

TELEFONICA S A
Form 6-K
June 12, 2015
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of June, 2015

Commission File Number: 001-09531

Telefónica, S.A.

(Translation of registrant's name into English)

Distrito Telefónica, Ronda de la Comunicación s/n,

28050 Madrid, Spain

3491-482 87 00

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(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES

General Secretary and

Secretary to the Board of Directors

TELEFÓNICA, S.A.

TELEFÓNICA, S.A., as provided in article 82 of the Spanish Stock Market Act (*Ley del Mercado de Valores*) hereby informs of the following:

SIGNIFICANT EVENT

The Annual General Shareholders Meeting of TELEFÓNICA, S.A. held at second call today, June 12, 2015, with the attendance, present or represented, of shareholders holding shares representing 58.40% of the share capital of the Company, has approved by a majority of votes all the resolutions submitted by the Board of Directors for deliberation and vote by the General Shareholders Meeting.

The full text of these resolutions is attached to this report.

Madrid, June 12, 2015

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ORDINARY GENERAL SHAREHOLDERS MEETING

OF TELEFÓNICA S.A. - 2015 -

PROPOSED RESOLUTIONS SUBMITTED BY THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS FOR DECISION AT THE GENERAL

SHAREHOLDERS MEETING

June 11/12, 2015

Translation from Spanish for informational purposes only. In the event of a conflict, the Spanish version prevails.

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Telefónica, S.A.

Proposal regarding Item I on the Agenda: Approval of the Annual Accounts and of the Management Report of both Telefónica, S.A. and its Consolidated Group of Companies for fiscal year 2014.

To approve the Individual Annual Accounts (Balance Sheet, Income Statement, Statement of Changes in Shareholders Equity, Cash Flow Statement and Notes), the Consolidated Financial Statements -Consolidated Annual Accounts- (Statements of Financial Condition, Income Statements, Global Income Statements, Statements of Changes in Shareholders Equity, Cash Flow Statements and Notes to the Consolidated Financial Statements), and the Management Reports of Telefónica, S.A. and its Consolidated Group of Companies for fiscal year 2014 (ended on December 31, 2014), as finalized by the Board of Directors at its meeting of February 23, 2015.

In the Individual Annual Accounts, the Balance Sheet as of December 31, 2014 discloses assets, liabilities and shareholders equity in the amount of 85,847 million euros each, and the Income Statement as of the end of the fiscal year shows a profit of 2,604 million euros.

In the Consolidated Financial Statements (Consolidated Annual Accounts), the Balance Sheet as of December 31, 2014 discloses assets, liabilities, and shareholders equity in the amount of 122,299 million euros each, and the Income Statement as of the end of the fiscal year shows a profit of 3,001 million euros.

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Proposal regarding Item II on the Agenda: Approval of the Proposed Allocation of the Profits/Losses of Telefónica, S.A. for fiscal year 2014.

To approve the following Proposal for the Allocation of the Profits/Losses of Telefónica, S.A. (the **Company**) for the fiscal year ended December 31, 2014:

To allocate the profits posted by the Company in fiscal year 2014, in the amount of 2,603,578,127 euros, as follows:

1,690,464 euros to funding a restricted reserve for Goodwill.

1,789,823,887 euros to payment of an interim dividend (fixed gross amount of 0.40 euro per share entitled to receive it). Such dividend was paid in full on May 7, 2014.

The balance of profits (812,063,776 euros) to a Discretionary Reserve.

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Proposal regarding Item III on the Agenda: Approval of the management of the Board of Directors during fiscal year 2014.

To approve the corporate management of the Board of Directors of Telefónica, S.A. during fiscal year 2014.

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Proposal regarding Item IV on the Agenda: Re-election of the Auditor for fiscal year 2015.

Pursuant to the proposal made by the Audit and Control Committee, the Board of Directors submits the following resolution for approval of the shareholders at the General Shareholders Meeting:

To re-elect as Auditor of Telefónica, S.A. and its Consolidated Group of Companies for fiscal year 2015 the firm Ernst & Young, S.L., with registered office in Madrid, at Plaza Pablo Ruiz Picasso, 1 and Tax Identification Code (C.I.F.) B-78970506.

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Proposal regarding Item V on the Agenda: Approval of the reduction in share capital by means of the cancellation of shares of the Company's own stock, excluding the right of creditors to object and amending article 6 of the By-Laws regarding share capital.

(A) To reduce the share capital of Telefónica, S.A. (the **Company**) by the amount of 74,076.263 euros, by means of the cancellation of 74,076,263 shares of the Company held as treasury stock. Accordingly, article 6 of the By-Laws is hereby amended and shall henceforth read as follows:

Article 6.- Share capital

- 1. The share capital is 4,864,341,251 euros, represented by 4,864,341,251 ordinary shares in a single series and with a nominal value of one euro each, which have been fully paid up.*
- 2. The shareholders acting at the General Shareholders Meeting may, subject to the requirements and within the limits established by law for such purpose, delegate to the Board of Directors the power to increase the share capital.*

The reduction in share capital does not entail a return of contributions to the shareholders, since the Company itself is the owner of the cancelled shares, and is made with a charge to unrestricted reserves, by means of the funding of a reserve for cancelled share capital in an amount equal to the par value of the cancelled shares (i.e. in the amount of 74,076,263 euros), which may only be used in compliance with the same requirements as those established for the reduction of share capital, by application of the provisions of Section 335. c) of the Companies Act.

Accordingly, as laid down in such section, the creditors of the Company will not have the right to oppose the reduction mentioned in Section 334 of the Companies Act in connection with the approved reduction in share capital.

It is hereby stated for the record, in order to comply with the provisions of Section 411.1 of the Companies Act, that the consent of the bondholders' syndicate for the outstanding issues of debentures and bonds is not required, since the approved capital reduction does not reduce the original ratio between the sum of capital plus reserves and the amount of the debentures pending repayment.

B) To authorize the Board of Directors, within one year from the date of adoption of this resolution, and, in any case, before the implementation of the capital increase subject to the proposal contained under item VI of the Agenda, to determine the other matters that have not been expressly established in this resolution or that are a result thereof, and to adopt the resolutions, take the actions, and execute the public or private documents that may be necessary or appropriate for the full implementation of this resolution, including, without limitation, the publication of the legally required notices, the making of the appropriate applications and the giving of the appropriate notices required to delist the cancelled shares.

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The Board of Directors is expressly authorized to in turn delegate to the Executive Commission or the Executive Chairman of the Board of Directors, the powers referred in this resolution, without prejudice to the powers that may be granted to any person for specific acts of execution.

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Proposal regarding Item VI on the Agenda: Shareholder compensation by means of a scrip dividend. Approval of an increase in share capital by such amount as may be determined pursuant to the terms and conditions of the resolution, through the issuance of new ordinary shares having a par value of one euro each, with no share premium, of the same class and series as those that are currently outstanding, with a charge to reserves. Offer to the shareholders to purchase their free allotment rights at a guaranteed price. Express provision for the possibility of incomplete allocation. Application for admission to trading of the new shares on the Spanish and foreign Stock Exchanges on which the shares of Telefónica, S.A. are listed. Delegation of powers to the Board of Directors, with express powers of substitution.

1.- Capital increase with a charge to reserves

The share capital is increased by the amount resulting from multiplying (a) the nominal value of one euro per share of Telefónica, S.A. (the **Company**) by (b) the number of new shares of the Company to be determined using the formula indicated under item 2 below (the **New Shares**).

The capital increase is carried out by means of the issuance and flotation of the New Shares, which will be ordinary shares, having a nominal value of one euro each, of the same class and series as those that are currently outstanding, represented by book entries.

The capital increase is carried out in its entirety with a charge to one of the reserves provided for in Section 303.1 of the Companies Act (*Ley de Sociedades de Capital*).

The New Shares are issued at par, i.e., at their nominal value of one euro, without a share premium, and will be allotted without charge to those shareholders who exercise their free allotment rights.

