



siology, Inc.

NEW APPLICATION RECEIVED

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AZ CORP COMMISSION  
DOCUMENT CONTROL

January 23, 2001

DOCKET NO. T-03985A-01-0086

Docket Control Center  
ARIZONA CORPORATION COMMISSION  
1200 W. Washington Street  
Phoenix, Arizona 85007

Re: Application of Telmex USA, L.L.C. for a Certificate of Convenience and Necessity

Dear Sir:

Enclosed are an original and ten (10) copies of the Application of Telmex USA, L.L.C. ("Telmex USA" or "Applicant") for a Certificate of Convenience and Necessity.

So that our records will be complete, I would appreciate it if you would please date-stamp the extra copy of this transmittal letter and mail it to me in the envelope provided. Any questions regarding this Application should be directed to me (205) 330-1703. Your assistance in this matter is greatly appreciated.

Yours truly,

Bobbi Ferguson  
Consultant for  
Telmex USA, L.L.C.

Attachments

Application and Petition for Competitive Reseller CC&N

FORM B

ARIZONA CORPORATION COMMISSION

Application and Petition for Certificate of Convenience and Necessity to Provide  
Competitive Intrastate Telecommunications Services as a Reseller

Mail original plus 10 copies of completed application to:

Docket Control Center  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

For Docket Control Only:  
(Place Stamp Here)

If you have current applications pending in Arizona as  
an Interexchange reseller, AOS provider, or as the  
provider of other telecommunication services, please  
identify:

DOCKET NO.

T-03985A-01-0086

Type of Service: \_\_\_\_\_

Docket No.: \_\_\_\_\_ Date: \_\_\_\_\_

Docket No. \_\_\_\_\_

Type of Service: \_\_\_\_\_

Docket No.: \_\_\_\_\_ Date: \_\_\_\_\_

Date Docketed \_\_\_\_\_

**A. Company and Telecommunications Service Information**

(A-1) The name, address, and telephone number of the applicant (company):

Telmex USA, L.L.C.  
944 Farnham Street, Suite 200  
San Diego, California 92123  
(858) 505-3900

(A-2) If doing business (dba) under a name other than the applicant (company) name listed above, specify:

None

*Application and Petition for Competitive Reseller CC&N*

(A-3) The name, address, telephone number, and facsimile number of the management contact:

Linda LaGatta, General Counsel  
9444 Farnham Street, Suite 200  
San Diego, California 92123  
(858) 505-3900

(A-4) The name, address, telephone number, facsimile number, and email address of the attorney, if any, representing the applicant:

Applicant's regulatory consultant is:  
Bobbi Ferguson  
Visiology, Inc.  
16061 Carmel Bay Drive  
Northport, Alabama 35475  
(205) 330-1703 - Voice (205) 330-1705 Fax  
Email: bobbi@visiology.com

(A-5) What type of legal entity is the applicant?

- Sole proprietorship
- Partnership: \_\_\_ limited, \_\_\_ general, \_\_\_ Arizona, \_\_\_ Foreign
- Limited liability company
- Corporation: \_\_\_ "S", \_\_\_ "C", \_\_\_ non-profit, \_\_\_ Arizona, \_\_\_ Foreign
- Other, specify:

(A-6) Include "Attachment A." Attachment A must list names of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicate percentages of ownership.

*Application and Petition for Competitive Reseller CC&N*

- (A-7) 1. Is your company currently reselling telecommunication service in Arizona? If yes, provide the date or the approximate date that you began reselling service in Arizona. No.
2. If the answer to 1. is "yes", identify the types of telecommunication services you resell; whether operator services are provided or resold and whether they are provided or resold to traffic aggregators (as defined in A.A.C. R14-2-1001(3), a copy of which is attached); the number of customers in Arizona for each type of service; and the total number of intrastate minutes resold in the latest 12 month period for which data are available. Note: The Commission rules require that a separate CC&N, issued under Articles 10, be obtained in order to provide operator services to traffic aggregators.
3. If the answer to 1. is "no", when does your company plan to begin reselling service in Arizona?

1st Quarter, 2001

- (A-8) Include "Attachment B." Attachment B, your proposed tariff, must include proposed rates and charges for each service to be provided, state the (maximum) rate as well as the price to be charged, and state other terms and conditions, including deposits, that will apply to provision of service(s) by your company.

The Commission provides pricing flexibility by allowing competitive telecommunications service companies to price their services at levels equal to or below the tariff (maximum) rates. The prices to be charged by the company are filed with the Commission in the form of price lists. See the "Illustrative Tariff/Price List Example" attached. Note; Price list rate changes that result in rates that are lower the tariff rate are effective upon concurrent notice to the Commission (See Rule R14-2-1109(B)(2)). See Rule R14-2-1110 for the procedures to make price list changes that result in rates that are higher than the tariff rate.

- (A-9) The geographic market to be served is:

statewide.

other, describe and provide a map depicting the area.

- (A-10) List the states in which you currently resell services similar to those you intend to resell in Arizona. Applicant has not commenced operations in any state yet. Applicant is concentrating on obtaining certifications or registrations in selected states. Applicant is currently certificated or otherwise authorized to provide long distance service in Arkansas, California, Colorado, Delaware, Massachusetts, New Mexico, Oregon, Pennsylvania, and Texas.

