



# PROVINCE OF BUENOS AIRES

## A Province of the Republic of Argentina

### 7<sup>3</sup>/<sub>4</sub>% Bonds 1996-2003 of Swiss Francs 200,000,000

- with reopening clause -

The outstanding long-term debt of the Province of Buenos Aires is rated "BB-" by Standard & Poor's Corporation and "B1" by Moody's.

<b>Interest Rate:</b>	7% p. a. payable annually on October 23.	
<b>Issue Price:</b>	Tranche 1 101.625%	Tranche 2 102%
	The Syndicate Banks have purchased the Bonds at the above mentioned prices (before commissions).	
<b>Amount: Placement</b>	CHF 150,000,000	CHF 50,000,000
<b>Price: Subscription</b>	According to demand (also during the subscription period).	
<b>Period: Form of Deed/Delivery:</b>	Until October 11, 1996, noon. The Bonds will be represented by a <b>Permanent Global Certificate</b> (as per Section 1 of the Terms of the Bonds); <b>investors do not have the right to request the delivery of individual Bonds.</b>	
<b>Minimum Denomination:</b>	SFr. 5,000 nominal and multiples thereof.	
<b>Payment Date:</b>	October 23, 1996 October 23, 2003	
<b>Redemption Date:</b>	The Province of Buenos Aires reserves the right to reopen this Issue as per Section 1 of the Terms of the Bonds.	
<b>Reopening:</b>	U.S.A. and U.S. Persons, United Kingdom, Argentina (see page 2).	
<b>Sales Restrictions:</b>		

#### Credit Suisse Union Bank of Switzerland

Deutsche Bank (Schweiz) AG  
 Banco de la Provincia de Buenos Aires, La Plata  
 Merrill Lynch  
 Capital Markets AG  
 ABN Amro Bank  
 (Switzerland)  
 Bank Julius Baer & Co. Ltd.  
 Clariden Bank

Nikko Bank (Switzerland) Ltd.  
 Banca del Gottardo  
 Bank Sarasin & Cie  
 Dai-ichi Kangyo Bank (Schweiz) AG

Societe Generale Bank & Trust

#### Swiss Bank Corporation

Members of the Groupement des Banquiers Prives Genevois West Merchant, London  
 Banco General de Negocios SA, Buenos Aires Banque Paribas (Suisse) S.A. Salomon Brothers International Limited, London Union Bancaire Privee

OCR-Scan (leichte fehler) infos zu klagen gegen arg/PBA unter [www.argentinien-klage.org](http://www.argentinien-klage.org)

Tranche 2 until Payment Date: Swiss Security No.: 528166 / ISIN: CH 0005281669 / Common Code: 7012365  
Tranche 1 + 2 after Payment Date: Swiss Security No.: 524370 / ISIN: CH 0005243701 / Common Code: 6983693

## **SALES RESTRICTIONS**

### **U.S.A. AND U.S. PERSONS**

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 and are in bearer form and subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons. Each of the syndicate members has agreed that it will not offer, sell or deliver a Bond within the United States of America or to U.S. persons except as permitted by the Bond Purchase and Paying Agency Agreement.

In addition, until December 2, 1996 an offer or sale of Bonds within the United States of America by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **UNITED KINGDOM**

Each Syndicate Bank has represented and agreed that:

(i) it has not offered or sold and prior to the date six months after the Closing Date will not offer or sell any Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in regulation to the Bonds in, from or otherwise involving the United Kingdom; and

(iii) it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the Bonds to a person who is of a kind described in Article 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

### **ARGENTINA**

Each of the Syndicate Banks has agreed that it will offer and sell the Bonds in Argentina only in accordance with Article 18 of the Argentine National Law No. 17.811, as amended.

## **CURRENCY OF PRESENTATION**

On January 1, 1992, the austral was replaced by the peso as the national currency of the Republic of Argentina, pursuant to the provisions of Decree No. 2,128/91. The conversion was effected at a rate of 10,000 australes to one peso. References herein to "dollars", "U.S. dollars", "U.S.\$" and "\$" are to the currency of the United States of America; references to "australes" are to Argentine australes and references to "pesos" and "Ps." are to Argentine pesos. Historical amounts translated into dollars have been converted at historical rates of exchange. All amounts as of a date or for periods prior to January 1, 1992 presented herein and stated in pesos have been converted from australes at a rate of 10,000 australes to one peso.

Prior to December 1989, the Argentine foreign exchange market was subject to exchange controls. Since December 1989, Argentina has had a freely floating exchange rate for all foreign currency transactions. As a result of inflationary pressures, the Argentine currency was devalued repeatedly during the 30 years prior to April 1, 1991. Since April 1, 1991, the effective date of the Convertibility Law (as defined below), the Argentine currency has been freely convertible into dollars. Under the Convertibility Law, the Banco Central de la Republica Argentina ("Banco Central") (i) must maintain a reserve in foreign currencies, gold and certain public bonds denominated in foreign currencies equal to the amount of outstanding Argentine currency and (ii) is obliged to sell dollars to any person who so requires at a rate of one peso per dollar.