Pursuant to the provisions of Section 311 of the Companies Act, provision is made for the possibility of an incomplete allotment of the Capital Increase, in the event that the Company, a company within its Group or a third party waives all or part of the free allotment rights to which they are entitled at the time of implementation of the increase. In the event of such incomplete allotment, the share capital will be increased by the corresponding amount

2.- New Shares to be issued

The number of New Shares will be the number that results from the application of the following formula, with the resulting number being rounded downwards to the next lower integer:

$$NAN = NTAcc / \text{Number of Rights}$$

where

NAN is the Number of New Shares to be issued;

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NTAcc is the number of shares of the Company on the date on which the Board of Directors, or the Executive Commission by delegation therefrom, resolves to implement the capital increase; and

Number of Rights is the number of free allotment rights required for the allotment of one New Share, which number will result from the application of the following formula, with the result being rounded to the next higher integer:

$$\text{Number of Rights} = \text{NTAcc} / \text{Provisional number of shares}$$

where

$$\text{Provisional number of shares} = \text{Reference Amount} / \text{PreCot.}$$

For these purposes:

Reference Amount will be the reference market value of the capital increase, which will be equal to the sum of 1,702,519,437.85 euros multiplied by the factor $\text{PreCot}/(\text{PreCot}-0.35)$, with a maximum of 1,800,000,000.00 euros in all cases.

PreCot is the arithmetic mean of the average weighted listing prices of the Company's Shares on Spain's Electronic Trading System in the five trading sessions prior to the resolution of the Board of Directors, or the Executive Commission by delegation therefrom, to implement the capital increase, rounded up or down to the closest one-thousandth part of a euro and, in the case of half of one thousandth of a euro, rounded to the next higher one thousandth part of a euro. In any event, PreCot may not be less than the nominal value of the shares, such that if the result of such calculation is less, PreCot shall be equal to one euro.

3.- Free allotment rights

Each share of the Company will grant its holder one free allotment right.

The number of free allotment rights required to receive one New Share will be automatically determined according to the ratio existing between the number of New Shares and the number of shares of the Company (NTAcc).

Specifically, the shareholders will be entitled to receive one New Share for as many free allotment rights, determined as provided in Section 2 above (Number of Rights), as are held by them.

In the event that (i) the number of free allotment rights required for the allotment of one share (Number of Rights) multiplied by the number of New Shares (NAN) results in a number that is lower than (ii) the number of outstanding shares (NTAcc.), the Company, or an entity within its Group, will waive a number of free allotment rights equal to the difference between both figures, for the sole purpose that the number of New Shares be a whole number and not a fraction.

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The free allotment rights will be allotted to the shareholders who appear as being entitled thereto in the book-entry records of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR) on the relevant date, in accordance with applicable rules governing the clearing and settlement of securities.

The free allotment rights may be traded on the Spanish continuous market during such term as may be determined by the Board of Directors, or the Executive Commission by delegation therefrom, which term will not be less than fifteen calendar days. During the period for trading the free allotment rights, a sufficient number of free allotment rights may be acquired on the market in the proportion required to subscribe for New Shares.

4.- Irrevocable commitment to purchase the free allotment rights

The Company, or such company of its Group as may be determined, will assume an irrevocable commitment to purchase the free allotment rights at the price set forth below (the **Purchase Undertaking**).

The Purchase Undertaking will be in effect during such term, within the period for trading the rights, as is established by the Board of Directors or the Executive Commission by delegation therefrom. For such purpose the Company, or the corresponding company of its Group, is authorized to acquire such free allotment rights up to the maximum limit of the total number of rights issued, in all cases with due observance of any applicable legal restrictions.

The **Purchase Price** of each free allotment right under the Purchase Undertaking shall be the amount that results from the following formula, rounded up or down to the closest one thousandth part of a euro and, in the case of one-half of one thousandth of a euro, to the next higher one thousandth part of a euro:

$$\text{Purchase Price} = \text{PreCot} / (\text{Number of Rights} + 1)$$

The Company may acquire the free allotment rights pursuant to the Purchase Undertaking in whole or in part with a charge to one of the reserves provided for in Section 303.1 of the Companies Act.

5.- Balance sheet for the transaction and reserve to which the increase will be charged.

The balance sheet used as the basis for the transaction is the balance sheet for the fiscal year ended December 31, 2014, duly audited and approved by the shareholders at this General Shareholders Meeting.

As noted above, the capital increase is made in its entirety with a charge to one of the reserves provided for in Section 303.1 of the Companies Act. When implementing the increase, the Board of Directors, or the Executive Commission by delegation therefrom, will determine the reserve to be used and the amount thereof in accordance with the balance sheet used as the basis for the transaction.

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6.- Representation of the New Shares

The New Shares will be represented by book entries, the book-entry registration of which is entrusted to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR) and its participating entities.

7.- Rights carried by the New Shares

Holders of the New Shares will have the same voting and dividend rights as the holders of the ordinary shares of the Company that are currently outstanding, from the date on which the capital increase is declared to be subscribed and paid in.

8.- New Shares on deposit

Once the period for trading the free allotment rights has ended, the New Shares that could not be allotted for reasons not attributable to the Company will be held on deposit for those who provide evidence that they are the lawful holders of the corresponding free allotment rights.

Upon the passage of three years from the end of the period for trading the free allotment rights, the New Shares that are still pending allotment may be sold in accordance with the provisions of Section 117 of the Companies Act, for the account and risk of the interested parties. The net proceeds from such sale will be deposited with the Bank of Spain (*Banco de España*) or with the Government Depository (*Caja General de Depósitos*) at the disposal of the interested parties.

9.- Application for admission to official trading

Application will be made for admission of the New Shares issued to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market), with the taking of such steps and actions as are required or appropriate and the submission of the required documents to the appropriate bodies of the foreign Stock Exchanges on which the shares of the Company are listed (currently London and Buenos Aires and, through American Depositary Shares (ADSs), New York and Lima) in order for the New Shares to be admitted to trading, with an express statement for the record of the Company's submission to the rules that may now or hereafter exist with respect to Stock Exchange matters, and especially regarding trading, continued listing on and delisting from official markets.

It is expressly stated for the record, for appropriate legal purposes, that in the event of a subsequent request for delisting of the Company's shares, such delisting will be carried out with such formalities as apply thereto and, in such event, the interests of the shareholders opposing or not voting on the resolution to delist will be safeguarded, in compliance with the requirements set out in applicable laws and regulations.

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10.- Implementation of the increase

Within a period of one year from the date of this resolution, the Board of Directors, may resolve, if it so deems appropriate, to implement the increase and set the terms and conditions thereof as to all matters not provided for in this resolution.

If the Board of Directors does not deem it advisable to implement the capital increase, it may decide not to implement it, in which case it must report such decision to the shareholders at the next General Shareholders Meeting held. The capital increase to which this resolution refers will be deprived of any and all effect in the event that the Board of Directors does not exercise the powers delegated thereto within the aforementioned period of one year

Once the period for trading the free allotment rights has ended:

(a) The New Shares will be allotted to the holders of the free allotment rights, according to the records maintained by IBERCLEAR and its participating entities, in the proportion resulting from Section 3 above.

(b) The Board of Directors or the Executive Commission by delegation therefrom, will declare the period for trading the free allotment rights to have ended and will formalize the appropriation of an amount of reserves equal to the amount of the capital increase, with which appropriation such Capital Increase will thus be fully paid in.

Likewise, once the period for trading the free allotment rights has ended, the Board of Directors, will adopt the resolutions required to amend the By-Laws in order to reflect the new amount of share capital resulting from the increase, and to apply for admission of the New Shares to listing on the Spanish and foreign Stock Exchanges on which the shares of the Company are listed.

11.- Delegation of powers for implementation of the increase

Pursuant to the provisions of Section 297.1.a) of the Companies Act, the power to set the terms and conditions of the capital increase as to all matters not provided for in this resolution is delegated to the Board of Directors.

In particular, and by way of example only, the following powers are delegated to the Board of Directors, with express power of substitution:

1.- To set the date on which the Capital Increase is to be carried out, which shall be within a period of one year from approval thereof, and to determine the reserves, from among those listed in Section 303.1 of the Companies Act, with a charge to which such increase will be implemented.

2.- To set the reference date and time for allotment of the free allotment rights and the duration of the period for trading the free allotment rights, which shall not be less than fifteen calendar days.

