as defined below) other than (i) the \$ 78,200,000 aggregate principal amount of the Series A Senior Notes Due 2001 authorized concurrently herewith (the "Series A Notes"); (ii) the \$124,200,000 aggregate principal amount of the Series B Senior Notes Due 2001 authorized concurrently herewith (the "Series B Notes"); (iii) any indebtedness the proceeds of which are used to pay interest on the Series A Notes or the Series B Notes or to

pay dividends to the holders of the Series A Preferred Shares; (iv) Indebtedness in an aggregate principal amount not to exceed U.S.\$ 50,000,000 (or the equivalent thereof in any other currency or composite currency) at any one time outstanding; (v) guarantees of the Indebtedness of Telco Norte and (vi) Indebtedness of the Company to any subsidiary in which the Company owns directly or indirectly more than 50% of the capital stock of such subsidiary having a general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such corporation (irrespective of whether or not at the time stock of any class or classes shall have or might have voting power by reason of the happening of any contingency). For purposes of this Clause, "Indebtedness" means obligations of, or guarantees of indebtedness by, the Company or any of its subsidiaries for borrowed money or evidenced by bonds, debentures, notes or other similar instruments, provided, however, that the term Indebtedness shall not include accounts payable or any other indebtedness or monetary obligations to trade creditors created or assumed by the Company or any of its subsidiaries in the ordinary course of business in connection with the obtaining of materials or services.

(e) The Company will not, sell, transfer, assign or otherwise dispose of, or pledge, hypothecate or otherwise encumber any shares of voting common stock of Telco Norte (the "Telco Norte Common Stock") (except as may otherwise be required by the terms of purchase of the Telco Norte Common Stock under the Transfer Contract) unless, after giving effect to such transaction, more than 50% of the Telco Norte Common Stock shall be owned at that time directly or indirectly by the Company without being subject to any lien.

(f) The Company will not permit Telco Norte to create, incur, assume, guarantee or otherwise become liable with respect to or responsible for the payment of, any Indebtedness (as defined above) if, as a result thereof, the ratio, on a pro forma basis, of the total liabilities of Telco Norte to its net worth would exceed 1.75:1. For purposes of this subparagraph (f) the total liabilities and net worth of Telco Norte shall be calculated in accordance with Argentine GAAP as in effect on the date of issuance of the Series A Preferred Shares, as reflected in the most recent quarterly balance sheet of Telco Norte; provided that for purposes of any such calculation any class of capital stock of Telco Norte that by its terms or otherwise is redeemable in whole or in part prior to March 31, 2001 either at the option of Telco Norte or a holder thereof or upon the happening of any

event shall be included as a liability of Telco Norte and excluded from net worth.

(g) The Company will not and will not permit any subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any subsidiary to (i) pay dividends or make any other distributions on its capital stock or pay any indebtedness owed to the Company or any of its subsidiaries, (ii) make loans or advances to the Company or any of its subsidiaries, or (iii) transfer any of its property or assets to the Company or any of its subsidiaries; provided, that the Company may create, assume or otherwise cause or suffer to exist or become effective (i) consensual encumbrances binding upon any person at the time such person becomes a subsidiary of the Company which were not created in connection with or in contemplation of such person becoming a subsidiary of the Company, (ii) those imposed by applicable law or (iii) customary nonassignment provisions of any lease governing a leasehold interest of the Company or any subsidiary of the Company.

(h) The Company will send to the registered holders of Series A Preferred Shares at such holders' address as set forth in the Company's Stock Registry:

(1) within 90 days after the end of the first three fiscal quarters of each fiscal year of the Company and Telco Norte, the unaudited consolidated balance sheet of the Company and its consolidated subsidiaries and Telco Norte and its consolidated subsidiaries as of the end of such quarter and the related unaudited consolidated statements of income and sources and uses of funds of the Company and Telco Norte for such quarter and the portion of the Company's and Telco Norte's fiscal year ended at the end of such quarter, in each case prepared on the basis of Valores Adjustados por Inflacion and in accordance with Argentine GAAP, and setting forth in each case the comparative figures from the corresponding quarter and the corresponding portion of the Company's previous fiscal year;