- (A-11) Provide the name, address, and telephone number of the company's complaint contact person.

Complaints should be directed to Linda LaGatta, General Counsel, Telmex USA, L.L.C., 9444 Farnham Street, Suite 200, San Diego, California 92123, who may be reached by telephone at 858-505-3900.

*Application and Petition for Competitive Reseller CC&N*

(A-12) Provide a list of states in which you have sought to resell telecommunications services and in which the state granted the authority **with major changes and conditions or did not grant** your application for those services. For each state listed, provide a copy of the commission's decision modifying or denying your application for authority to provide telecommunications services. **None**

(A-13) Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the authority was revoked? If "yes", provide copies of the state regulatory commission's decision revoking its authority. **No.**

(A-14) Has the company been or is the company currently involved in any formal complaint proceedings before any state or federal regulatory commission? If "yes", in which states is the company involved in proceedings and what is the substance of these complaints. Also, provide copies of commission orders that have resolved any of these complaints. **No.**

(A-15) Has the applicant been involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years? If "yes", in which states has the applicant been involved in investigations and why is the applicant being investigated?

**No.**

(A-16) Has the applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years? If yes, list the states where judgment or conviction was entered and provide a copy of the court order.

**No.**

**B. Technical Information**

(B-1) If your company is a switchless reseller, provide the name of the company or companies whose services you resell and skip to question (B-2). If you are not a switchless reseller, complete the remainder of this section.

**Telmex USA is a switch-based reseller and will resell the services of Williams Communications and other companies authorized by the Commission.**

Include "Attachment C." Attachment C should provide the following information: A diagram of the applicant's basic call network used to complete Arizona intrastate telecommunications traffic. This diagram should show how a typical call is routed in both its originating and terminating ends (i.e. show the access network and call completion network).

Also include on the diagram the carrier(s) for each major network component and indicate if the carrier is facilities-based or not. If the carrier is not facilities-based, indicate who owns the facilities (within the State of Arizona) that are used to originate and terminate the applicant's intrastate telecommunications traffic (i.e. provide a list of the Arizona facilities-based long distance carriers whose facilities are being used to complete the applicant's intrastate traffic).

*Application and Petition for Competitive Reseller CC&N*

- (B-2) Will your customers be able to access alternative toll service providers or resellers via 1+ or 10XXX access, if your system becomes non-operational? No for all initial services offered as these are prepaid services.

**C. Financial Information**

- (C-1) Include "Attachment D." Attachment D must include a copy of your Company's balance sheet, income statement, audit report (if audited) and all related notes to these financial statements for the two most recent years your Company has been in business. As a new entrant into the telecommunications reseller marketplace, the applicant has not commenced operations and, therefore is submitting the financial reports or its ultimate parent company.

- (C-2) If your company does not have financial statements for the two most recent years, please give the date your company began operations.

- (C-3) If the balance sheets you submit do not have retained earnings accounts, please provide this account information on a separate sheet.

- (C-4) If your Company is a subsidiary, please provide your Parent Company's financial statements, in addition to your Company's financial statements.

- (C-5) If your Company intends to rely on the financial resources of its Parent Company, please provide a written statement from your Parent Company attesting that it will provide complete financial backing if your Company experiences a net loss or a business failure and that it will guarantee re-payment of customers, advances, prepayments or deposits held by your Company if, for some reason, your Company cannot provide service or repay the deposits.

- (C-6) Will your customer be required to (or have the option to) pay advances, prepayments, or deposits for any of your products or services.

**Yes.**

*Application and Petition for Competitive Reseller CC&N*

YES  (If yes, provide an explanation of how and when these customer advance prepayments or deposits will be applied or reference to the terms and conditions section of your Company's tariffs with this explanation. If this information is not explained in the tariff of this application, please provide it on a separate sheet.)

See Section 2.8, Section 2.9.2 (D), and Section 3.1.

NO  (Note: If at a later date, your Company decides it wants to offer or require customer advances, prepayments or deposits, it must submit financial statements as part of the tariff amendment process.)

Application and Petition for Competitive Reseller CC&N

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county and/or State agency approvals have been obtained. Upon signing this application, I attest that I have read the Commission's rules and regulations related to the regulation of telecommunications services and that the company will abide by Arizona State law including the Arizona Corporation Commission Rules and Regulations. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.