The following tabel sets forth, for the periods indicated, the period-end, average, high and low Controlled Rate and Free Rate for the purchase of dollars, expressed in nominal pesos per dollar. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

	Controlled Rate				Free Rate			
	High	Low	Average <sup>1</sup>	Period end	High	Average <sup>1</sup>	Period end	
1988	0.0013	0.0004	0.0009	0.0013				
1989	0.1900	0.0013	0.0386	0.1800				
1990	-				0.6495	0.1300	0.4868	
1991	-	-	-	-	1.0010	0.5630	0.9544	
1992	-	-	-	-	1.0000	0.9910	0.9915	
1993	-				1.0000	0.9990	0.9995	
1994	-				1.0000	0.9990	0.9996	
1995	-				1.0000	0.9990	1.0000	

<sup>1</sup> Used for national accounts proposes. Based on monthly average exchange rates.  
Source: Banco de la Nacion Argentina

All references herein to the "Government" are to the federal Government of the Republic of Argentina.

**Tables in this Prospectus may not add due to rounding.**

## INVESTMENT CONSIDERATIONS AND RATINGS

### Investment Considerations

Investors considering the purchase of Bonds should decide whether to purchase only after thorough evaluation of the particular risks described below.

During the past several decades, Argentina and the Province have experienced periods of slow or negative growth and high levels of inflation with a peak of 4,923.6% per annum, as measured by the Consumer Price Index, in 1989. There have also been repeated devaluations of the Argentine currency and the imposition of exchange controls occurring prior to 1990.

The Argentine federal government, after a debt crisis of at least ten years, comprehensively rescheduled with approximately 750 international creditor banks virtually all of its external bank debt due to commercial banks at the end of 1993. The capital claims of those banks, which formed a part of the aforementioned rescheduling, amounted to \$ 28.5 billion, including approximately \$ 9.2 billion in accrued interest.

The Province was not immune to the economic difficulties that caused the debt crisis experienced by Argentina during the foregoing period. As a result of the sharp decline in tax receipts and an inability to finance the resulting budget deficits, the Province began to default in 1983 in the payment of its external debt obligations, most of which were guaranteed or ultimately assumed by Banco de la Provincia de Buenos Aires ("Banco Provincia"), a wholly-owned institution of the Province. In 1992, the Province reached various agreements providing for the refinancing of its principal long-term debts with Banco Provincia, which totaled approximately \$ 2.4 billion and constituted more than 90% of the long-term debt of the Province. Additional agreements reached in 1994 with the federal government and in 1995 with Banco Provincia have further restructured the Province's debt.

The Province suffered budget deficits during 1994 and 1995. However, during 1992 and 1993 it had considerable budget surpluses, which result in an overall budget surplus for the 1992-1995 period.

Although the present Argentine federal and provincial governments have turned to market economy principles and scored widely acknowledged successes, such as the lowering of inflation and the achievement of an aggregate budget surplus by the Province for the 1992 to 1995 period, negative factors remain:

- Argentina's markets are very sensitive to capital flights. When the Mexico Government devaluated its currency, in December 1994, the international capitals left Latin America, causing a sizeable reduction of Bank deposits, in the first half of 1995; this in turn led to tight liquidity in the financial sector, payment difficulties, increased unemployment and a reduction in tax revenues at both Federal and Provincial level;
- The fact that, as a result of the "Mexico crisis" the Argentine economy experienced a marked reduction in growth, and GDP declined by 4.4% during the 1995 fiscal year. This fall in GDP happened after having achieved the following growth rate of Gross Domestic Product ("GDP") 8.9% in 1991, 8.7% in 1992, 6.0% in 1993 and 7.4% in 1994;

- After achieving surpluses in the overall balance, in 1992-1993 period, Argentina's Federal Government incurred in deficits in 1995 and in the first half of 1996. Although the Federal government is implementing several measures in order to eliminate this deficit by 1997, this situation has brought some instability into the domestic market;
- The possibility of future reductions in total federal transfers to the Province as a result of new tax coparticipation system between the federal government and the provinces to be implemented by the end of 1996;
- The fact that the Province recorded a deficit of \$ 63 million in 1995, which represents 0,8% of the Province expenditures;
- The fact that approximately 43% of the Province's \$ 2.8 billion debt outstanding as of 30th June, 1996, matures between 1996 and 2001;
- The sources of financing available to the Province to finance its budget deficits have been limited in the past and may be limited in the future.

Although the Bank deposits, in Argentina, have recovered and reached levels similar to the prevailing before the "Mexico crisis", and economic growth is resuming, if Argentina relapses into political and economic instability, there can be no assurances that (i) capital flight will not recommence due to a loss of confidence, (ii) the necessary capital imports continue, (iii) the foreign currency reserves will be enough to allow Argentina and the Province to meet the payment obligations on their external debt and (iv) banks would be able to meet their payment obligations.