(2) as soon as available but no later than 150 days after the end of each fiscal year of the Company and Telco Norte, the audited consolidated balance sheet of the Company and its consolidated subsidiaries and Telco Norte and its consolidated subsidiaries as of the end of such fiscal year, and the related audited consolidated statements of income and sources and uses of funds of the Company and Telco Norte for such fiscal year, in each case prepared on the

basis of Valores Ajustados por Inflacion and in accordance with Argentine GAAP and certified by independent public accountants of nationally recognized standing, and setting forth in each case in comparative form the figures for the previous fiscal year;

(3) promptly upon the mailing thereof to the common shareholders of the Company generally, copies of all financial statements, annual and quarterly reports and other communications so mailed; and

(4) promptly upon the filing thereof, all documents filed with the United States Securities and Exchange Commission by the Company pursuant to Rule 12g3-2(b) under the United States Securities Exchange Act of 1934 or otherwise.

Any documents delivered pursuant to clauses (1), (2) or (3) above shall be in English or accompanied by English translations thereof.

(1) The Company will not consolidate with, or merge with or into, or sell or convey all or substantially all of its assets in one transaction or related series of transactions to, any other entity, unless the Company shall be the surviving corporation in the case of a merger.

#### 10. Place and Currency of Payment

All payments due to the holders of Series A Preferred Shares under these Terms of Issuance shall be made at the offices of the Company or of the paying agent designated by the Company in Buenos Aires, Argentina.

Payments of dividends, redemption and other amounts expressed in U.S. dollars will be made in Australes at the rate of exchange at which such U.S. dollar amounts may be lawfully purchased with Australes on the business day preceding the respective date of payment in Buenos Aires, Argentina, as quoted by Banco de la Nacion Argentina at the close of business on such date (the "Exchange Rate").

If at any time it is not possible for any reason (including exchange control restrictions affecting the purchase of U.S. dollars with Australes for any of the abovementioned purposes) to determine the Exchange Rate as provided above, then the rate of exchange that will be applied (or the variation of which shall be taken into account for purposes of any adjustment) shall be the "Implicit Exchange Rate" or, in the

absence thereof, the "Free Exchange Rate". As used herein, these terms have the following meanings: (a) "Implicit Exchange Rate" means, for each date, the rate of exchange resulting from the following formula:  $PB/PD$ , where "PB" means the spot seller price in Australes on such date in the Buenos Aires Stock Exchange for External Bonds of the Republic of Argentina (last issued series quoted in the Buenos Aires Stock Exchange and in New York), and "PD" means the spot buyer price in United States dollars on that same date in New York, U.S.A. of such debt instrument; and (b) "Free Exchange Rate" means, for each date, the average of the buyer rate of exchange of Australes for United States dollars as quoted on such date in the free exchange market in New York, N.Y., U.S.A. by a leading financial institution of such city chosen by the Board of Directors of the Company.

#### 11. Miscellaneous

(a) **Taxation:** All payments in respect of the Series A Preferred Shares shall be subject to deduction or withholding for or on account of, any present or future taxes, levies, imposts, duties, assessments or governmental charges (collectively, "Taxes") now or hereafter imposed by or within the Republic of Argentina (or any political subdivision or taxing authority thereof or therein). If the Company shall be required by law to deduct any such Taxes from or in respect of any sum payable hereunder, it shall pay the full amount deducted to the relevant taxation authority as appropriate in accordance with the applicable regulations in Argentina, and it will provide the shareholders with the original or a certified copy of a receipt evidencing payment of such Taxes.

(b) **Corporate Registration:** Subscribers of Series A Preferred Shares may be responsible for compliance with the registration requirements set forth in article 123 of the Corporations Law. The Company reserves the right not to recognize as such any shareholder failing to prove compliance with said registration, should same be required by any competent authority.

