

thereby became a company subject to private law, the majority of the capital of which was owned by the Chilean government.

In August 1987, CORFO announced it would reduce its shareholdings and privatize CTC by selling approximately 30% of CORFO's CTC shares pursuant to an international open bid. The specifications for the bid included a commitment by the bidder to subscribe to its proportional interest in a capital increase of a number of additional shares between 243 and 355 million. Bond Corporation Chile S.A. ("Bond Chile") offered the highest weighted price for both the CORFO and the committed Shares. In January 1988, CORFO terminated the bid process and transferred 151 million shares of CTC's Series A Common Stock ("Series A") to Bond Chile for US\$ 114.8 million. In April 1988, the shareholders of CTC approved an issue of new shares, and Bond Chile acquired its proportional interest in such offering.

Following such purchases and certain additional purchases of Series A shares and shares of CTC's Series B Common Stock ("Series B"), Bond Chile owned approximately 50% of the then subscribed capital stock of CTC. In April 1990, a subsidiary of Telefónica de España S.A. ("Telefónica") indirectly acquired the stock of Bond Chile and hence all of Bond Chile's interest in CTC for approximately US\$ 392 million, and changed Bond Chile's name to Telefónica Internacional Chile S.A. ("Telefónica Chile").

After the offering of ADS's (and including the exercise of an option of Telefónica Chile to purchase 9,074,643 shares of Series B), Telefónica Chile's participation was reduced to 44.45%, and by reason of payments made by third parties for subscribed but unpaid shares, has been further reduced to 43.63%.