In addition, no assurance can be given that the Bonds would not be adversely affected by a large devaluation of one or more other Latin American currencies because of turbulence in the financial markets or because declines in the value of securities in one emerging market may result in declines in other emerging markets, as occurred as a result of the "Mexico crisis".

The Province of Buenos Aires is a political subdivision of a foreign sovereign state. The Province has waived to the fullest extent it is permitted under law any immunity which may exist, if any. However, the Province has not waived and cannot waive any immunity which may be enjoyed by the Federal State, the Republic of Argentina. Furthermore, applicable law may allow the Province to request the posting of a bond or other equivalent requirements prior to the initiation of any proceedings against the Province. In addition, it may be difficult for investors to obtain or realise upon judgments against the Province. Judgments against the Province are classified by Argentine law as "declaratory" in nature and amounts due in respect of such judgments must be paid out of appropriations in the provincial budget over the course of the fiscal year next following the date when the judgment became final. Only subsequent to the termination of such fiscal year are enforcement actions by creditors of the Province permissible under Argentine law. The enforceability in Argentina of such judgments is dependent on such judgments not violating the principles of Argentine public policy. Judgments cannot be enforced against property of the public domain located in the Province or dedicated to the purpose of an essential public service of the Province.

## Ratings

The outstanding foreign-currency denominated long-term debt of the Province is rated "B1" by Moody's and "BB-"<sup>2</sup> by Standard & Poor's. The Bonds have not been rated.

**Therefore, the Bonds are suitable only for speculative investors who are in a position to assess and bear the aforementioned risks which are reflected, in part, in the interest rate of the issue.**

<sup>1</sup> *Moody's:*

Debt securities which are rated B generally lack characteristics of a desirable investment. Assurance of interest and principal payments or of maintenance of the other terms of the contract over any long period of time may be small. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through B. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category.

<sup>2</sup> *Standard & Poor's:*

Debt rated "BB", "B", "CCC", and "C" is regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. "BB" indicates the least degree of speculation and "C" the highest. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions.

Debt rated "BB" has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. Ratings from "AA" to "CCC" may be modified by addition of a plus (+) or minus(-) sign to show relative standing within the major rating categories.



## Province of Buenos Aires

A Province of the Republic of Argentina

### 7<sup>3</sup>/<sub>4</sub>% Bonds 1996-2003 of Swiss Francs 200,000,000

in two Tranches

Pursuant to an authorization by the Executive Branch of the Province of Buenos Aires and the Bond Purchase and Paying Agency Agreement among the Province of Buenos Aires ("the Province"), Credit Suisse, Union Bank of Switzerland, Swiss Bank Corporation, Banco de la Provincia de Buenos Aires, La Plata, Deutsche Bank (Schweiz) AC, Members of the Groupement des Banquiers Prives Genevois, Merrill Lynch Capital Markets AG, Nikko Bank (Switzerland) Ltd., West Merchant Bank Limited, London, ABN Amro Bank (Switzerland) Banca del Gottardo, Banco General de Negocios SA, Buenos Aires, Bank Julius Baer & Co. Ltd., Bank Sarasin & Cie, Banque Paribas (Suisse) S.A., Clariden Bank, Dai-Ichi Kangyo Bank (Schweiz) AG, Salomon Brothers International Limited, London, Societe Generale Bank&Trust and Union Bancaire Privee (the "Syndicate Banks"), The Province has decided to issue 7<sup>3</sup>/<sub>4</sub>% Bonds 1996-2003 of Swiss Francs 200,000,000 (two hundred million).

The net proceeds SFr. 198287500.- from the issue of the Bonds will be utilized by the Province for the capital expenditures financing aiming at the improvement of its infrastructure.

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## TERMS OF THE BONDS

The Terms of the Bonds (the "Terms of the Bonds"), established pursuant to the Bond Purchase and Paying Agency Agreement between the Province of Buenos Aires, on the first part, and Credit Suisse ("Credit Suisse"), Union Bank of Switzerland, Swiss Bank Corporation, Banco de la Provincia de Buenos Aires, La Plata, Deutsche Bank (Schweiz) AG, Members of the Groupement des Banquiers Prives Genevois, Merrill Lynch Capital Markets AG, Nikko Bank (Switzerland) Ltd., West Merchant Bank Limited, London, ABN Amro Bank (Switzerland), Banca del Gottardo, Banco General de Negocios SA, Buenos Aires, Bank Julius Baer & Co. Ltd., Bank Sarasin & Cie, Banque Paribas (Suisse) S.A., Clariden Bank, Dai-Ichi Kangyo Bank (Schweiz) AG, Salomon Brothers International Limited, London, Societe Generate Bank & Trust and Union Bancaire Privee on the second part, by virtue of which SFr. 200,000,000.- (two hundred million) 7<sup>3</sup>/<sub>4</sub>% Bonds 1996-2003 of the Province are constituted, are as follows:

### 1. Amount, Form of Deed / Denomination / Custodianship / Printing and Delivery of the Bonds and Coupons

- a) The Bonds are issued in the initial aggregate principal amount of SFr. 200,000,000.- (two hundred million). The Province of Buenos Aires (the "Province") reserves the right to reopen (the "Reopening") and increase the aggregate principal amount of the bond-issue (the "Bond Issue") at any time and without prior consultation of or permission of the Bondholders through the issuance of further bonds which will be fungible with the Bonds (i. e. identical especially in respect of the Terms of the Bonds, security number, final maturity and interest rate).