(c) **Governing Law and Jurisdiction:** This issue is subject to and shall be governed by the laws of Argentina and the Estatutos of the Company. Any legal actions or proceedings against the Company in connection with this issue must be brought in the commercial courts of the city of Buenos Aires, Argentina.

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SERIES B PREFERRED SHARES  
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(a) Nortel Inversora S.A. (the "Company") hereby increases its capital in the amount of A 147,045,500,000 (Australas one hundred and forty-seven billion forty-five million five hundred thousand) through the issuance of 1,470,455 Series B Preferred Shares of A 100,000 (Australas one hundred thousand) nominal value each.

This capital increase represents 16% of the share capital of the Company after the issuance of (i) 400 common shares with a nominal value of A 100,000 (Australas one hundred thousand) each, subscribed at the time of incorporation of the Company; (ii) 5,330,000 common shares with a nominal value of A 100,000 (Australas one hundred thousand) each, in the aggregate nominal amount equivalent to US\$ 100,000,000 (U.S. Dollars one hundred million) issued concurrently herewith (jointly with the shares described in (i), the "Common Stock"); (iii) the 2,389,489 Series A Preferred Shares issued concurrently herewith; and (iv) this issue of Series B Preferred Shares.

(b) The proceeds of this and the other issues mentioned above (except for that mentioned in 1(a)(i), *supra*) shall be applied solely towards the purchase price (the "Purchase Price") for a 60% equity interest in Sociedad Licenciataria Norte S.A. (hereinafter "Telco Norte") in accordance with the contract (the "Transfer Contract") executed by and among the National Executive Branch of the Government of Argentina, the National Telecommunications Enterprise ("ENTEL"), the members of the consortium formed by STET - societa finanziaria telefonica p.a. ("STET"), France Cables et Radio S.A. ("FCR"), Sociedad Naviera Perez Companc S.A.C.F.I.M.F.A. ("PEREZ COMPANC") and J.P. MORGAN & Co. Incorporated ("MORGAN") and the Company, following the award to said consortium of the right to purchase shares of Telco Norte pursuant to the International Public Call for Bids for the privatization of the supply of the public telecommunications service of Argentina called for by the National Executive Branch of Government.

(c) The Series B Preferred Shares are issued for a total subscription price of A 2,310,022,000,000 (Australas two trillion three hundred and ten billion twenty-two million) equivalent to US\$ 433,400,000 (U.S. Dollars four hundred and thirty-three million four hundred thousand) at the exchange rate of A 5,330=US\$1 as per the buyers' rate of exchange quoted by Banco de la Nacion Argentina at the close of business on November 8, 1990. The U.S. Dollar value of such subscription price is referred to hereafter as the "Subscription Price". Accordingly, the Subscription Price per share shall be US\$ 294.73870333 (such amount being US\$ 433,400,000 divided by the total number of Series B Preferred Shares). The amount by which the equivalent in Australas of the Subscription Price per share exceeds the nominal value of each share constitutes an issuance premium which may not be capitalized or distributed except through redemption of the Series B Preferred Shares, subject to the preferences to which the Series A Preferred Shares are entitled.

(d) The Subscription Price for the Series B Preferred Shares shall be paid exclusively with any of the Argentine public sector external indebtedness set forth in Resolution 667/90 of the Ministry of Economy and in the Transfer Contract as being acceptable consideration for the voting stock of Talco Norte, which is accepted by the Central Bank of the Argentine Republic (the "Central Bank") upon verification (hereinafter "Argentine Debt"), as set forth in the Exchange Agreement dated as of November 8, 1990 among the Company as Issuer, the Investors and the Designee Banks listed therein, and Morgan Guaranty Trust Company of New York as Exchange Agent, and the Schedules and Exhibits attached thereto (the "Exchange Agreement"). For such purpose, the Argentine Debt shall be valued at sixty-two percent (62%) of the total composed of the face principal amount of the debt plus accrued and unpaid interest (excluding default interest) on such principal up to June 26, 1990 or such later date as may be agreed upon by the Government of Argentina (the "Accrual Date"). Accordingly, the total principal and interest amount of Argentine Debt to be tendered in exchange for the Series B Preferred Shares shall be US\$ 699,000,000. In addition, the Subscribers will be required to waive all claims to interest accrued on such principal on and after the Accrual Date.