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- 3.- To determine the exact amount of the capital increase, the number of New Shares and the free allotment rights needed for the allotment of New Shares, applying the rules established in this resolution for such purpose.
- 4.- To establish the terms and conditions of the Purchase Undertaking.
- 5.- To amend article 6 of the By-Laws regarding the share capital to bring it into line with the result of the capital increase.
- 6.- To waive the free allotment rights held by the Company or the respective company of its Group at the end of the period for trading such rights as a result of the Purchase Undertaking and, thus, the New Shares corresponding to such rights.
- 7.- To waive free allotment rights, if appropriate, for the sole purpose of facilitating the number of New Shares being a whole number and not a fraction.
- 8.- To declare the capital increase to be closed and implemented.
- 9.- To take all steps required for the New Shares resulting from the capital increase to be included in the book-entry records of IBERCLEAR and admitted to listing on the Spanish and foreign Stock Exchanges on which the Company's shares are listed, in accordance with the procedures established at each of such Stock Exchanges.
- 10.- To take all such actions as are necessary or appropriate to implement and formalize the capital increase with any public or private entities or agencies, whether domestic or foreign, including acts for purposes of representation or supplementation or to cure defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.

The Board of Directors is expressly authorized to in turn delegate to the Executive Commission or the Executive Chairman of the Board of Directors, the powers referred in this resolution, without prejudice to the powers that may be granted to any person for specific acts of execution.

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Proposal regarding Item VII on the Agenda: Amendment of the By-Laws to conform them to the amendments made to the Companies Act by Law 31/2014 of December 3 to improve corporate governance, and to introduce other technical and text organization improvements.

A) Amendment of the articles of the By-Laws relating to the General Shareholders Meetings and the powers and duties thereof: Articles 15 (Powers of the shareholders acting at a General Shareholders Meeting), 16 (Ordinary and Extraordinary General Shareholders Meetings), 17 (Call to the General Shareholders Meeting), 19 (Right to attend) and 22 (Shareholders right to receive information).

To amend articles 15 (Powers of the shareholders acting at a General Shareholders Meeting), 16 (Ordinary and Extraordinary General Shareholders Meetings), 17 (Call to the General Shareholders Meeting), 19 (Right to attend) and 22 (Shareholders right to receive information) of the By-laws, which shall hereafter read as follows:

a) To amend Article 15 of the By-Laws, which shall hereafter read as follows:

Article 15.- Powers of the shareholders acting at a General Shareholders Meeting

The shareholders acting at a General Shareholders Meeting shall decide on the matters assigned thereto by law or these By-Laws and, in particular, regarding the following:

- 1) Approval of the annual financial statements, the allocation of profits/losses, and corporate management.*
- 2) Appointment, re-appointment and removal of Directors, and ratification of Directors appointed by co-optation.*
- 3) Appointment, re-appointment and removal of Auditors.*
- 4) Appointment and removal of Liquidators.*
- 5) Commencement of corporate claims for liability against any of the persons referred to in numbers 2) to 4) of this article.*
- 6) Amendment of the By-Laws.*
- 7) Increase and reduction of share capital, and delegation to the Board of Directors of the power to increase share capital, in which case it may also be attributed the power to disapply or establish restrictions upon pre-emptive rights, as established by law.*
- 8) Elimination of or establishment of restrictions upon pre-emptive rights.*

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- 9) Transformation, merger, split-off, overall assignment of assets and liabilities, and relocation of the registered address abroad.
- 10) Dissolution of the Company.
- 11) Issuance of debentures and other marketable securities recognizing or creating debt, and delegation to the Board of Directors of the power to issue them.
- 12) The transformation of the Company into a holding company through subsidiarization or by entrusting subsidiaries with the conduct of core activities theretofore carried out by the Company itself.
- 13) The acquisition, disposition or contribution of essential operating assets from or to another company. For purposes of this section and the preceding section, an asset or activity shall be deemed to be essential when the amount of the transaction exceeds twenty-five (25%) percent of the value of the assets recorded in the last approved balance sheet.
- 14) Transactions the effect of which is tantamount to liquidating the Company.
- 15) The approval of the final balance sheet upon liquidation.
- 16) Releasing the Directors from the legal prohibitions relating to conflicts of interest when law necessarily attributes this competence to the General Shareholders Meeting.
- 17) The Director compensation policy.
- 18) Any other matter that the Board of Directors resolves to submit to a decision thereof, in compliance with the applicable laws and regulations .
- b) To amend Article 16 of the By-Laws, which shall hereafter read as follows:
Article 16.- Ordinary and Extraordinary General Shareholders Meeting
1. The shareholders acting at an Ordinary General Shareholders Meeting, which shall have previously been called for such purpose, shall meet within the first six months of each fiscal year in order, if appropriate, to approve corporate management, the financial statements for the prior fiscal year and decide on the allocation of profits/losses. Resolutions may also be adopted regarding any other matter properly coming before them, provided that such matter appears on the Agenda or is legally applicable, and a quorum for the General Shareholders Meeting has been established with the presence of the required share capital.

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2. *The Ordinary General Shareholders Meeting shall be valid even if it has been called or is held beyond the applicable deadline.*

3. *Any General Shareholders Meeting other than as provided for in the preceding paragraph shall be deemed an extraordinary General Shareholders Meeting and shall be held at any time of the year, provided that the Board of Directors deems it appropriate or when so requested in writing by the holders of at least 3% of the share capital, which request shall set forth the matters to be dealt with. In this instance, the General Shareholders Meeting shall be called to be held within the period legally provided for. The Board of Directors shall prepare the Agenda, in which it shall include at least the matters set forth in the request.*

4. *All General Shareholders Meetings, whether Ordinary or Extraordinary, which have been duly called, shall be validly constituted with the minimum quorum required by law, taking into account the matters included in the Agenda.*

c) To amend Article 17 of the By-Laws, which shall hereafter read as follows:

Article 17.- Call to the General Shareholders Meeting

1. *The General Shareholders Meeting shall be called with the minimum advance notice required by law, through a notice published, at least:*

a) *In the Official Bulletin of the Commercial Registry or in one of the more widely circulated newspapers in Spain.*

b) *On the website of the National Securities Market Commission.*

c) *On the Company's corporate website.*

The notice published on the Company's corporate website shall be continuously accessible at least until the date of the General Shareholders Meeting. The Board of Directors may also publish notices in other media, if it deems it appropriate to ensure the public and effective dissemination of the call to meeting.

2. *The call notice shall contain all the statements required by law in each case and, in any event, shall set forth the date, place and time of the meeting upon first call and all the matters to be dealt with thereat. The notice may also set forth the date on which the General Shareholders Meeting shall, if applicable, be held upon second call.*

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3. *Except in the cases provided by law, General Shareholders Meetings may not deliberate on or discuss matters that are not included in the Agenda.*

4. *At Ordinary General Shareholders Meetings, shareholders representing at least 3% of the share capital may request the publication of a supplement to the call including one or more items in the Agenda, so long as such new items are accompanied by a rationale or, if applicable, by a well-founded proposal for a resolution.*

5. *In addition, shareholders representing at least 3% of the share capital may submit well-founded proposals for resolutions regarding items already included or that must be included in the Agenda for the General Shareholders Meeting called.*

6. *The rights provided for in the two preceding paragraphs must be exercised by means of duly authenticated notice that must be received at the Company's registered office within five days of the publication of the call to meeting. The supplement to the call to meeting and the proposals for resolutions must be published or disseminated in compliance with the legal requirements and advance notice provided by law.*

d) To amend Article 19 of the By-Laws, which shall hereafter read as follows:

Article 19.- Right to attend

1. *The right to attend General Shareholders Meetings shall accrue to the holders of at least 300 shares, provided that such shares are registered in their name in the corresponding book-entry registry five days in advance of the date on which the General Shareholders Meeting is to be held, and provided also that they present evidence thereof with the appropriate attendance card or certificate issued by any of the entities participating in the institution that manages such book-entry registry or in any other manner permitted by law.*

2. *Holders of a lesser number of shares may grant a proxy in respect thereof to a shareholder having the right to attend, as well as group together with other shareholders in the same situation until reaching the required number of shares, following which a proxy must be granted by the shareholders so grouped together to one of such shareholders. The grouping must be carried out specifically for each General Shareholders Meeting and be recorded in writing.*

3. *The Directors must attend General Shareholders Meetings, except when unable to do so upon duly justified grounds. Non-attendance by any of them shall not affect the valid constitution of the General Shareholders Meeting.*

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4. The General Shareholders Meeting may also be attended by senior executive officers, technicians, experts and such other persons as may have a relationship with the Company in the opinion of the Chairman of the General Shareholders Meeting. The Chairman of the General Shareholders Meeting may also authorize the attendance of any other person that he sees fit, including media, analysts, etc., although the General Shareholders Meeting may revoke such authority.

e) To amend Article 22 of the By-Laws, which shall hereafter read as follows:

Article 22.- Shareholders right to receive information

1. From the publication of the notice of the call to a General Shareholders Meeting and during the period required by law, any shareholder may submit a written request for such information or clarifications as it deems are required, or ask written questions it deems are pertinent, regarding the matters included in the call Agenda, or regarding information accessible to the public that the Company has provided to the National Securities Market Commission since the holding of the immediately prior General Shareholders Meeting and regarding the auditor's report.