At the time of subscribing to a Reopening, a subscriber shall pay the Province an amount equal to the interest accrued during the period from the Interest Payment Date (as defined below) immediately preceding the date of the Reopening to the date of such Reopening on each Bond it has subscribed to.

- b) The Bonds and Coupons (hereinafter called individually the "Bond" and the "Coupon" and collectively the "Bonds" and the "Coupons") and all rights in connection therewith are documented solely in the form of a Permanent Global Certificate (the "Permanent Global Certificate") as per Annex D to the Bond Purchase and Paying Agency Agreement (the "Agreement"). Each holder of Bonds (the "Bondholder") and Coupons (the "Couponholder") retains a co-ownership in the Permanent Global Certificate to the extent of his claim against the Province. Except as provided below, no printing of Bonds (in the form of Annex A to the Agreement) and Coupons (as per Annex C to the Agreement) will occur. Bondholders and Couponholders, therefore, do not have the right to request the printing and delivery of individual Bonds and Coupons.
- c) The Permanent Global Certificate remains in safekeeping with SEGA Schweizerische Effekten-Giro AG, or any other collective safe custody organization approved by the Admission Board of the Swiss Exchange, during the entire duration of the issue and until the complete redemption of the Bonds.
- d) Should the definitive Bonds and Coupons be printed, the Bonds shall be evidenced by bearer Bonds in the denomination of Swiss francs 5,000.- and Swiss francs 100,000.- and, in case of a Reopening, Swiss francs 1,000,000.- par value, the latter in particular for the collective safe custody system.
- e) Should Credit Suisse deem the printing of the Bonds and Coupons attached to be necessary or useful, or if the presentation of definitive Bonds and Coupons is required by Swiss or foreign laws in connection with the enforcement of rights under the Bonds, Credit Suisse will provide for such printing without cost for the Bondholders and Couponholders. Should the definitive Bonds and Coupons be printed, Credit Suisse will then exchange the Permanent Global Certificate (deposited as above provided) as soon as possible against the definitive Bonds and Coupons. The Province has irrevocably authorized Credit Suisse to provide for the printing of the definitive Bonds and Coupons on its behalf.
- f) Until such time as and if and when the definitive Bonds and Coupons have been issued, the expressions "Bonds" and "Coupons" mean and include co-ownership under the Permanent Global Certificate and the expressions "Bondholder" and "Couponholder" shall mean and include any person entitled to co-ownership and any further benefit under the Permanent Global Certificate.

## 2. Interest

The Bonds bear interest from October 23, 1996 at the rate of seven and three-quarters percent (7<sup>3</sup>/<sub>4</sub>%) per annum, payable annually in arrears on October 23. For this purpose the Bonds are furnished with Coupons, the first of which will become due and payable on October 23, 1997. Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months.

## 3. Redemption and Purchase

### a) Final Redemption

Unless previously redeemed, the Province undertakes to repay the principal amount of the Bonds at par, without further notice on October 23, 2003.

### b) Purchase

The Province may at any time purchase, from the Bondholders, hold and transfer Bonds, subject to the regulations of the Swiss National Bank. The Province can surrender such purchased Bonds (together with all unmatured Coupons attached) to Credit Suisse for cancellation. In such case, Credit Suisse shall cancel them forthwith.

## 4. Payments

The amounts required for the maturing payments on the Bonds or the Permanent Global Certificate, as the case may be (plus premium, if any) and/or Coupons will be made available in good time in freely disposable Swiss Francs which will be placed at the free disposal of Credit Suisse on behalf of the Bondholders and/or the Couponholders, irrespective of any present or future transfer restrictions and outside of any bilateral or multilateral payment or clearing agreement which may be applicable at the time of such payments. If the due date for any payment by the Province does not fall on a Business Day (as defined below), the Province undertakes to effect payment for value the Business Day (as defined below) immediately following such due date.

"Business Day" means a day on which commercial banks are open for domestic business and foreign exchange (including dealings in Swiss Francs) in Zurich.