(e) The terms for payment of the Series B Preferred Shares through the tendering of Argentine Debt shall be as specified in the Exchange Agreement.



2. Form of the Series B Preferred Shares. Transferability.

(a) The Series B Preferred Shares shall be issued in registered form - "acciones escriturales" - in accordance with article 208 of law 19.550, as amended (the "Corporations Law"). Accordingly, the issuance, ownership, transfer or other form of disposition, including pledges or usufruct of said shares and any payments in respect of same shall be recorded in accounts under the name of the respective shareholders, subject to the provisions of article 213 of the Corporations Law. The Company may at any time appoint an authorized commercial or investment bank or a Stock Clearing House ("Caja de Valores") to keep this registry, in which case it must notify such appointment to the shareholders. Although recordings in the accounts at this registry shall be sufficient evidence of ownership and other transactions in respect of the shares, the Company or the entity keeping the registry, as the case may be, must deliver to the shareholders a certificate evidencing the opening of the accounts and all transactions therein recorded, and every shareholder shall have the right to receive, at any time and at its own cost, evidence of the balance in its account.

The Company shall be directly responsible vis-a-vis the shareholders for any mistakes or irregularities in the accounts, even if incurred by the bank or Stock Clearing House keeping the registry, notwithstanding the responsibility of the bank or Stock Clearing House vis-a-vis the Company for any such mistakes or irregularities.

The procedures and documentation to evidence the subscription and payment of the Series B Preferred Shares shall be as set forth in the Exchange Agreement.

(b) The transfer of the Series B Preferred Shares is subject to compliance with all requirements and conditions set forth by the applicable securities and similar laws of any country, including Argentina where such transfer may be carried out or have legal effects. The Series B Preferred Shares have not been and will not be registered under the United States Securities Act of 1933 or similar regulations of other countries, and accordingly may not be offered or sold in contravention of such Act or regulations. A legend to this effect will be included in all certificates issued by the Company as to ownership, transfer or other transaction affecting the Series B Preferred Shares. Furthermore, no transfer or other transaction affecting the shares shall be effective without notice to, and recording in the Stock Registry of, the Company upon compliance with the procedures

established by the Company to assure and to verify the legality of any such transfer or transaction.

### 3. Ranking and Preferences.

The preference granted to the Series B Preferred Shares consists in (i) a non-cumulative preferred variable dividend as contemplated in Clause 4 of these Terms of Issuance, (ii) their redemption as contemplated in Clause 5 of these Terms of Issuance, (iii) a priority in payment of the proceeds of Liquidation of the Company (as defined below) as contemplated in Clause 7 of these Terms of Issuance and (iv) the other preferences and privileges granted to them herein.

### 4. Dividend Rights

(a) In respect of any fiscal year, commencing with the fiscal year ending on March 31, 1992, holders of Series B Preferred Shares will be entitled to a dividend in an amount equal to a proportion of the earnings of the Company legally available for distribution remaining after providing for payment of any amounts due and payable on account of Base Dividends, Additional Dividends and redemption payments (whether scheduled or mandatory) in respect of Series A Preferred Shares in accordance with the Terms of Issuance of the Series A Preferred Shares. Said proportion will be determined by dividing (1) US\$ 97,860,000 by (ii) the sum of US\$ 97,860,000 plus the U.S. Dollar value paid for the common capital stock outstanding at the close of the fiscal year for which dividends are being declared.

The dividends of the Series B Preferred Shares will not be cumulative. However, any dividend which is due and payable in accordance with the foregoing paragraph and is not declared and made available for payment by the end of the fifth calendar month after the close of the respective fiscal year of the Company will continue to be calculated, denominated and maintained in U.S. Dollars and will bear interest from the last day of such calendar month until it is made available for payment to the shareholders, at an annual rate equal to the average of the rates per annum, rounded upward if necessary to the nearest 1/32 of one percent, at which deposits in dollars are offered to Morgan Guaranty Trust Company of New York and to National Westminster Bank in the London interbank market ("LIBOR").