2. During the course of the General Shareholders Meeting, the shareholders may verbally request such information or clarifications as they deem appropriate regarding the matters contained in the Agenda, or regarding the information accessible to the public that the Company has provided to the National Securities Market Commission since the holding of the last General Shareholders Meeting, or regarding the auditor's report.

3. The Board of Directors must provide the information requested pursuant to the two preceding paragraphs, in the manner and by the deadlines provided by law, except in those cases in which it is legally inadmissible and, in particular, when such information is unnecessary for the protection of shareholder rights, there are objective reasons to believe that it might be used for ultra vires purposes, or publication thereof may prejudice the Company or related companies. The information may not be withheld when the request is supported by shareholders representing at least one-fourth of the share capital.

Valid requests for information or clarifications submitted or questions asked in writing by the shareholders, as well as the answers provided in writing by the Directors, shall be posted on the Company's website.

If the information requested by the shareholders has been clearly, expressly and directly made available to all shareholders in question & answer format on the Company's corporate website, the Board of Directors may limit its response to a reference to the information provided in such format.

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Telefónica, S.A.

4. In the case of the Ordinary General Shareholders Meeting and in the other cases established by law, the call notice shall make the appropriate references regarding the right to examine at the registered office and obtain, immediately and without charge, the documents that are to be submitted to the General Shareholders Meeting for approval and, if appropriate, such report or reports as may be determined by law.

B) Amendment of the article 35 of the By-Laws in relation to Directors compensation

To amend article 35 (*Compensation*) of the By-Laws, which shall hereafter read as follows:

Article 35.- Compensation

1. The compensation of Directors in their capacity as such, i.e., as members of the Board of Directors and for the performance of the duty of supervision and collective decision-making inherent in such body, shall consist of a fixed and specific monthly remuneration and of fees for attending meetings of the Board of Directors and the executive and advisory Committees thereof. The compensation amount that the Company may annually pay to all of its Directors as remuneration and attendance fees shall be fixed by the shareholders at the General Shareholders Meeting, which amount shall remain unchanged until and unless the shareholders decide to modify it. The Board of Directors shall determine the exact amount to be paid within such limit and the distribution thereof among the Directors, taking into account the duties and responsibilities assigned to each Director, their membership on Committees within the Board of Directors and other objective circumstances that it deems relevant.

2. In addition, independently of the compensation established in the preceding paragraph, provision is hereby made for the establishment of Director compensation systems that are linked to the listing price of the shares or that entail the delivery of shares or of stock options. The application of such compensation systems must be approved by the shareholders at the General Shareholders Meeting, who shall determine the value of the shares to be taken as a reference, the number of shares to be delivered to each Director, the exercise price of stock options, the duration of such compensation system and other conditions they deem appropriate.

3. Executive Directors shall receive such compensation as the Board determines for the performance of executive duties delegated or entrusted to them by the Board of Directors. Such compensation shall conform to the Director compensation policy approved by the shareholders at the General Shareholders Meeting.

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4. *The Director compensation policy shall be set in what corresponds to the compensation system provided for in this article and shall be approved by the General Shareholders Meeting at least once every three years as a separate item from the agenda.*

C) *Amendment of the articles of the By-Laws regarding the organization of the Board of Directors and the executive and advisory bodies thereof: articles 29 (Composition and appointment of the Board of Directors), 33 (Conflict of interest of the Directors), 37 (Powers of the Board of Directors), 39 (Audit and Control Committee), and 40 (Nominating, Compensation and Corporate Governance Committee).*

To amend articles 29 (*Composition and appointment of the Board of Directors*), 33 (*Conflict of interest of the Directors*), 37 (*Powers of the Board of Directors*), 39 (*Audit and Control Committee*), and 40 (*Nominating, Compensation and Corporate Governance Committee*) of the By-Laws which shall hereafter read as follows:

a) To amend Article 29 of the By-Laws, which shall hereafter read as follows:

Article 29.- Composition and appointment of the Board of Directors

1. *The Board of Directors shall be composed of a minimum of five members and a maximum of twenty, to be appointed at the General Shareholders Meeting.*

2. *Directors shall serve in their position for a maximum period of four years. They may be re-elected one or more times to terms of the same maximum duration.*

3. *The Board of Directors shall have the power to fill, on an interim basis, any vacancies that may occur therein, by appointing, in such manner as is legally allowed, the persons who are to fill such vacancies until the holding of the next General Shareholders Meeting.*

b) To amend Article 33 of the By-Laws, which shall hereafter read as follows:

Article 33.- Conflict of interest of the Directors

1. *The Directors shall notify the Board of Directors of any situation of direct or indirect conflict with the interest of the Company that may affect them. The Director involved shall abstain from voting on resolutions or decisions relating to the transaction affected by the conflict. Conflict of interest situations shall be included in the annual report.*

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2. *Directors may not carry out, on their own behalf or on behalf of others, activities that may entail effective competition with the Company or that may otherwise place them in a situation of permanent conflict of interest therewith, except with express authorization by means of a resolution of the shareholders at a General Shareholders Meeting. The following shall not be deemed to be in a situation of effective competition with the Company: (i) companies controlled by the Company (within the meaning of Article 42 of the Commercial Code) and (ii) companies with which the Company maintains a strategic alliance, even if they have the same or a similar or complementary corporate purpose. Neither shall proprietary Directors of competitor companies appointed at the request of the Company or as a result of the equity interest held by the Company in such competitor companies be deemed to be in breach of the prohibition on competition.*

c) To amend Article 37 of the By-Laws, which shall hereafter read as follows:

Article 37.- Powers of the Board of Directors

1. *Pursuant to the provisions of law and these By-Laws, the Board of Directors is the highest body entrusted with the administration and representation of the Company, and therefore has the power to carry out, within the scope of the corporate purpose defined in these By-Laws, any acts or legal transactions by way of administration or disposition, upon any legal title, except for those which fall within the scope of the powers exclusively granted by law or these By-Laws to the General Shareholders Meeting.*

2. *The Board of Directors sitting as a full body shall approve the matters provided for under the applicable legislation.*

3. *If there are urgent and duly justified circumstances, and if so permitted by law, the Executive Commission may adopt decisions on matters reserved to the Board of Directors, provided, however, that they must be ratified at the first meeting held by the Board after they have been adopted.*

d) To amend Article 39 of the By-Laws, which shall hereafter read as follows:

Article 39.- Audit and Control Committee

1. *An Audit and Control Committee shall be created within the Board of Directors, which shall be composed of such number of Directors as may be determined by the Board of Directors from time to time, although in no case may there be fewer than three Directors, to be appointed by the Board of Directors. All of the members of such Committee shall be external or non-executive Directors. At least two of them must be independent Directors, and one of them shall be appointed taking into account such Director's knowledge and experience in accounting, auditing or both.*

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2. *The Chairman of the Audit and Control Committee, which position shall be held by an independent Director in all cases, shall be appointed by the Committee itself from among its members and shall hold office for four years, and may be re-elected after the passage of one year from ceasing to act as such.*

3. *The Audit and Control Committee shall have the following duties, at a minimum:*

(i) To report to the shareholders at the General Shareholders Meeting regarding matters raised therein in connection with the matters for which it is responsible.