In the event, however, that it is impossible for the Province to make payment in such manner without violating laws or mandatory regulations, then

- (a) at the option of Credit Suisse and as Credit Suisse shall specify to the Province not less than 10 Business Days prior to the relevant payment date, the Province shall make payment either
  - (i) in Swiss Francs at such place as Credit Suisse shall have specified, or
  - (ii) in any other currency such as Deutsche Marks or U.S. Dollars (the "Currency") at such place as Credit Suisse shall have specified,in either case in such manner as shall not involve violation of any law or mandatory regulation, or
- (b) if Credit Suisse shall fail to exercise its option under clause (a) or if none of the alternatives under clause (a) are available without violation of any law or mandatory regulation, the Province shall make payment in any Currency to the respective branch or affiliate of Credit Suisse for its benefit.

The amount of any payment in the respective Currency pursuant to the foregoing sentence shall be determined by converting the amount of the payment in Swiss Francs into the respective Currency at the rate of exchange in effect at the close of business in Zurich on the business day prior to the payment date for wholesale purchases of the respective Currency with Swiss Francs at Credit Suisse, Zurich.

The receipt by Credit Suisse in Zurich of the due and punctual payment of the funds in Swiss Francs as above provided shall release the Province of its obligations under the Bonds and Coupons for the payment of principal plus premium (if any) and interest due on the respective payment dates to the extent of such payments.

The Bonds and the relevant Coupons shall be payable upon their surrender in freely disposable Swiss Francs without collection costs to the Bondholders and Couponholders without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the Bondholders or Couponholders and without requiring any certification, affidavit or the fulfilment of any other formality at the counters in Switzerland of Credit Suisse (the "Principal

Paying Agent"), Union Bank of Switzerland, Swiss Bank Corporation, Deutsche Bank (Schweiz) AG, Members of the Groupement des Banquiers Prives Genevois, Nikko Bank (Switzerland) Ltd., and Swiss Volksbank (the "Paying Agents").

## 5. Statute of Limitations

In accordance with Swiss law, claims for interest payments shall become time-barred after a period of five years and claims for the repayment or redemption of Bonds after a period of ten years, calculated from their respective due dates.

## 6. Taxation

All payments of principal, plus premium (if any), and interest on the Bonds will be made without deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Argentina, the Province, or any subdivision thereof or any authority therein or any organization of which the Republic of Argentina is or will become a member having power to tax, unless deduction of such taxes or duties is compelled by law. In any such event, the Province shall pay such additional amounts as will result (after deduction of the said taxes or duties) in the payment to the Bondholders and Couponholders of the amounts which would otherwise have been payable in respect thereof, except that no such additional amount shall be payable to any Bondholders or Couponholders who is subject to such taxes or duties by reason of his being connected with the Republic of Argentina otherwise than by reason of the mere holding of the Bond or the Coupon.

The interest on the Bonds is, in accordance with Swiss law at present in force, not subject to the Swiss Anticipatory Tax.

## 7. Status of the Bonds and Negative Pledge

- (1) The Bonds and Coupons are direct, unconditional and (except as provided in subsection (2)) unsecured obligations of the Province which, except as otherwise provided by law, rank *pari passu* among themselves and with all other outstanding unsecured and unsecured present and future obligations of the Province relating to Indebtedness (as defined in subsection (3)).
- (2) The Province undertakes that, so long as any of the Bonds remains outstanding, it will not create, incur, assume or suffer to exist any mortgage, lien, pledge, security interest, deed of trust, charge or other encumbrance (the "Lien") upon any of its present or future assets or revenues to secure or otherwise provide for the payment of any Indebtedness (as defined in subsection (3)), unless, on or prior to the date such Lien is created or comes into existence, the same security is simultaneously accorded to the Bonds equally and rateably; excluding, however, from the restrictions of this provision the following Liens (each excluded Lien being independent of each other excluded Lien):
  - (i) any Lien in existence on the date of the issue of the Bonds;
  - (ii) any Liens securing Indebtedness of the Province in an outstanding aggregate principal amount not to exceed US\$ 800,000,000 (or the equivalent thereof in another currency) owed (A) to Banco de la Provincia de Buenos Aires or (B) to the Republic of Argentina (including for purposes of this clause (B) the Central Bank of Argentina or any federal agency or enterprise) arising from any extension of credit to the Province (including in each case any credit provided to the Province by a foreign government or the agencies or instrumentalities thereof or by multilateral organizations or agencies either directly or through an on-lending arrangement with the Republic of Argentina);
  - (iii) any Lien securing Indebtedness of the Province in an outstanding aggregate principal amount not to exceed US\$ 200,000,000 (or the equivalent thereof in another currency) owed to any person;
  - (iv) any Lien upon bank accounts, deposits or proceeds thereof (or arising from the rights of set-off against such accounts, deposits or proceeds) securing Indebtedness of the Province incurred in connection with letters of credit issued by, or trade finance transactions with, a bank to which such Lien is granted or holding such rights, and which Indebtedness has a final maturity not greater than 180 days from the date on which payment under such letter of credit or in connection with such trade finance transactions is due and payable;