(Signature of Authorized Representative)

DECEMBER 14, 2000

(Date)

*AL*  
Alfonso Lara

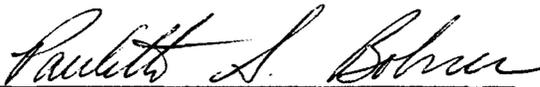
(Printed Name of Authorized Representative)

FINANCIAL

Chief Operating Officer

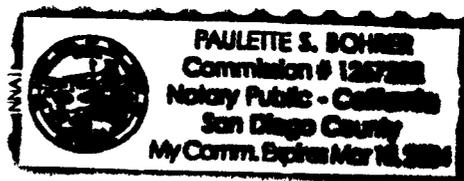
(Title)

SUBSCRIBED AND SWORN to before me this 14 day of December, 2000



NOTARY PUBLIC

My Commission Expires March 18, 2004



**ATTACHMENT A.**

**KEY MANAGEMENT PERSONNEL AND SHAREHOLDERS**

Key Management Personnel

Alfonso Lara	Chief Financial Officer	Telmex USA, L.L.C.
Javier Rosado	VP Marketing	9444 Farnham St., Suite 200
Orlando A. Kleen	Accounting & Tax Manager	San Diego, CA 92123
Linda L. LaGatta	General Counsel	

Shareholders

Partners	Address
Telmex International Ventures USA, Inc.	9444 Farnham St., Suite 200 San Diego, CA 92123
Telmex International, Inc.	1105 North Market, Suite 1300 Wilmington, DE 19899

## ATTACHMENT A.2

### CUSTOMER AND TRAFFIC DATA

The number of customers in Arizona for each type of service and the total number of intrastate minutes resold in the latest twelve (12) month period are as follows:

<u>Service Type</u>	<u>Number of Customers</u>	<u>Intrastate Minutes Resold</u>
Outbound	0	0
Inbound	0	0
Debit Card	0	0
Calling Card	0	0

**ATTACHMENT B**

**PROPOSED TARIFF & PRICE LIST**

Telmex USA, L.L.C.

A.C.C. Tariff No. 1  
Page 1, Original

Issue Date:

Effective Date:

Interexchange Services Tariff

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TELMEX USA, L.L.C.

THIS TARIFF CONTAINS THE  
REGULATIONS AND RATES APPLICABLE TO THE PROVISION  
OF COMPETITIVE INTEREXCHANGE TELECOMMUNICATIONS SERVICES  
WITHIN THE STATE OF ARIZONA

Issued:

Interexchange Services Tariff

Effective:

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**CHECK PAGE**

All of the pages of this Tariff are effective as of the date shown at the top of the page. Original and revised pages as named below comprise all changes from the original Tariff.

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CONCURRING, CONNECTING OR  
OTHER PARTICIPATING CARRIERS

None

SYMBOLS

The following are the only symbols used for the purposes indicated below:

- D - Delete Or Discontinue
- I - Change Resulting In An Increase To A Customer's Bill
- M - Moved To Or From Another Tariff Location
- N - New
- R - Change Resulting In A Reduction To A Customer's Bill
- T - Change In Text Or Regulation But No Change In Rate Or Charge

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TARIFF FORMAT

- A. Page Numbering - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are added to the Tariff from time to time. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 14 and 15 would be 14.1.
- B. Page Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised page 14 cancels the 3rd revised page 14.
- C. Paragraph Numbering Sequence - There are seven levels of paragraph coding. Each level of coding is subservient to its next higher level:
  - 2.1
  - 2.1.1
  - 2.1.1 (A)
  - 2.1.1 (A).1
  - 2.1.1 (A).1.a
  - 2.1.1 (A).1.a.i
  - 2.1.1 (A).1.a.i (1)
- D. Check Pages - When a Tariff filing is made with the Commission, an updated check page accompanies the Tariff filing. The check page lists the pages contained in the Tariff with a cross-reference to the current revision number. When new pages are added, the check page is changed to reflect the revision.

Issued:

Effective:

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Interexchange Services Tariff

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SECTION 1 - DEFINITIONS AND ABBREVIATIONS

**A.C.C.:** A.C.C. stands for the Arizona Corporation Commission.

**ANI:** Automatic Number Identification. A process used to identify the calling station. For example, Customers such as call centers pay for caller's telephone numbers to be sent to them simultaneously with their incoming toll free service calls.

**Applicant:** Any entity or individual who applies for Service under this Tariff.

**Authorization Code:** A pre-defined series of numbers to be dialed by the Customer or End-User upon access to the Company's system to identify the caller and validate the caller's authorization to use services authorized by their account. The Customer is responsible for charges incurred through the use of the Customer's assigned Authorization Code.

**Authorized User:** A person, firm, corporation or other entity (including Customer) that 1) is authorized by the Customer to be connected to and utilize the Company's Services under the terms and regulations of this Tariff or 2) either is authorized by the Customer to act as the Customer in matters of ordering, changing or canceling Service or is placed in a position by the Customer, either through acts or omissions, to act as Customer in such matters. Such actions by an Authorized User shall be binding on Customer and shall subject Customer to any associated charges.

**Blocking:** A temporary condition that may be initiated so that the Customer cannot complete a telephone call.

**Business Customer:** A Customer whose use of the Services is primarily or substantially for a business, professional, institutional, or occupational purpose.

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Interexchange Services Tariff

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SECTION 1 - DEFINITIONS AND ABBREVIATIONS

**Carrier Common Line Charges:** The charges the long distance companies pay to the local telephone companies for carrier common line access service which provides for the use of end user's telephone company provided common lines by subscribers for access to such end users to furnish interstate communications.

**Cardholder:** The associate, member, Customer or other individual that uses the Company's Prepaid Calling Card Service.

**CLEC:** Competitive Local Exchange Carrier. Any carrier or reseller offering local exchange telecommunications services other than the incumbent LEC.