(ii) To submit to the Board of Directors the proposals for selection, appointment, re-election and replacement of the external auditor, as well as the terms and conditions of the contract therewith, and regularly obtain from such external auditor information regarding the audit plan and the implementation thereof, in addition to preserving its independence in the performance of its duties.

(iii) To supervise the effectiveness of the Company's internal control system, the internal audit and the systems for management of risks, including tax risks, as well as to discuss with the Auditor the significant weaknesses in the internal control system detected during the audit.

(iv) To supervise the process of preparation and submission of regulated financial information.

(v) To establish and maintain appropriate relations with the Auditor in order to receive, for review by the Committee, information on all matters that could jeopardize the independence thereof, as well as any other matters relating to the audit procedure, and such other communications as may be provided for in auditing legislation and in technical auditing regulations. In any event, the Audit and Control Committee must receive annually written confirmation

771,257

10,920

Wacker Chemie AG

1,703,284

3,770

Westlake Chemical Corporation

96,889

Total Chemicals

4,983,054

Commercial Banks 1.7%

20,746

Banco Itau Holdings Financeira, S.A.

418,032

26,910

Banco Santander Central Hispano S.A.

433,166

208,000

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Bangkok Bank Public Company Limited

765,759

8,930

Bank of Nova Scotia

407,611

10,870

BB&T Corporation

296,099

8,930

Commerce Bancshares Inc.

332,553

7,860

Community Bank System Inc.

143,602

54,610

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Credit Agricole S.A.

1,141,165

142,940

DnB NOR ASA, (2)

1,655,561

3,110

Hancock Holding Company

116,843

59,131

Hang Seng Bank

851,481

13,966

ICICI Bank Limited, ADR

538,529

1,850,000

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Krung Thai Bank Public Company Limited

393,146

188,478

Mitsubishi UFJ Financial Group, Inc.

1,012,047

249,567

Nishi-Nippon City Bank Limited

631,111

76,290

Nordic Baltic Holdings FDR

768,224

7,380

Royal Bank of Canada

396,693

77,990

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Standard Chartered PLC, (2)

1,921,946

9,104

Sumitomo Trust & Banking Company, ADR

48,251

28,650

Svenska Handelbanken AB, A Shares

731,523

4,350

UMB Financial Corporation

175,914

11,720

Wells Fargo & Company

330,270

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Total Commercial Banks

13,509,526

Commercial Services & Supplies 0.3%

13,880

Corrections Corporation of America, (2)

314,382

11,470

EnergySolutions Inc.

105,753

10,626

Republic Services, Inc.

282,333

8,212

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Stericycle Inc., (2)

397,871

139,300

Toppan Printing Company Limited

1,319,055

4,260

Waste Management, Inc.

127,033

Total Commercial Services & Supplies

2,546,427

Communications Equipment 0.4%

15,930

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Edgar Filing: TELEFONICA S A - Form 6-K

ADC Telecommunications Inc., (2)

132,856

18,600

CommScope Inc., (2)

556,698

3,630

Comtech Telecom Corporation, (2)

120,589

6,340

Interdigital Inc., (2)

146,834

5,110

Plantronics Inc.

136,999

31,636

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QUALCOMM, Inc.

1,422,987

8,222

Starent Networks Corporation, (2)

209,003

149,480

ZTE Corporation

785,970

Total Communications Equipment

3,511,936

Computers & Peripherals 0.8%

13,791

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Apple, Inc., (2)

2,556,438

7,926

Hewlett-Packard Company

374,186

13,370

International Business Machines Corporation (IBM)

1,599,186

4,380

Network Appliance Inc., (2)

116,858

30,610

Seagate Technology

465,578

4,650

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Synaptics, Inc., (2)

117,180

11,898

Teradata Corporation, (2)

327,433

26,640

Western Digital Corporation, (2)

973,159

Total Computers & Peripherals

6,530,018

Construction & Engineering 0.3%

12,460

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Fluor Corporation

633,591

5,750

Hochteif AG

438,046

36,510

JGC Corporation

746,754

6,480

Quanta Services Incorporated, (2)

143,402

4,202

Shaw Group Inc., (2)

134,842

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Total Construction & Engineering

2,096,635

Consumer Finance 0.1%

12,980

American Express Company

440,022

Containers & Packaging 0.1%

5,480

Packaging Corp. of America

111,792

14,020

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Pactiv Corporation, (2)

365,221

3,840

Rock-Tenn Company

180,902

Total Containers & Packaging

657,915

Diversified Consumer Services 0.1%

2,670

American Public Education Inc., (2)

92,756

6,371

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Apollo Group, Inc., (2)

469,352

Total Diversified Consumer Services

562,108

Diversified Financial Services 0.5%

46,270

Bank of America Corporation

782,888

750

CME Group, Inc.

231,143

1,417

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Guoco Group Ltd., ADR

30,125

53,670

ING Groep N.V., Ordinary Shares, (2)

958,163

40,130

JPMorgan Chase & Co.

1,758,497

11,400

Nasdaq Stock Market, Inc., (2)

239,970

8,909

PHH Corporation, (2)

176,755

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Total Diversified Financial Services

4,177,541

Diversified Telecommunication Services 1.2%

5,930

Cbeyond Inc., (2)

95,651

93,000

Deutsche Telekom AG, ADR, (3)

1,270,380

37,500

KT Corporation, Sponsored ADR

651,750

94,719

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Nippon Telegraph and Telephone Corporation, ADR, (3)

2,181,379

32,341

Nippon Telegraph and Telephone Corporation, ADR

1,498,786

2,295,000

Telecom Italia S.p.A.

2,821,044

10,010

Telefonica SA

829,929

4,788

Telus Corporation

148,859

3,940

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Verizon Communications Inc.

119,264

Total Diversified Telecommunication Services

9,617,042

Electric Utilities 1.5%

190,956

Centrais Electricas Brasileiras S.A., ADR, (2)

2,650,469

10,170

E.ON A.G.

431,288

27,450

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E.ON A.G.

1,167,998

11,610

Edison International

389,864

14,800

Electricite de France S.A.

877,998

17,256

Exelon Corporation

856,243

10,210

FPL Group, Inc.

563,898

4,990

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Great Plains Energy Incorporated

89,571

275,862

Korea Electric Power Corporation, Sponsored ADR, (2), (3)

4,204,137

17,110

Progress Energy, Inc.

668,317

8,660

Southern Company

274,262

Total Electric Utilities

12,174,045

Electrical Equipment 0.2%

	36,840
ABB Limited, (2)	
	738,274
	48,520
ABB Limited, (2)	
	973,865
	14,390
GrafTech International Ltd., (2)	
	211,533
Total Electrical Equipment	
	1,923,672

Electronic Equipment & Instruments 0.7%

	58,450
Corning Incorporated	
	894,870
	5,685
Ingram Micro, Inc., Class A, (2)	
	95,792
	4,377
Multi Finline Electronix, Inc., (2)	
	125,664
	18,372
Nidec Corporation	
	1,492,028
	139,257
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Nippon Electric Glass Company Limited

1,270,556

37,627

Tech Data Corporation, (2), (3)

1,565,659

Total Electronic Equipment & Instruments

5,444,569

Energy Equipment & Services 1.0%

90,520

AMEC PLC, (2)

1,092,218

236,976

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BJ Services Company, (3)

4,604,444

11,740

Cooper Cameron Corporation, (2)

444,007

8,880

FMC Technologies Inc., (2)

463,891

20,480

Halliburton Company

555,418

11,110

Pride International Inc., (2)

338,188

10,600

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Technip S.A.

677,077

Total Energy Equipment & Services

8,175,243

Food & Staples Retailing 0.9%

12,590

Casino Guichard-Perrachon S.A.

998,557

11,049

Companhia Brasileira de Distribuicao Grupo Pao de Acucar

622,059

139,030

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Jeronimo Martins SGPS

1,217,645

59,960

Koninklijke Ahold N.V.

721,243

8,535

Kroger Co.