- (v) any Lien upon any property to secure Indebtedness of the Province incurred specifically for the purpose of financing the acquisition of the property subject to such Lien;
- (vi) any Lien existing on any property at the time of its acquisition to secure Indebtedness of the Province;
- (vii) any Lien securing Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project provided that the property over which such Lien is granted consists solely of the assets and revenues of such project or the ownership interest therein;
- (viii) any Lien securing Indebtedness incurred for the purpose of financing all or part of the cost of personal property sold or services provided to the Province;
- (ix) any replacement, renewal or extension of any Lien permitted by clauses (i) through (viii) above upon the same property theretofore subject to such Lien, including any replacement, renewal, extension of such Lien resulting from the refinancing (without increase in the principal amount) of Indebtedness secured by such Lien, and
- (x) any Lien to secure public or statutory obligations or otherwise arising by law to secure claims other than for borrowed money;

provided that any Lien described in clauses (i) through (x) above may not secure any payment obligation, including any contingent liability of any person, arising from bonds, debentures, notes or other securities which are, or were intended at the same time of issue to be, quoted, listed or traded on any stock exchange, automated trading system, over-the-counter or other securities market or sold in whole or in part pursuant to a private placement exemption in any jurisdiction.

- (3) "Indebtedness" means, with respect to any person, the following (whether outstanding on the date of issue of the Bonds or at any time thereafter): (i) all indebtedness of such person for borrowed money; (ii) all reimbursement obligations of such person (to the extent no longer contingent) under or in respect of letters of credit or bankers' acceptances; (iii) all obligations of such person to repay deposits with or advances to such person; (iv) all obligations of such person (other than those specified in clauses (i) and (ii) above) evidenced by bonds, debentures, notes or other similar securities; and (v) to the extent no longer contingent, all direct guarantees, endorsements, avals or similar obligations of such person in respect of, and all direct obligations of such person to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of any other person specified in clause (i), (ii), (iii) or (iv) above.

## **8. Other Covenants of the Province**

(1) The Province covenants and agrees that:

- (a) It will take all necessary and appropriate action after the issue of the Bonds to provide for the inclusion in its annual budgets approved by the legislature of the Province of all amounts reasonably expected by the Province to become due under the Bonds during the time period covered by the budget in question as such amounts become due in the ordinary course; provided that any payments (i) made with respect to the Bonds during any fiscal year prior to the adoption of the budget for such fiscal year by the legislature of the Province or (ii) made with respect to the Bonds during any fiscal year for which provision is not made in the budget approved or proposed for such fiscal year will be validly made under the laws of the Republic of Argentina and the Province; and provided further that the failure of the Province to have made the necessary and appropriate provisions in its annual budgets for the payment of any and all amounts shall not constitute a defense to the obligations of the Province under the Bonds or the legality or validity of any documents, orders or decrees related thereto and provided further, however, that this covenant shall not be construed to impose any deadline for the submission of the proposed budget to the legislature or for the approval of the budget by the legislature; and
- (b) So long as any Bond or Coupon remains outstanding, the Province shall not permit the Budgeted Annual Debt Service Requirements (as defined in subsection (2) (a)) for any fiscal year to exceed 15% of the Total Budgeted Revenues of the Province (as defined in subsection (2) (b)) for such fiscal year.

(2) For purposes of this section, the term

- (a) "Budgeted Annual Debt Service Requirements" for any fiscal year means the sum of all interest payments, principal amortization payments and other payments with respect to the indebtedness of the Province for monies borrowed that the Province expects to make during such fiscal year as shown in the budget approved by the provincial legislature for such fiscal year; provided, however, that if at the time of determination, a budget for such fiscal year has not been approved, Budgeted Annual Debt Service Requirements shall mean the sum of all such interest, principal amortization and other payments as shown in the budget for such fiscal year presented to the provincial legislature for approval; and
- (b) "Total Budgeted Revenues" means, for any fiscal year, the sum of all revenues expected to be received by the Province from the Republic of Argentina and all other sources during such fiscal year as shown in the budget approved by the provincial legislature for such fiscal year; provided, however, that if at the time of determination, a budget for such fiscal year has not been approved, Total Budgeted Revenues shall mean the sum of all such revenues as shown in the budget for such fiscal year presented to the provincial legislature for approval.