(b) All dividends declared with respect to the Series B Preferred Shares shall be made available pro rata to the holders entitled thereto.

## 5. Redemption

(a) Series B Preferred Shares will not be redeemable except as set forth below.

(b) Mandatory Redemption: If at any time prior to March 31, 2001, STET and FCR, jointly, sell or cease to own or control directly or indirectly more than 50% of the outstanding common stock of the Company (a "Change In Control"), each holder of Series B Preferred Shares will be entitled to have its Series B Preferred Shares redeemed by the Company at a total price in Australes equal to the amount which would have been payable as of the "Redemption Value Date", as defined below, in the event of Liquidation of the Company in accordance with these Terms of Issuance. Such price will be determined by an appraiser which will be selected in good faith by the Board of Directors of the Company and will be an internationally recognized investment banking firm.

(c) Procedure for Mandatory Redemption: Within 30 days following any Change in Control, the Company shall notify each holder of Series B Preferred Shares by certified letter addressed to the last domicile recorded for such holder in its Stock Registry and, in such notice (the "Redemption Notice") shall state: (1) that a Change In Control has occurred and that such holder has the right to require the Company to redeem the Series B Preferred Shares of such holder at the price set forth in subparagraph (b) above; (2) the circumstances and relevant facts regarding such Change in Control; (3) the "Redemption Value Date", which shall be not earlier than 30 days or later than 60 days from the date of the Redemption Notice; (4) that any Series B Preferred Shares not tendered for redemption shall continue to enjoy all the rights and benefits set forth in these Terms of Issuance; (5) that any shares tendered for redemption shall cease to accrue dividends after the Redemption Value Date; and (6) that any holder electing to have all or part of its Series B Preferred Shares redeemed in accordance with this Clause will be required to surrender the shares to be redeemed, by delivering to the Company or the agent designated by the Company for such purpose (the "Agent"), a notice (the "Notice of Election") in the form to be specified in the Redemption Notice within the time period set forth below.

The Redemption Notice will in addition be published for five days in the Official Gazette of Argentina and in such business newspapers in Buenos Aires and New York assuring reasonable circulation as the Board of Directors may at its sole discretion determine.

Within 30 days from the Redemption Value Date, the Board of Directors will designate the appraiser as provided in sub-paragraph (b) above, which shall be required to determine the redemption price within the following 60 days. Upon receipt of the appraisal, the Board will convene a Special Meeting of the Series B Shareholders to be held in accordance with article 250 of the Corporations Law within the next 30 days for the purpose of approving the mandatory redemption price determined by the appraiser.

Within ten days from the approval of the redemption price by said Special Shareholders Meeting, the Company shall make the respective funds available for payment to the holders of Series B Preferred Shares at its offices or at the offices of the Agent in Buenos Aires. Any shareholders who do not deliver a Notice of Election or who, having delivered a Notice of Election, fail to collect the redemption price within a period of 90 days from the date on which the respective funds are made available for payment as set forth above, shall be deemed to have elected not to have their shares redeemed under this Clause and shall not be entitled to such redemption thereafter.

(d) Limitation: Redemption payments will be made only out of net and realized earnings and/or distributable reserves. Any accrued and unpaid redemption payments will continue to be calculated, denominated and maintained in U.S. Dollars and will bear interest from the date the same have accrued until the date on which redemption payments are made available for payment to the shareholders at an annual rate equal to LIBOR.