176,162

67,170

Wal-Mart Stores, Inc., (3)

3,297,375

Total Food & Staples Retailing

7,033,041

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Food Products 1.6%

	17,460
Campbell Soup Company	
	569,545
	3,920
ConAgra Foods, Inc.	
	84,986
	3,820
Dean Foods Company, (2)	
	67,958
	8,509
General Mills, Inc.	
	547,809
	6,990
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H.J. Heinz Company

277,853

7,660

Hershey Foods Corporation

297,668

9,760

Kellogg Company

480,485

8,980

Nestle S.A.

382,666

239,129

Smithfield Foods, Inc., (2), (3)

3,299,980

365,449

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Tyson Foods, Inc., Class A, (3)

4,615,621

46,860

Unilever PLC

1,343,945

15,590

Unilever PLC

442,992

212,728

Wilmar International Limited

954,418

Total Food Products

13,365,926

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Health Care Equipment & Supplies 0.4%

	20,338
Baxter International, Inc.	1,159,469
	10,770
Becton, Dickinson and Company	751,208
	9,010
Covidien PLC	389,773
	6,000
Edwards Lifesciences Corporation, (2)	419,460
	4,320
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Inverness Medical Innovation, (2)

167,314

6,080

Masimo Corporation, (2)

159,296

1,162

Zimmer Holdings, Inc., (2)

62,109

Total Health Care Equipment & Supplies

3,108,629

Health Care Providers & Services 0.7%

14,180

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AmerisourceBergen Corporation

317,348

3,950

Centene Corporation, (2)

74,813

4,360

Community Health Systems Inc., (2)

139,215

9,260

Coventry Health Care, Inc., (2)

184,830

3,010

Emergency Medical Services Corporation, (2)

139,965

12,719

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Express Scripts, Inc., (2)

986,740

15,830

Fresenius Medical Care, ADR

788,299

36,420

Health Net Inc., (2), (3)

560,868

10,560

HealthSouth Corporation, (2)

165,158

2,379

Humana Inc., (2)

88,737

1,410

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Laboratory Corporation of America Holdings, (2)

92,637

7,360

McKesson HBOC Inc.

438,288

8,120

Medco Health Solutions, Inc., (2)

449,117

2,274

Omnicare, Inc.

51,210

6,900

Pharmerica Corporation, (2)

128,133

10,466

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Quest Diagnostics Incorporated

546,221

5,660

Universal Health Services, Inc., Class B

350,524

Total Health Care Providers & Services

5,502,103

Hotels, Restaurants & Leisure 0.3%

4,540

Boyd Gaming Corporation, (2)

49,622

23,300

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Carnival Corporation

793,891

6,480

Las Vegas Sands, (2)

109,123

10,780

Royal Caribbean Cruises Limited, (2)

259,582

8,630

Starbucks Corporation, (2)

178,210

185,880

Thomas Cook Group PLC

690,081

2,990

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Wynn Resorts Ltd, (2)

211,961

Total Hotels, Restaurants & Leisure

2,292,470

Household Durables 0.3%

48,600

Electrolux AB, Class B Shares, (2)

1,111,937

3,230

Meritage Corporation, (2)

65,569

18,130

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Edgar Filing: TELEFONICA S A - Form 6-K

Newell Rubbermaid Inc.

284,460

2,495

Sekisui House, Ltd., Sponsored ADR

22,555

12,760

Tempur Pedic International Inc., (2)

241,674

22,090

Toll Brothers Inc., (2)

431,639

Total Household Durables

2,157,834

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Household Products 0.3%

	4,000
Church & Dwight Company Inc.	226,960
	13,980
Colgate-Palmolive Company	1,066,394
	231
KAO Corporation, Sponsored ADR	57,276
	6,850
Kimberly-Clark Corporation	404,013
	7,870
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Reckitt and Benckiser

384,618

Total Household Products

2,139,261

Industrial Conglomerates 0.0%

624

Siemens AG, Sponsored ADR

58,007

Insurance 1.0%

4,140

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Edgar Filing: TELEFONICA S A - Form 6-K

Ace Limited

221,324

5,990

Allstate Corporation

183,414

1,362

Aon Corporation

55,420

4,450

Arch Capital Group Limited, (2)

300,553

4,850

Aspen Insurance Holdings Limited

128,380

8,543

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Edgar Filing: TELEFONICA S A - Form 6-K

Assurant Inc.

273,889

1,858

CNA Financial Corporation, (2)

44,852

7,550

Delphi Financial Group, Inc.

170,857

1,990

Fairfax Financial Holdings Limited

739,254

26,800

Loews Corporation, (3)

917,900

214,450

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Edgar Filing: TELEFONICA S A - Form 6-K

Mapfre S.A.

959,333

2,600

Marsh & McLennan Companies, Inc.

64,298

1,330

Navigators Group, Inc., (2)

73,150

33,310

Principal Financial Group, Inc.

912,361

12,030

Prudential Financial, Inc.

600,417

70,370

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SCOR SE

1,923,589

6,940

Travelers Companies, Inc.

341,656

6,180

WR Berkley Corporation

156,230

Total Insurance

8,066,877

Internet & Catalog Retail 0.1%

8,490

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Amazon.com, Inc., (2)

792,627

10,270

NetFlix.com, Inc., (2)

474,166

Total Internet & Catalog Retail

1,266,793

Internet Software & Services 0.5%

62,472

eBay Inc., (2), (3)

1,474,964

5,930

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Edgar Filing: TELEFONICA S A - Form 6-K

Equinix Inc., (2)

545,560

2,710

Google Inc., Class A, (2)

1,343,754

9,100

Rackspace Hosting Inc., (2)

155,246

12,200

Switch & Data Facilities Company, Inc., (2)

166,042

4,100

Vocus, Inc., (2)

85,649

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Total Internet Software & Services

3,771,215

IT Services 0.4%

104,570

CGI Group Inc., (2)

1,222,423

4,520

MasterCard, Inc.

913,718

6,280

VeriFone Holdings Inc., (2)

99,789

13,770

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Edgar Filing: TELEFONICA S A - Form 6-K

Visa Inc.

951,645

6,420

Wright Express Corporation, (2)

189,454

Total IT Services

3,377,029

Leisure Equipment & Products 0.1%

21,052

Hasbro, Inc.

584,193

Edgar Filing: TELEFONICA S A - Form 6-K

Life Sciences Tools & Services 0.1%

	1,040
Bio-Rad Laboratories Inc., (2)	95,555
	11,710
Illumina Inc., (2)	497,675
	2,430
Life Technologies Corporation, (2)	113,117
	3,500
Millipore Corporation, (2)	246,155
	1,100
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Thermo Fisher Scientific, Inc., (2)

48,037

Total Life Sciences Tools & Services

1,000,539

Machinery 0.4%

3,301

AGCO Corporation, (2)

91,207

3,270

Badger Meter Inc.

126,516

3,650

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Chart Industries, Inc., (2)

78,804

3,330

Cummins Inc.

149,217

8,130

FlowsERVE Corporation

801,130

2,708

Harsco Corporation

95,890

47,210

Kone OYJ

1,735,408

3,433

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Tata Motors Limited, ADR

44,492

Total Machinery

3,122,664

Marine 0.1%

7,810

Genco Shipping and Trading Limited

162,292

40,000

Stolt-Nielsen S.A.

522,844

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Total Marine

685,136

Media 0.4%

14,640

Cablevision Systems Corporation

347,700

25,360

Comcast Corporation, Class A

428,330

29,316

DIRECTV Group, Inc., (2)

808,535

56,720

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Net Servios de Comunicacao, (2)

653,414

22,700

Scholastic Corporation, (3)

552,518

10,430

Scripps Networks Interactive, Class A Shares

385,389

1,055

Walt Disney Company

28,970

Total Media

3,204,856

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Metals & Mining 3.5%

	75,800
AngloGold Ashanti Limited, Sponsored ADR, (3)	3,089,608
	133,800
Barrick Gold Corporation, (3)	5,071,020
	31,910
BHP Billiton PLC, ADR	1,062,137
	4,590
Cliffs Natural Resources Inc.	148,532
	11,270
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First Quantum Minerals Limited, (2)

736,842

17,830

Freeport-McMoRan Copper & Gold, Inc.