## 9. Events of Default

- (1) If any of the following events ("Events of Default") shall occur (whatever the reason for such event and whether it is voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), Credit Suisse has the right but not the obligation to declare all outstanding Bonds (including the Permanent Global Certificate, as the case may be) immediately due and repayable at their principal amount, together with accrued interest, unless such Event of Default has been cured by the Province prior to receipt of such declaration by Credit Suisse:
  - (a) The Province fails to pay any amounts due on any of the Bonds when due and payable and such default continues for a period of 30 days; or
  - (b) The Province shall have failed for a continuous period of 60 days to perform or observe other respective obligations, covenants or provisions under the Agreement and the Terms of the Bonds; or
  - (c) The Province or any Provincial Agency (as defined in subparagraph (3) (b)) fails to pay when due any principal of, or interest on, any Indebtedness of the Province or such Provincial Agency (other than Excluded Indebtedness (as defined in subparagraph (3) (a)) and Indebtedness (as defined in Section 7 (3)) related to the provision of property or services to the Province or such Provincial Agency), that is outstanding in an aggregate principal amount of at least US\$ 10,000,000 (or the equivalent thereof in another currency) and such failure continues after the grace period, if any, applicable thereto prior to such failure; or any other event occurs or condition exists under any agreement or instrument relating to any such Indebtedness in an aggregate principal amount of at least US\$ 10,000,000 (or the equivalent thereof in another currency) which results in the acceleration of the maturity thereof (other than by optional or mandatory prepayment or redemption); provided, however, that for purposes of this paragraph (c), all Indebtedness of the Province or any Provincial Agency to Banco de la Provincia de Buenos Aires shall be deemed to have a grace period of 90 days from the date such payment is due unless the maturity of such Indebtedness is accelerated; or
  - (d) The Province fails generally to pay its Indebtedness (other than Indebtedness related to the provision of property or service to the Province) as it becomes due, or a moratorium on the payment of the Province's Indebtedness is declared by the Republic of Argentina or the Province; or
  - (e) There has been entered against the Province or a Provincial Agency a final judgment, decree or order by a court of competent jurisdiction from which no appeal may be or is taken for the payment of money in excess of US\$ 10,000,000 and 60 days shall have passed since the entry of such final judgment, decree or order without it having been satisfied or stayed; or

- (f) The validity of the Bonds is contested by the Province, or any final decision by any court in the Republic of Argentina having jurisdiction from which no appeal may be or is taken shall purport to render any provision of the Bonds invalid or unenforceable or purport to prevent or delay the performance or observance by the Province of any of its obligations under the Bonds; or
  - (g) Any constitutional provision, law, regulation, ordinance or decree necessary to enable the Province to perform its obligations under the Bonds, or for the validity or enforceability thereof, shall expire, is withheld, revoked, terminated or otherwise cease to remain in full force and effect, or is modified in a manner which materially adversely affects, or may reasonably be expected to materially adversely affect, any rights or claims of Bondholders and such expiration, withholding, revocation, termination or cessation shall continue in effect for a period of 60 days;
- (2) In any of the above cases, all outstanding Bonds, plus accrued interest, will become due and payable at par five days after the receipt of a written notice addressed to the Province by Credit Suisse, unless such Event of Default has meanwhile been cured by the Province, or unless security for principal, present and/or future interest and other amounts payable pursuant to the Agreement and the Terms of the Bonds is granted, which - in the opinion of Credit Suisse - includes adequate protection of the Bondholders and the Couponholders.
- (3) For purposes of this section, the term
- (a) "Excluded Indebtedness" means (i) Indebtedness of the Province or any Provincial Agency to Banco *de* la Provincia de Buenos Aires which on the date of issue of the Bonds is subject to reduction, restructuring or rescheduling, in each case only until such reduction, restructuring or rescheduling has been finalized, documented and becomes effective and (ii) Indebtedness of the Province or any Provincial Agency relating to the provision of property or services to the Province or such Provincial Agency.
  - (b) "Provincial Agency" means an agency, department, authority, statutory corporation or other statutory body or juridical entity of the Province, other than Banco de la Provincia de Buenos Aires and Empresa Social de Energia de Buenos Aires S.A., now existing or hereafter created.

## 10. Notices

All notices regarding the Bonds and the Coupons shall be published by Credit Suisse at the expense of the Province in due time and shall be valid if published in the Feuille Officielle Suisse du Commerce and in a daily newspaper in Zurich and Geneva.

## 11. Listing

Application shall be made for the admission and listing of the Bonds on the Swiss Exchange and the Province will use its best endeavours to maintain such listing for the whole duration of the Bonds.

## 12. Currency Indemnity

If any payment obligation of the Province in favour of the Bondholders or Couponholders, as the case may be, has to be changed from Swiss Francs into a currency other than Swiss Francs (to obtain a judgement, execution, or for any other reason), the Province undertakes as a separate and independent obligation to indemnify the Bondholders or Couponholders, as the case may be, for any shortfall caused by fluctuations of the exchange rates applied for such conversions.

The rates of exchange to be applied in calculating such shortfall shall be Credit Suisse's spot rates of exchange prevailing between Swiss Francs and the currency other than Swiss Francs on the date on which such conversions are necessary.

## 13. Replacement of Bonds and Coupons

Bonds or Coupons which are mutilated, stolen, lost or destroyed may be replaced at the Head Office of Credit Suisse against payment of such costs as may be incurred in connection therewith and on such terms as to evidence (including, in the case of stolen, lost or destroyed Bonds and Coupons), surrender of a copy (certified in a manner satisfactory to the Province and Credit Suisse

of the final and conclusive judgement of nullification from the competent courts as specified in Section 14 below) and such indemnity as the Province and Credit Suisse may require or, in the case of mutilation upon surrender of the mutilated Bonds or Coupons.