**Company:** Telmex USA, L.L.C.

**Company-Provided:** The switching, transmission, and other related telecommunications or computer equipment/facilities provided by the Company or by any combination of the Company, the LEC, or other authorized Third Party Vendors contracted by the Company.

**Commission:** Commission refers to the Arizona Corporation Commission or any succeeding agency.

**Credit Card:** Visa®, MasterCard®, or other Credit Cards issued by other companies the Company may accept.

**Customer:** A person or legal entity which subscribes to the Company's Services and thereby assumes responsibility for the payment of charges and compliance with the Company's Tariff.

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Interexchange Services Tariff

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SECTION 1 - DEFINITIONS AND ABBREVIATIONS

**Customer Premises/Customer's Premises:** Location(s) designated by a Customer where Service is originated/terminated.

**Direct-Dialed:** A call placed by the caller without operator assistance (either live or automated).

**End User:** The person or legal entity which uses the Service provided by the Company.

**Equal Access:** Enables the Customer to place long distance calls without the need to first dial a special code.

**Flat Rate:** Charging a rate per minute irrespective of the distance the call is carried or the time- of-day or day-of-week the call is placed.

**Initial and Additional Period:** The Initial Period denotes the minimum interval of time billed at the rate specified for a connection between given service points. The Additional Period denotes the interval of time used for measuring and charging time in excess of the Initial Period.

**InterLATA:** Any call or transmission that originates in one LATA and terminates in a different LATA.

**IntraLATA:** Any call or transmission that originates in one LATA and terminates within the same LATA.

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Interexchange Services Tariff

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SECTION 1 - DEFINITIONS AND ABBREVIATIONS

**LATA:** Local Access Transport Area. A geographically defined regulatory boundary established by the Modification of Final Judgment.

**LEC:** Local Exchange Carrier.

**Local Access:** The service between a subscriber's premise and a Company-designated POP.

**Local Access Provider:** An entity providing Local Access.

**Modification of Final Judgment:** The judicial opinion United States vs. American Telephone & Telegraph Company, 552 F. Supp. 131 (D.C. 1982). See United States v. Western Electric Co., 552 F. Supp. 131 (D.D.C. 1982), affd sub nom. Maryland v. United States, 460 U.S. 1001 (1983).

**MRC:** Monthly Recurring Charge.

**MTM:** Month-to-Month.

**MTS:** Message Telecommunications Service.

**NPA:** Numbering Plan Area. More commonly referred to as an area code.

**NXX:** NXX represents the first three digits of a Customer's telephone number. N is a number between 2 and 9. X is a number between 0 and 9.

**PIC:** Primary Interexchange Carrier.

**PICC:** PICC stands for Preferred Interexchange Carrier Charge.

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SECTION 1 - DEFINITIONS AND ABBREVIATIONS

**PIN:** Personal Identification Number. A unique number assigned to each calling card for the purpose of accessing Service.

**Platform:** The proprietary technology and associated computer equipment that is used in conjunction with Prepaid Service(s).

**Prepaid Calling Card:** Prepaid Calling Card Service allows a Customer to purchase a predetermined amount of access to the Company's long distance Services prior to the use of Service. Prepaid Calling Cards are also called debit cards.

**Prepaid Long Distance:** Prepaid Long Distance Service allows a Customer to purchase a predetermined amount of access to the Company's long distance Services prior to the use of Service.

**Prepaid Service(s):** Prepaid Services include all Services offered under this Tariff which require payment in advance of use of Service.

**Reseller:** A Customer that resells the Company's Service(s) with the Company's authorization.

**Residential Customer:** A Customer whose use of the Service is primarily or substantially of a social or domestic nature; and business use, if any, is incidental.

**Service:** Any or all services provided pursuant to this Tariff.

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SECTION 1 - DEFINITIONS AND ABBREVIATIONS

**Service Order:** The standard Company order form(s), in effect from time-to-time, or Customer's forms accepted in writing by an authorized representative of the Company for Service which shall enable the Company to provide Service.

**State:** State refers to the State of Arizona.

**Switched Access:** A transmission line that is switched through the LEC or CLEC to reach the long distance network. Switched access arrangements are only available from the subscriber's local telephone company.

**Switched Services(s):** Any Services which use message switches to share inter-switch transport.

**Third Party Vendor:** A company, entity or individual, other than the Company, designated by the Company that provides the facilities and/or the equipment required to provide Service(s).

**TFAN:** Toll Free Access Number.

**Toll Free Access Number:** A telephone number established for the purpose of accessing one of the Company's Platforms where the caller does not incur a charge for placing the call to the access number. The area code for a toll free access number is either 800, 877, or 888 or other area code assignments as appropriate.