1,223,316

121,100

Gold Fields Limited, ADR (3)

1,668,758

126,000

Ivanhoe Mines Ltd., (2), (3)

1,611,540

1,376

Kinross Gold Corporation

29,859

8,540

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Lihir Gold Limited, Sponsored ADR, (2)

213,927

1,177,200

Lihir Gold Limited, (2)

2,907,872

1,062,500

Minara Resources Limited, (2)

904,531

102,700

Newmont Mining Corporation, (3)

4,520,854

677,529

NovaGold Resources Inc., (2)

3,468,948

1,462

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Silver Standard Resources, Inc., (2)

31,228

19,280

Steel Dynamics Inc.

295,755

13,450

United States Steel Corporation

596,777

14,480

Walter Industries Inc.

869,669

Total Metals & Mining

28,451,173

Multiline Retail 0.2%

	6,530
Big Lots, Inc., (2)	163,381
	16,450
Federated Department Stores, Inc.	300,871
	44,450
Next PLC, (2)	1,272,998
Total Multiline Retail	1,737,250

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Multi-Utilities 0.2%

	36,032
Ameren Corporation, (3)	910,889
	4,310
PG&E Corporation	174,512
	9,740
RWE AG	904,639
Total Multi-Utilities	1,990,040

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Oil, Gas & Consumable Fuels 3.9%

	11,190
Alpha Natural Resources Inc., (2)	392,769
	215,755
Arch Coal Inc., (3)	4,774,658
	77,940
BP PLC, Sponsored ADR, (3)	4,148,746
	119,547
Cameco Corporation, (3)	3,323,407
	13,303
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Chesapeake Energy Corporation

377,805

28,924

Chevron Corporation, (3)

2,037,118

18,554

Cimarex Energy Company

803,759

2,338

Comstock Resources Inc., (2)

93,707

2,367

ConocoPhillips

106,894

1,078

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CONSOL Energy Inc.

48,629

25,880

Continental Resources Inc., (2)

1,013,720

21,230

Eni S.p.A., Sponsored ADR

1,058,316

2,910

EOG Resources, Inc.

243,014

43,700

Gazprom OAO, ADR

1,016,025

11,590

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Hess Corporation

619,601

2,040

James River Coal Company, (2)

38,984

4,140

McMoran Exploration Corporation, (2)

31,257

4,940

Murphy Oil Corporation

284,396

40,100

Nexen Inc.

905,057

15,370

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Occidental Petroleum Corporation

1,205,008

2,044

Peabody Energy Corporation

76,078

1,545

Petrobras Energia S.A., ADR, (2)

27,671

19,060

Petrohawk Energy Corporation, (2)

461,443

2,927

Pioneer Natural Resources Company

106,221

19,950

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Repsol YPF S.A.

541,842

9,890

Rosetta Resources, Inc., (2)

145,284

66,000

Royal Dutch Shell PLC, Class B, Sponsored ADR, (3)

3,680,820

5,730

SandRidge Energy Inc., (2)

74,261

33,719

StatoilHydro ASA, Sponsored ADR

760,026

87,357

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Tesoro Corporation, (3)

1,308,608

6,380

Total S.A., Sponsored ADR

378,079

5,610

Total S.A.

333,342

7,480

Valero Energy Corporation

145,037

990

Whiting Petroleum Corporation, (2)

57,004

13,590

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Woodside Petroleum Limited

624,992

2,990

World Fuel Services Corporation

143,729

Total Oil, Gas & Consumable Fuels

31,387,307

Paper & Forest Products 0.0%

4,940

Buckeye Technologies Inc., (2)

53,006

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Pharmaceuticals 1.2%

	9,900
AstraZeneca Group	
	443,640
	18,432
Bristol-Myers Squibb Company	
	415,089
	44,300
GlaxoSmithKline PLC, ADR	
	870,463
	4,730
GlaxoSmithKline PLC, ADR	
	186,882
	9,110
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Johnson & Johnson

554,708

22,660

Novartis AG

1,133,765

2,160

Novo Nordisk A/S

135,238

9,800

Novo-Nordisk A/S

616,910

4,110

Perrigo Company

139,699

145,046

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Pfizer Inc., (3)

2,400,511

30,000

Sanofi-Aventis, Sponsored ADR, (3)

1,108,500

9,220

Sanofi-Synthelabo, S.A.

676,628

22,070

Watson Pharmaceuticals Inc., (2)

808,645

Total Pharmaceuticals

9,490,678

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Professional Services 0.0%

4,860

TrueBlue Inc., (2)

68,380

Real Estate 0.2%

23,340

Annaly Capital Management Inc.

423,388

4,230

Equity Lifestyles Properties Inc.

181,002

6,900

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Hatteras Financial Corp.

206,862

3,300

Health Care Property Investors Inc.

94,842

1,752

PS Business Parks Inc.

89,913

11,800

Rayonier Inc.

482,738

3,076

Simon Property Group, Inc.

213,567

6,211

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Tanger Factory Outlet Centers

231,919

4,560

Walter Investment Management Corporation

73,051

Total Real Estate

1,997,282

Real Estate Management & Development 0.1%

78,754

Sun Hung Kai Properties Limited

1,162,503

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Road & Rail 0.3%

	6,190
Canadian National Railways Company	
	304,860
	1,861
Canadian Pacific Railway Limited	
	87,002
	2,000
Con-Way, Inc.	
	76,640
	17,330
CSX Corporation	
	725,434
	4,860
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Kansas City Southern Industries, (2)

128,741

2,340

Landstar System

89,060

8,390

Norfolk Southern Corporation

361,693

16,940

Union Pacific Corporation

988,449

Total Road & Rail

2,761,879

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Semiconductors & Equipment 0.5%

	23,850
Broadcom Corporation, Class A, (2)	731,957
	55,130
Intel Corporation	1,078,894
	8,890
KLA-Tencor Corporation	318,795
	46,340
Marvell Technology Group Ltd., (2)	750,245
	6,666
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Monolithic Power Systems, Inc., (2)

156,318

9,040

Novellus Systems, Inc., (2)

189,659

12,760

ON Semiconductor Corporation, (2)

105,270

37,669

Shinko Electric Industries Company Limited

671,005

4,660

Xilinx, Inc.

109,137

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Total Semiconductors & Equipment

4,111,280

Software 0.2%

1,830

Advent Software Inc., (2)

73,658

5,580

Ansys Inc., (2)

209,083

2,970

BMC Software, Inc., (2)

111,464

3,280

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Citrix Systems, (2)

128,674

3,580

CommVault Systems, Inc., (2)

74,285

3,950

JDA Software Group, (2)

86,663

5,233

Microsoft Corporation

135,482

7,420

Rovi Corporation, (2)

249,312

9,010

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Salesforce.com, Inc., (2)

512,939

Total Software

1,581,560

Specialty Retail 0.3%

9,420

Abercrombie & Fitch Co., Class A

309,730

7,970

Asbury Automotive Group, Inc., (2)

101,060

7,220

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Bed Bath and Beyond Inc., (2)

271,039

10,060

Chico s FAS, Inc., (2)

130,780

5,890

Gap, Inc.

126,046

6,088

Guess Inc.

225,501

2,230

Gymboree Corporation, (2)

107,888

24,080

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Home Depot, Inc.

641,492

4,360

PetSmart Inc.

94,831

4,800

Ross Stores, Inc.

229,297

5,700

Stein Mart, Inc., (2)

72,448

Total Specialty Retail

2,310,112

Textiles, Apparel & Luxury Goods 0.0%

6,090

True Religion Apparel, Inc., (2)

157,915

Thrifts & Mortgage Finance 0.1%

43,020

Hudson City Bancorp, Inc.

565,714

7,310

People's United Financial, Inc.

113,745

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Total Thrifts & Mortgage Finance

679,459

Tobacco 0.3%

6,890

Altria Group, Inc.

122,712

7,380

Lorillard Inc.