#### **14. Governing Law and Jurisdiction**

The terms and conditions and form of the Permanent Global Certificate, the Bonds and the Coupons shall be subject to and governed by Swiss law. Any dispute which might arise between Bondholders and/or Couponholders on the one hand and the Province on the other hand regarding the Permanent Global Certificate, the Bonds and/or the Coupons shall be settled in accordance with Swiss law and falls within the jurisdiction of the Ordinary Courts of the Canton of Zurich, the place of jurisdiction being Zurich 1, with the right of appeal to the Swiss Federal Court of Justice in Lausanne, where the law permits, whose decision shall be final. Only for that purpose and for the purpose of execution in Switzerland, the Province elects legal and special domicile at Credit Suisse, Paradeplatz 8, 8001 Zurich, Switzerland, which has agreed forthwith to notify the Province of any communication received under this Section.

The above-mentioned jurisdiction is also exclusively valid for the declaration of cancellation of Bonds and Coupons.

The Province shall be discharged by and to the extent of any payment made to a holder recognized as creditor by an enforceable judgement of a Swiss Court.

The Bondholders and the Couponholders are also at liberty to enforce their rights and to take legal action before the competent Courts of the Republic of Argentina, or any other competent Court or authority, in which case Swiss law shall be applicable with respect to the terms, conditions and form of the Bond and/or Coupons.

The Province agrees that, should any Bondholder or Couponholder bring any legal action or proceeding against it in respect of the Bonds or the Coupons in the above mentioned courts, no immunity from such legal action or proceeding or from execution of any judgment obtained in such courts in such legal action or proceeding shall be claimed by it or on behalf of the Province or, in respect of its assets, the Province hereby irrevocably waives any such right of immunity which it or its assets now has or may hereafter require.

#### **15. Amendment to the Terms of the Bonds**

The Terms of the Bonds may be amended from time to time by agreement between the Province and Credit Suisse on behalf of the Bondholders and Couponholders provided that in the sole opinion of Credit Suisse such amendment is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Bondholders and/or the Couponholders.

Notice of any such amendment shall be transmitted as per Section 10 above.

Any such amendment shall be binding on the Bondholders and Couponholders in accordance with its terms.

#### **16. Severability**

If at any time any one or more of the provisions of the Terms of the Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

## CALCULATION METHODOLOGY

### Accounting Principles

The accounting principles that the Province is required by law to follow differ materially from Argentine GAAP and generally accepted accounting principles applicable to corporations in the United States ("U.S. GAAP").

The financial statements of the Province are prepared and maintained in unadjusted (or "nominal") pesos, as required by the Provincial Accounting Law (as defined herein). The Province, and certain provincial enterprises, are not subject to the provisions of the Principios de Contabilidad Generalmente Aceptados ("Argentine GAAP"), as amended, which, until August 1995, required the restatement of financial statements to constant pesos as of the date of the most recent balance sheet presented to adjust for the effects of inflation.

The Province maintains its books and records in pesos. It is also required to maintain or prepare its financial books, records and statements (including the records from which the statements of revenues and expenditures presented below are derived) in accordance with the Provincial Accounting Law. These accounting principles differ materially from Argentine GAAP and U.S. GAAP, but are comparable to the accounting principles followed by Argentina and other sovereign and subsovereign entities. The principal differences mandated by the Provincial Accounting Law are:

- (i) Revenues are not accounted for on an accrual basis and instead are recognised in the period in which actually received. In contrast, expenditures are accrued in the period incurred and not when paid.
- (ii) Capital assets must be carried at cost, without reduction for depreciation or amortisation. Accordingly, the Province does not record any charges for depreciation or amortisation on its statements of revenues and expenditures.
- (iii) Capital expenditures and investments in tangible assets are not capitalised but are instead expensed in the year incurred. Construction contracts are expensed using the percentage of completion method.

### Method of Calculation of Gross Domestic Product ("GDP")

The most recent independent estimation of the GDP of the Province was carried out in 1992, using similar methodology as that employed by Banco Central de la República Argentina (the "Central Bank") in calculating Argentine National GDP accounts. Such estimations found the GDP of the Province to represent approximately 35% of Argentine National GDP. For the fiscal years and interim periods from 1992 to 1995, the Province has carried out estimations of its GDP by assuming that its GDP equals a specified percentage of the Argentine National GDP. Such method of estimation of the Provincial GDP also assumes that the performance by each economic sector composing the Provincial GDP identical to Argentine National GDP. The only sector of the economy which is not substantially similar between Argentina and the Province is the mining, petroleum and gas sector, as the Province does not have either petroleum or gas reserves.

Due to the absence of a periodic independent calculation of the Provincial GDP as explained above, the Province cannot calculate Provincial GDP growth or the evolution of each of the sectors of the economy of the Province.