**U.S.F.:** U.S.F. stands for Universal Service Fund.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.1 Application of the Tariff

- 2.1.1 This Tariff contains the descriptions, regulations, and rates applicable to intrastate long distance telecommunications Service originating and terminating within the State under the terms of this Tariff offered by the Company with principal offices located at 9444 Farnham Street, Suite 200, San Diego, California, 92123. Services are offered subject to the availability of facilities and the terms and conditions of this Tariff.
- 2.1.2 The Company shall not be deemed to have waived or impaired any right, power, requirement or option reserved by this Tariff (including, without limitation, the right to demand exact compliance with every term and condition herein), by virtue of any custom or practice of the Company at variance with the terms hereof, or any failure, refusal or neglect of Company to exercise any right under this Tariff or to insist upon exact compliance with its terms, or any waiver, forbearance, delay, failure or omission by Company to exercise any right, power or option hereunder.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.2 Limitations On Service

- 2.2.1 Service is offered subject to the availability of facilities, equipment, or systems, the Company's ability to fulfill the request for Service and the provisions of this Tariff. Services offered in this Tariff are available in all states where the Company has obtained the regulatory approvals to operate. Service is not offered where operating conditions do not permit. The Company reserves the right, without incurring liability, to refuse to provide Service, to or from any location where the necessary facilities, equipment, systems, billing agreements, and/or switch software are not available.
- 2.2.2 All Services provided according to this Tariff are only available as add-ons to the companion interstate and international Services.
- 2.2.3 Without incurring liability, the Company reserves the right to discontinue Service or to limit the use of Service, when necessitated by conditions beyond the Company's control, or when the Customer or End User is using Service in violation of the law or in violation of the provisions of this Tariff.
- 2.2.3 Conditions under which the Company may, without notice, terminate service without liability include, but are not limited to:
- (A) The existence of an obvious hazard to safety or health of the Customer or the general population or the Company's personnel or the DUC's facilities.
  - (B) The Company has evidence of tampering or evidence of fraud.

The Company is not required to restore Service until the conditions which resulted in the termination of Service have been corrected to the satisfaction of the Company. The Company will maintain a record of all terminations of Service without notice. This record will be maintained for a minimum of one (1) year and will be available to inspection by the Commission.

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Effective:

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.2 Limitations On Service (continued)

2.2.5 Conditions under which the Company may, with notice, terminate Service without liability include, but are not limited to:

- (A) use of invalid or unauthorized telephone numbers, or Credit Card numbers; or,
- (B) failure to pay for or provide assurances of, or security for, the payment of the Company's charges as per Section 2.8.1 or Section 2.8.2 of this Tariff; or
- (C) non-payment of any sum owed the Company by the due date printed on the bill; or
- (D) if there is a reasonable risk that criminal, civil or administrative proceedings or investigations based upon the transmission contents shall be instituted against the Company.
- (E) Failure of Customers of Prepaid Services to render payment in accordance with this Tariff in advance of Service prior to activation, reinstatement, or recharge.
- (K) If at the time the Company issues a debit to the Customer's checking account or savings account, the debit is rejected by the bank for any reason. The Company will make at least one attempt at collection prior to termination of Service.

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Effective:

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.2 Limitations On Service (continued)

- 2.2.6 Initial and continuing Service is offered subject to the availability of necessary facilities and/or equipment, including those to be provided by other companies furnishing a portion of the Company's Service(s).
- 2.2.7 Service is furnished subject to the condition that there will be no abuse or fraudulent use of the Service. Abuse or fraudulent use of Service includes, but is not limited to:
- (A) Service that is used by the Customer or End User to frighten, abuse, torment, or harass another; or
  - (B) Service that is used by the Customer or End User in a manner which interferes with the use of Service by one or more other Customers; or
  - (C) Service that is used by the Customer or End User to place calls by means of illegal equipment, service, or device; or
  - (D) Service that is used by the Customer or End User to transmit a message or to locate a person or otherwise to give or obtain information, without payment of the applicable charge.
- 2.2.8 The Company's failure to give notice of default, to enforce or insist upon compliance with any of the terms or conditions herein, to grant a waiver of any term or conditions herein, or to grant the Customer an extension of time for performance, will not constitute the permanent waiver of any such term or condition herein. Each of the provisions of this Tariff will remain, at all times, in full force and in effect until modified in writing, signed by the Company and Customer.

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SECTION 2 - RULES AND REGULATIONS

2.2 Limitations On Service (continued)

- 2.2.9 The Company may rely on third parties to provide a portion of the Company's Service. The selection of the Third Party Vendors is made by the Company. The Company reserves the right to change Third Party Vendors at any time.
- 2.2.10 The Company reserves the right, without incurring liability, to refuse to provide Service to or from any location where the necessary facilities and/or equipment are not available.
- 2.2.11 Recording of telephone conversations provided pursuant to the Company's Service under this Tariff is prohibited except as authorized by applicable federal, state, and local laws.
- 2.2.12 All outbound Services requiring Switched Access to reach the long distance network are only available to Customers located in those exchanges which have Equal Access. Unless the availability of a specific Service, optional pricing plan or add-on pricing plan limits that Service or plan to a specific state, group of states, area code, LATA, NPA-NXX, or routing configuration, the availability is all states within the United States where the Company has obtained the appropriate regulatory approvals to operate.
- 2.2.13 Calls that may not be completed using the Company's Prepaid Services include directory assistance service, operator services, conference service, busy line verification service, interruption service, calls requiring time and charges, air-to-ground calls, marine/satellite calls, and calls placed via dialing a 700, 900, TFAN, or other number as appropriate.