#### 6. Voting Rights

The holders of Series B Preferred Shares, or their proxies, shall be entitled to attend the Shareholder Meetings of the Company but their attendance shall not be required in order to form a quorum and they shall have no voting rights under any circumstances, except as specifically set forth in this Clause. The holders of Series B Preferred Shares will have voting rights only: (i) if dividends have not been fully paid to Series B Preferred Shares in accordance with these Terms of Issuance after the third full fiscal year of the Company; (ii) if the Company fails to comply with any of the Covenants set forth in Clause 9, of these Terms of Issuance; or (iii) upon the occurrence of the events specified in articles 217 or 244, fourth paragraph, of the Corporations Law. In the event any such voting rights are triggered, each holder of Series B Preferred Shares will be

entitled to exercise one vote per share and will vote together with the Series A Preferred Shares -if same are also entitled to vote- and the Common Stock as one class, except as to matters related to the election of Directors where, as set forth in article 15 of the Company's By-Laws ("Estatutos"), all the preferred shares of the Company shall vote as a separate class and shall be entitled to elect one Acting and one Alternate Director. The voting rights of the Series B Preferred Shares will cease upon the full distribution by the Company of all previously accrued and unpaid dividends, plus any applicable interest thereon.

Furthermore, in those cases where the granting of voting rights to the holders of Series B Preferred Shares would result in a violation of any commitment of the Company under the Transfer Contract, or any other law or regulation applicable to the holding of a controlling interest by the Company in Telco Norte, such voting rights may not be exercised until authorization has been obtained from the appropriate authority.

#### 7. Priority on Liquidation

In the event of early termination, liquidation upon expiry of statutory term of existence or mandatory liquidation of the Company (collectively, a "Liquidation"), the holders of Series B Preferred Shares shall be entitled to receive out of the proceeds of liquidation prior to the holders of the Common Shares and the holders of any other series of preferred stock of the Company ranking junior to the Series B Preferred Shares upon Liquidation, but after the holders of Series A Preferred Shares and any series of preferred stock of the Company ranking senior to the Series B Preferred Shares have secured their full liquidation preferences. In such event, the amount payable to the holders of Series B Preferred Shares out of the proceeds of liquidation will be determined on the same basis established for dividend distributions. If upon any Liquidation, the amount payable with respect to the Series B Preferred Shares is not paid in full, the holders thereof will share equally and ratably with the holders of any series of preferred stock of the Company ranking equally to the Series B Preferred Shares upon Liquidation in any distribution of assets of the Company in proportion to the full liquidation preferences to which each is entitled.

Preemptive Rights

If new Common Shares are issued by the Company, each holder of Series B Preferred Shares shall have the opportunity to subscribe for such number of additional Series B Preferred Shares necessary to preserve such holder's participation in the earnings of the Company and the liquidation value of the Series B Preferred Shares held by such holder prior to the new issuance of Common Shares.

9. Covenants

The Company hereby agrees as follows, unless the provisions set forth below are waived by the holders of 66 2/3% of the outstanding nominal amount of the Series B Preferred Shares expressed at a Special Shareholders Meeting of the class, conducted in accordance with art. 250 of the Corporations Law;

(a) The Company will not issue any additional Series B Preferred Shares in excess of the amount set forth in Clause 1(a) above other than Series B Preferred Shares issued (i) pursuant to the preemptive rights of Series B Preferred Shareholders set forth in Clause 8 above, or (ii) Series B Preferred Shares issued free of payment to holders of Series B Preferred Shares to capitalize reserves, revaluation surpluses, or similar concepts;

(b) The Company will annually apply all cash derived from earnings legally and financially available for the payment of shareholder dividends and, when required under these Terms of Issuance, the redemption of Series B Preferred Shares;

(c) The Company will not permit Telco Norte to merge or consolidate with or into, or sell, lease or convey all or substantially all of its assets (whether in one transaction or in a series of transactions) to any other entity, except in the case of a merger where Telco Norte is the surviving corporation;

(d) The Company will not create, incur, assume, guarantee or otherwise become liable with respect to or responsible for the payment of, any indebtedness (as defined below) other than (i) the \$ 78,200,000 aggregate principal amount of the Series A Senior Notes Due 2001 authorized concurrently herewith (the "Series A Notes"); (ii) the \$124,200,000 aggregate principal amount of the Series B Senior Notes Due 2001 authorized concurrently herewith (the "Series B Notes");