548,335

38,460

Philip Morris International

1,874,541

Total Tobacco

2,545,588

Trading Companies & Distributors 0.3%

190,925

Mitsui & Company Limited

2,497,032

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	Water Utilities 0.0%	
823	Companhia de Saneamento Basico do Estado de Sao Paulo, ADR	31,217
	Wireless Telecommunication Services 0.5%	
9,810	Crown Castle International Corporation, (2)	307,643
100	KDDI Corporation	563,695
6,970	Millicom International Cellular S.A., (2)	508,902
3,000	Millicom International Cellular S.A., (2)	218,221
870	NTT Mobile Communications	1,389,830
1,400	TIM Participacoes S.A., ADR	34,441
1,803	Turkcell Iletisim Hizmetleri A.S., ADR	32,221
396,050	Vodafone Group PLC	887,394
	Total Wireless Telecommunication Services	3,942,347
	Total Common Stocks (cost \$259,975,308)	257,560,634

Shares	Description (1)	Coupon	Ratings (4)	Value
	Convertible Preferred Securities 1.6% (1.2% of Total Investments)			
	Capital Markets 0.0%			
5,800	AMG Capital Trust II, Convertible Bond	5.150%	BB	\$ 180,525
	Commercial Banks 0.3%			
3,750	Fifth Third Bancorp, Convertible Bond	8.500%	Baa3	448,763
2,650	Wells Fargo & Company, Convertible Bond	7.500%	A-	2,366,450
	Total Commercial Banks			2,815,213
	Communications Equipment 0.5%			
5,525	Lucent Technologies Capital Trust I	7.750%	B3	4,185,188
	Diversified Financial Services 0.3%			
2,900	Bank of America Corporation	7.250%	B	2,464,971
	Food Products 0.1%			
5,500	Bunge Limited, Convertible Bonds	4.875%	Ba1	477,812
	Independent Power Producers & Energy Traders 0.1%			
7,100	AES Trust III, Convertible Preferred	6.750%	B	312,400
300	NRG Energy Inc., Convertible Bond	4.000%	B2	423,075
	Total Independent Power Producers & Energy Traders			735,475
	Insurance 0.0%			
4,000	Reinsurance Group of America Inc.	5.750%	BBB	237,120
	Multi-Utilities 0.1%			
4,950	CMS Energy Corporation, Convertible Bonds	4.500%	Ba2	353,616
	Oil, Gas & Consumable Fuels 0.1%			
400	El Paso Corporation, 144A	4.990%	B	369,600
100	El Paso Corporation	4.990%	B	92,400
2,450	Whiting Petroleum Corporation	6.250%	B	369,876
	Total Oil, Gas & Consumable Fuels			831,876
	Real Estate 0.1%			
11,850	HRPT Properties Trust, Preferred Convertible Bonds	6.500%	Baa3	217,803
6,150	Simon Property Group, Inc., Series I	6.000%	Baa1	373,612
	Total Real Estate			591,415
	Total Convertible Preferred Securities (cost \$13,580,332)			12,873,211

Shares	Description (1)	Coupon	Ratings (4)	Value
	\$25 Par (or similar) Preferred Securities 36.5% (28.1% of Total Investments)			
	Capital Markets 3.3%			
93,700	Ameriprise Financial, Inc.	7.750%	A	\$ 2,319,075
90,994	BNY Capital Trust V, Series F	5.950%	Aa3	2,229,353
110,144	Credit Suisse	7.900%	Aa3	2,759,107
881,630	Deutsche Bank Capital Funding Trust II	6.550%	Aa3	18,285,006
13,800	Deutsche Bank Capital Funding Trust IX	6.625%	Aa3	292,974
20,300	Goldman Sachs Group Inc., Series 2004-4 (CORTS)	6.000%	A2	421,225
7,500	Goldman Sachs Group Inc., Series GSC-3 (PPLUS)	6.000%	A2	155,250
	Total Capital Markets			26,461,990
	Commercial Banks 5.0%			
44,900	ASBC Capital I	7.625%	A3	945,145
409,183	Banco Santander Finance	10.500%	A2	11,080,674
231,600	Banesto Holdings, Series A, 144A	10.500%	Baa1	5,109,675
14,600	Barclays Bank PLC	7.750%	BBB+	348,794

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24,100	Barclays Bank PLC	7.100%	A+	537,430
59,300	BB&T Capital Trust VI	9.600%	A2	1,624,820
107,000	Cobank Agricultural Credit Bank, 144A	7.000%	N/R	3,718,250
31,000	Cobank Agricultural Credit Bank	11.000%	A	1,427,938
572,541	HSBC Finance Corporation	6.875%	A	13,740,984
7,300	HSBC Finance Corporation	6.000%	A	153,008
22,700	HSBC Holdings PLC	6.200%	A2	488,731
79,592	Merrill Lynch Preferred Capital Trust V	7.280%	Baa3	1,592,636
400	National City Capital Trust II	6.625%	Baa1	8,616
	Total Commercial Banks			40,776,701
	Diversified Financial Services 1.7%			
73,051	ING Groep N.V.	7.200%	Ba1	1,162,241
644,975	ING Groep N.V.	7.050%	Ba1	10,093,859
94,800	JP Morgan Chase Capital Trust XI	5.875%	A1	2,064,744
17,200	JP Morgan Chase Capital Trust XXVI	8.000%	A1	462,852
1,200	National Rural Utilities Cooperative Finance Corporation	6.750%	A3	29,736
	Total Diversified Financial Services			13,813,432
	Diversified Telecommunication Services 0.3%			
65,702	BellSouth Capital Funding (CORTS)	7.120%	A	1,552,210
18,300	BellSouth Corporation (CORTS)	7.000%	A	428,335
15,200	Verizon Communications (CORTS)	7.625%	A	388,740
	Total Diversified Telecommunication Services			2,369,285
	Electric Utilities 0.4%			
29,670	Entergy Louisiana LLC	7.600%	A-	752,135
59,800	Entergy Texas Inc.	7.875%	BBB+	1,614,600
21,775	FPL Group Capital Inc.	6.600%	A3	553,956
	Total Electric Utilities			2,920,691
	Food Products 0.2%			
27,100	Dairy Farmers of America Inc., 144A	7.875%	BBB-	1,962,211
	Insurance 9.0%			
624,430	Aegon N.V.	6.375%	BBB	10,415,492
5,600	Arch Capital Group Limited, Series B	7.875%	BBB-	133,000
356,066	Arch Capital Group Limited	8.000%	BBB-	8,723,617
852,500	Delphi Financial Group, Inc.	8.000%	BBB+	19,181,250
276,457	EverestRe Capital Trust II	6.200%	Baa1	6,198,166
75,900	Financial Security Assurance Holdings	6.250%	A+	1,140,876
701,667	PartnerRe Limited, Series C	6.750%	BBB+	16,447,074
62,457	PLC Capital Trust III	7.500%	BBB	1,304,102
5,800	PLC Capital Trust IV	7.250%	BBB	121,742
367,951	RenaissanceRe Holdings Limited, Series B	7.300%	BBB+	8,760,913
26,400	RenaissanceRe Holdings Ltd	6.600%	BBB+	600,600
	Total Insurance			73,026,832
	Media 4.4%			
4,000	CBS Corporation	7.250%	BBB-	89,280
464,395	CBS Corporation	6.750%	BBB-	9,808,022
486,531	Comcast Corporation	7.000%	BBB+	12,153,544
577,046	Viacom Inc.	6.850%	BBB	13,479,795
	Total Media			35,530,641
	Multi-Utilities 1.2%			
216,300	Dominion Resources Inc.	8.375%	BBB	5,801,166
165,061	Xcel Energy Inc.	7.600%	Baa2	4,288,285
	Total Multi-Utilities			10,089,451
	Oil, Gas & Consumable Fuels 1.2%			
429,300	Nexen Inc.	7.350%	BB+	9,848,142
	Real Estate 9.7%			
234,585	Developers Diversified Realty Corporation, Series G	8.000%	Ba1	4,457,115
87,042	Duke Realty Corp, Series O	8.375%	Baa3	2,112,509
21,713	First Industrial Realty Trust, Inc., Series J	7.250%	B2	325,695
122,067	HRPT Properties Trust, Series B	8.750%	Baa3	2,880,781
648,300	HRPT Properties Trust, Series C	7.125%	Baa3	12,985,449
340,287	Kimco Realty Corporation, Series F	6.650%	Baa2	7,224,293
109,832	Kimco Realty Corporation, Series G	7.750%	Baa2	2,674,409
32,982	Prologis Trust, Series C	8.540%	Baa3	1,591,382
216,310	Public Storage, Inc.	6.750%	Baa1	4,897,258
33,774	Public Storage, Inc., Series C			