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SECTION 2 - RULES AND REGULATIONS

2.2 Limitations On Service (continued)

2.2.14 The Customer obtains no property right or interest in any specific type of facility, service, connection, equipment, number process, credit card, travel card, prepaid or debit card, access code, or code (except entitlement in certain circumstances to apply prepaid debit cards to devices provided by the Company). All right, title, and interests to such items remain, at all times, solely with the Company.

2.3 Limitation of Liability

The Company's liability will be limited to that expressly stated in Sections 2.3.1 through 2.3.19 of this Tariff in connection with the provision of Service to Customer.

2.3.1 The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors, defects or other comparable actions occurring in the provision of Service(s) with a usage-sensitive rate structure, will in no event exceed an amount equivalent to the initial period charge to the Customer for the call during which such mistake, omission, interruption, delay, error or defect occurred. The Company shall not be liable for any damages caused by the negligence, gross negligence or willful misconduct of the Customer or Customer's agents, employees, officers, directors, contractors or vendors.

2.3.2 Unless otherwise stated in this Tariff, the liability of the Company for negligence arising out of mistakes, omissions, interruptions, delays, errors, defects or other comparable actions occurring in the provision of recurring Service(s) shall be limited to a service adjustment based on the amount of time such Service is out of service times the applicable monthly recurring charge for the Service.

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SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

- 2.3.3 The liability of the Company for gross negligence arising out of mistakes, omissions, interruptions, delays, errors or defects occurring in the provision of Service(s) shall not exceed the higher of the adjustments described in Section 2.3.1 or 2.3.2 of this Tariff, whichever is applicable, or the sum of \$1,000.
- 2.3.4 The liability of the Company for wilful misconduct occurring in the provision of Service(s) shall not exceed the higher of the adjustments described in Sections 2.3.1, 2.3.2 or 2.3.3, whichever is applicable, or the sum of \$1,000.
- 2.3.5 The Company will not be liable to the Customer for damages or statutory penalties or be obligated to make any adjustment, refund or cancellation of charges unless the Customer has notified the Company in writing of any dispute concerning charges, or the basis of any claim for damages, within sixty (60) calendar days after an invoice is rendered by the Company for the call giving rise to such dispute or claim. Any such notice must set forth sufficient facts to provide the Company with a reasonable basis upon which to evaluate the Customer's claim or demand.
- 2.3.6 Interruptions, delays, errors, or defects caused by or contributed to, directly or indirectly, by act or omission of the Customer or its customers, affiliates, agents, contractors, representatives, invitees, licensees, successors, or assignees or which arise from, or are caused by, the use of facilities or equipment of the Customer or related parties, will not result in the imposition of any liability whatsoever upon the Company. The Customer will pay to the Company any reasonable costs, expenses, damages, fees or penalties incurred by the Company as a result thereof. In addition, a portion or all of the Service may be provided over facilities of third parties. The Company will not be liable to the Customer or any other person, firm, or entity in any respect whatsoever arising out of defects caused by such third parties. The Company's liability, if any, with regard to the delayed installation of facilities or commencement of Service will not exceed \$1,000.

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SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

- 2.3.7 With respect to Service provided hereunder, the Company hereby expressly disclaims, without limitation, all warranties not stated in this Tariff, whether express, implied or statutory, and in particular disclaims all implied warranties of merchantability and of fitness for a particular purpose.
- 2.3.8 No contractors, agents or employees of connecting, concurring or other participating carriers or companies will be deemed to be contractors, agents or employees of the Company without the Company's written authorization.
- 2.3.9 Under no circumstances whatsoever will the Company's officers, agents, or employees be liable for any damages, including but not limited to direct, indirect, actual, consequential, special, or punitive damages, or lost profits.
- 2.3.10 The Company will not be liable for any failure of performance hereunder due to causes beyond its control including, but not limited to:
- (A) Unavoidable interruption in the working of transmission facilities; or
  - (B) Natural disasters such as storms, fire, flood, or other catastrophes; or
  - (C) Any law, order, regulation, direction, action or request of the United States Government, or any other governmental entity having jurisdiction over the Company or of any department, agency, commission, bureau, corporation or other instrumentality of any one or more of such governmental entity, or of any civil or military authority; or
  - (D) National emergencies, insurrections, riots, rebellions, wars, strikes, lockouts, work stoppages, supplier failures, shortages, breaches or delays, or other labor difficulties; or
  - (E) The unlawful acts of individuals, including acts of the Company's agents and employees if committed beyond the scope of their employment; or
  - (F) Explosions, vandalism, cable cut or other similar occurrences; or

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SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

- (G) Preemption of existing Services to restore Service(s) in compliance with the F.C.C.'s rules and regulations; or
- (H) Any failure to provide or maintain Service under this Tariff due to circumstances beyond the Company's control.