(iii) any Indebtedness the proceeds of which are used to pay interest on the Series A Notes or the Series B Notes or to pay dividends to the holders of the Series A Preferred Shares; (iv) Indebtedness in an aggregate principal amount not to exceed U.S.\$ 50,000,000 (or the equivalent thereof in any other currency or composite currency) at any one time outstanding; (v) guarantees of the Indebtedness of Telco Norte and (vi) Indebtedness of the Company to any subsidiary in which the Company owns directly or indirectly more than 50% of the capital stock of such subsidiary having a general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such corporation (irrespective of whether or not at the time stock of any class or classes shall have or might have voting power by reason of the happening of any contingency). For purposes of this subparagraph, "Indebtedness" means obligations of, or guarantees of indebtedness by, the Company or any of its subsidiaries for borrowed money or evidenced by bonds, debentures, notes or other similar instruments, provided, however, that the term Indebtedness shall not include accounts payable or any other indebtedness or monetary obligations to trade creditors created or assumed by the Company or any of its subsidiaries in the ordinary course of business in connection with the obtaining of materials or services.

(e) The Company will not, sell, transfer, assign or otherwise dispose of, or pledge, hypothecate or otherwise encumber any shares of voting common stock of Telco Norte (the "Telco Norte Common Stock") (except as may otherwise be required by the terms of purchase of the Telco Norte Common Stock under the Transfer Contract) unless, after giving effect to such transaction, more than 50% of the Telco Norte Common Stock shall be owned at that time directly or indirectly by the Company without being subject to any lien.

(f) The Company will not permit Telco Norte to create, incur, assume, guarantee or otherwise become liable with respect to or responsible for the payment of, any Indebtedness (as defined above) if, as a result thereof, the ratio, on a pro forma basis, of the total liabilities of Telco Norte to its net worth would exceed 1.75:1. For purposes of this subparagraph (f) the total liabilities and net worth of Telco Norte shall be calculated in accordance with Argentine generally accepted accounting principles ("Argentine GAAP"), as in effect on the date of issuance of the Series B Preferred Shares, as reflected in the most recent quarterly balance sheet of Telco Norte; provided that for purposes of any such calculation any class of capital stock of Telco

Norte that by its terms or otherwise is redeemable in whole or in part prior to March 31, 2001 either at the option of Telco Norte or a holder thereof or upon the happening of any event shall be included as a liability of Telco Norte and excluded from net worth.

(g) The Company will not and will not permit any subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any subsidiary to (i) pay dividends or make any other distributions on its capital stock or pay any indebtedness owed to the Company or any of its subsidiaries, (ii) make loans or advances to the Company or any of its subsidiaries, or (iii) transfer any of its property or assets to the Company or any of its subsidiaries; provided, that the Company may create, assume or otherwise cause or suffer to exist or become effective (i) consensual encumbrances binding upon any person at the time such person becomes a subsidiary of the Company which were not created in connection with or in contemplation of such person becoming a subsidiary of the Company, (ii) those imposed by applicable law or (iii) customary nonassignment provisions of any lease governing a leasehold interest of the Company or any subsidiary of the Company.

(h) The Company will send to the registered holders of Series B Preferred Shares at such holders' address as set forth in the Company's Stock Registry:

(1) within 90 days after the end of the first three fiscal quarters of each fiscal year of the Company and Telco Norte, the unaudited consolidated balance sheet of the Company and its consolidated subsidiaries and Telco Norte and its consolidated subsidiaries as of the end of such quarter, and the related unaudited consolidated statements of income and sources and uses of funds of the Company and Telco Norte for such quarter and the portion of the Company's and Telco Norte's fiscal year ended at the end of such quarter, in each case prepared on the basis of Valores Adjustados por Inflación and in accordance with Argentine GAAP, and setting forth in each case the comparative figures from the corresponding quarter and the corresponding portion of the Company's previous fiscal year;