- 2.3.11 The Company will use its best efforts to provide Services consistent with industry standards. The Company will have no liability to the Customer for any loss of revenue or any other direct, special, incidental, consequential, or other damages the Customer may sustain resulting from the failure or inability of the Company to provide Service to its Customers; negligent or defective Services to Customers; equipment, computer, network, or electrical malfunctions of any kind, breakdowns, or outages; or any other cause, whether or not within the control of the Company.
- 2.3.12 If the Company learns of actual or possible unauthorized, fraudulent, or unlawful use of any Company Services, the Company will make an effort to contact the Customer, but Service may be blocked without notice and without liability to the Company. Service may be suspended by the Company without incurring liability by Blocking all calls or by Blocking calls to or from certain NPA-NXXs, certain countries, cities, or individual telephone stations for any Service offered under this Tariff. Service will be restored as soon as it can be provided without undue risk and only after accounts have been brought current.
- 2.3.13 The Company does not undertake to transmit messages but furnishes the use of its Services to its Customers for telecommunications. The Company is not liable for the content of the Customer's messages.
- 2.3.14 The Company may rely on Third Party Vendors for the performance of certain services such as Dedicated Access. Upon Customer request and execution and delivery of appropriate authorizing documents, the Company will act as agent for the Customer in obtaining such other services. Customer's liability for charges hereunder will not be reduced by untimely installation or non-operation of Customer-provided facilities and equipment.

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SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

2.3.15 The Company will not be liable for:

- (A) Any act or omission of any other company or companies furnishing a portion of the Service or furnishing facilities or equipment associated with such Service.
- (B) Damages caused by the fault or negligence or willful misconduct of the Customer or End User.
- (C) Any failure to provide or maintain Service under this Tariff due to circumstances beyond the Company's reasonable control.
- (D) Any direct, indirect, consequential, special, actual, or punitive damages, or for any lost revenues or profits of any kind or nature whatsoever arising out of any furnishing of, or interruption in, Service provided hereunder. Under no circumstances whatsoever will the Company's officers, agents, or employees be liable for such damages or lost revenue or lost profits.
- (E) Any indirect, incidental, special or consequential damages, lost revenue or lost profits of any kind, even if Company is advised of the possibility of such consequences.

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SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

2.3.15 (continued)

- (F) The use or abuse of any Service described herein by any party including, but not limited to, the Customer or End User. Use or abuse includes, but is not limited to, any calls placed by means of PBX-reorigination or any other legal or illegal equipment, service, or device. Compensation for any injury the customer may suffer to the fault of third parties must be sought from such other parties..
- (G) Any action, such as Blocking or refusal to accept certain calls, that Company deems necessary in order to prevent unauthorized, fraudulent, or unlawful use of its Service. Compensation for any injury the Customer may suffer due to the fault of parties other than the Company must be sought from such other parties.
- (H) The Company will not be liable for any claim where the Customer indemnifies the Company pursuant to Section 2.5 of this Tariff.
- (I) Failure or delay in the delivery of ordered Prepaid Calling Cards.

2.3.16 If someone other than the Customer (e.g., authorized or unauthorized) has use of the Service directly or indirectly through the Customer, then Customer agrees to forever indemnify and hold the Company and any affiliated or unaffiliated Third Party Vendor or operator of facilities employed in provision of the Service harmless from and against any and all claims, demands, suits, actions, losses, damages, assessments or payments which may be asserted by said parties.

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SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

- 2.3.17 The Company will have no liability to the Customer or any third party for any claims that a Prepaid Calling Card or PIN or Authorization Code associated with any Prepaid Service has been lost, stolen, or fraudulently used. In no event will the Company be obligated to restore any Prepaid Service account or otherwise reimburse any Cardholder or Customer for any calls charged to the Prepaid Service account which such Cardholder or Customer denies having made.
- 2.3.18 If the Company issues an Authorization Code, or PIN for Prepaid Long Distance or a Prepaid Calling Card, and the Authorization Code or PIN will not access the Company's Service, the Company's sole liability will be the manufacturing and shipping costs associated with replacing such cards or the issuance of another PIN and/or Authorization Code as appropriate. This obligation is exclusive and is in lieu of all other warranties, express or implied, including but not limited to, any warranty of merchantability or fitness for a particular purpose. In no event will the Company be liable for special or consequential damages arising from the relationship or the conduct of business contemplated herein.
- 2.3.19 If Company chooses to subcontract the printing of the Prepaid Calling Cards, Company cannot be held liable for delays of delivery or any other problem(s) that are directly related to the subcontractor.

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SECTION 2 - RULES AND REGULATIONS

2.4 Use of Service

- 2.4.1 The Company's Services are available for use twenty-four hours per day, seven days per week. Unless otherwise restricted herein, Customers may use the Company's Service(s) to place and/or receive intrastate calls.
- 2.4.2 The Service offered herein may be used for any lawful purpose, including residential, business, governmental, or other use. The Customer is liable for all obligations under this Tariff notwithstanding any sharing or resale of Services and regardless of the Company's knowledge of same. The Company will have no liability to any person or entity other than the Customer and only as set forth herein. The Customer will not use nor permit others to use the Service in a manner that could interfere with Service provided to others or that could harm the facilities of others.