(2) as soon as available but no later than 150 days after the end of each fiscal year of the Company and Telco Norte, the audited consolidated balance sheet of the Company and its consolidated subsidiaries and Telco Norte and its consolidated subsidiaries as of the end of such fiscal-



year, and the related audited consolidated statements of income and sources and uses of funds of the Company and Telco Norte for such fiscal year, in each case prepared on the basis of Valores Ajustados por Inflacion and in accordance with Argentine GAAP and certified by independent public accountants of nationally recognized standing, and setting forth in each case in comparative form the figures for the previous fiscal year;

(3) promptly upon the mailing thereof to the common shareholders of the Company generally, copies of all financial statements, annual and quarterly reports and other communications so mailed; and

(4) promptly upon the filing thereof, all documents filed with the United States Securities and Exchange Commission by the Company pursuant to Rule 12g3-2(b) under the United States Securities Exchange Act of 1934 or otherwise.

Any documents delivered pursuant to clauses (1), (2) or (3) above shall be in English or accompanied by English translations thereof.

(i) The Company will not consolidate with, or merge with or into, or sell or convey all or substantially all of its assets in one transaction or related series of transactions to, any other entity, unless the Company shall be the surviving corporation in the case of a merger.

#### 10. Place and Currency of Payment

All payments due to the holders of Series B Preferred Shares under these Terms of Issuance shall be made at the offices of the Company or of the paying agent designated by the Company in Buenos Aires, Argentina.

Payments of dividends, redemption and other amounts expressed in U.S. dollars will be made in Australes at the rate of exchange at which such U.S. dollars amounts may be lawfully purchased with Australes on the business day preceding the respective date of payment in Buenos Aires, Argentina, as quoted by Banco de la Nacion Argentina at the close of business on such date (the "Exchange Rate").

If at any time it is not possible for any reason (including exchange control restrictions affecting the purchase of U.S. dollars with Australes for any of the abovementioned purposes) to determine the Exchange Rate as provided above,

then the rate of exchange that will be applied (or the variation of which shall be taken into account for purposes of any adjustment) shall be the "Implicit Exchange Rate" or, in the absence thereof, the "Free Exchange Rate". As used herein, these terms have the following meanings: (a) "Implicit Exchange Rate" means, for each date, the rate of exchange resulting from the following formula:  $PB/PD$ , where "PB" means the spot seller price in Australes on such date in the Buenos Aires Stock Exchange for External Bonds of the Republic of Argentina (last issued series quoted in the Buenos Aires Stock Exchange and in New York), and "PD" means the spot buyer price in United States dollars on that same date in New York, U.S.A. of such debt instrument; and (b) "Free Exchange Rate" means, for each date, the average of the buyer rate of exchange of Australes for United States dollars as quoted on such date in the free exchange market in New York, N.Y., U.S.A. by a leading financial institution of such city chosen by the Board of Directors of the Company.

11. Miscellaneous

(a) Taxation: All payments in respect of the Series B Preferred Shares shall be subject to deduction or withholding for or on account of, any present or future taxes, levies, imposts, duties, assessments or governmental charges (collectively, "Taxes") now or hereafter imposed by or within the Republic of Argentina (or any political subdivision or taxing authority thereof or therein). If the Company shall be required by law to deduct any such Taxes from or in respect of any sum payable hereunder, it shall pay the full amount deducted to the relevant taxation authority as appropriate in accordance with the applicable regulations in Argentina, and it will provide the shareholders with the original or a certified copy of a receipt evidencing payment of such Taxes.

(b) Corporate Registration: Subscribers of Series B Preferred Shares may be responsible for compliance with the registration requirements set forth in article 123 of the Corporations Law. The Company reserves the right not to recognize as such any shareholder failing to prove compliance with said registration, should same be required by any competent authority.

(c) Governing Law and Jurisdiction: This issue is subject to and shall be governed by the laws of Argentina and the By-Laws ("Estatutos") of the Company. Any legal actions or proceedings against the Company in connection with this issue must be brought in the commercial courts of the city of Buenos Aires, Argentina.