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SECTION 2 - RULES AND REGULATIONS

2.4 Use of Service (continued)

- 2.4.3 Service furnished by the Company will not be used for any unlawful or fraudulent purposes including but not limited to use of electronic devices, invalid numbers, and false credit devices to avoid payment for Service contained in this Tariff either in whole or in part. Service furnished by the Company may not be used to make calls which might reasonably be expected to frighten, abuse, torment, or harass another. The Service may not be used for any purpose for which any payment or other compensation is received by the Customer except when the Customer is an authorized communications common carrier, an authorized resale common carrier, or an enhanced or electronic service provider who has subscribed to the Company's Service. However, this provision does not preclude an agreement between the Customer, Authorized User, or Joint User to share the cost of the Service as long as this arrangement generates no profit for anyone participating in a joint use or authorized use arrangement.
- 2.4.4 Service furnished by the Company may not be arranged for joint use or authorized use.

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SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer

2.5.1 The Customer will indemnify, defend, and hold the Company harmless from and against:

- (A) Any claim asserted against the Company (and all attorney fees and expenses incurred by the Company with respect thereto) arising out of or relating to the failure of the Company to provide Service to the Customer.
- (B) Any and all liabilities, costs, damages, and expenses (including attorney's fees), resulting (1) from Customer (or its employees's agent's or independent contractor's) actions hereunder, including, but not limited to breach of any provision in this Tariff, misrepresentation of Company services or prices, or unauthorized or illegal acts of the Customer, its employees, agents, or independent contractor or (2) from claims by third parties that any Prepaid Calling Cards, Authorization Codes, or PINs have been lost, stolen, or fraudulently issued or used; provided, however, that the Company will have no liability hereunder for special or consequential damages incurred by the Company; (3) or in the event that the Company chooses to have another company print their Prepaid Calling Cards, Company cannot be held liable for delays of delivery or any other problem that are directly to the third party.
- (C) Claims for libel, slander, infringement of patent or copyright, or unauthorized use of any trademark, trade name, or service mark arising out of Customer's or End User's material, data, information, or other content transmitted via Service. With respect to claims of patent infringement made by third persons, the Customer shall defend, indemnify, protect and save harmless the Company from and against all claims arising out of the combining with, or use in connection with, the Service(s) provided under this Tariff, any Circuit, apparatus, system or method provided by the Customer.

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SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

2.5.1 (continued)

- (D) Violation by Customer or End User of any other literary, intellectual, artistic, dramatic, or musical right.
- (E) Violations by Customer or End User of the right to privacy.
- (F) Any other claims whatsoever relating to, or arising from, message content or the transmission thereof.
- (G) All other claims arising out of any act or omission of the Customer or End User in connection with Service provided by the Company.
- (H) Any loss, claim, demand, suit, or other action, or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or persons, for any personal injury to, or death of, any person or persons, and for any loss, damage or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the provision of Service, whatever the cause and whether negligent or otherwise.
- (I) Claims related to lost or stolen calling cards, except as described in Section 2.24 of this Tariff.
- (J) Claims of patent infringement arising from combining or connecting Channels with equipment and systems of the Customer or Authorized Users.

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SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

2.5.1 (continued)

- (K) Defacement of, or damage to, the Customer's Premises resulting from the furnishing, installation, and/or removal of Channel facilities or the attachment of instruments, equipment and associated wiring on or from the Customer's Premises.
- (L) Claims arising out of the use of Services or Company-Provided equipment in an unsafe manner (such as use in an explosive atmosphere) or the negligent or willful act of any person other than the Company.
- (M) Any suits, claims, losses or damages, including punitive damages, attorney fees and court costs by third persons arising out of the construction, installation, operation, maintenance, or removal of the Customer's Circuits, facilities, or equipment connected to Services. This includes without limitation, Workmen's Compensation claims, actions for infringement of copyright and/or unauthorized use of program material, libel and slander actions based on the content of communications transmitted over the Customer's Circuits, facilities or equipment, and proceeding to recover taxes, fines, or penalties for failure of the Customer to obtain or maintain in effect any necessary certificates, permits, licenses, or other authority to acquire or operate Service(s).
- (N) Claims by the Customer or third parties that Prepaid Services have been fraudulently used.

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SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

- 2.5.2 If a Customer directly or indirectly authorizes third parties to use the Service, the Customer will indemnify and hold the Company harmless against any and all claims asserted by said party, demands, suits, actions, losses, damages, assessments or payments which may be asserted or demanded by said parties or by others as a result of said parties' actions or omissions.
- 2.5.3 The Company's failure to provide or maintain Service under this Tariff will be excused by the Customer for all circumstances beyond the Company's reasonable control.
- 2.5.4 The Customer will indemnify and save the Company harmless from any and all liability not expressly assumed by the Company in Section 2.3 of this Tariff and arising in connection with the provision of Service to the Customer, and will protect and defend the Company from any suits or claims alleging such liability, and will pay all expenses (including attorneys' fees) and satisfy all judgments which may be incurred by or rendered against the Company in connection therewith.
- 2.5.5 The Customer is responsible for payment for all calls originated at the Customer's number(s), accepted at the Customer's number, billed to a Customer's calling card, or incurred at the specific request of the Customer. The Customer is responsible for paying for all Services the Company provides to or from the Customer's number(s), regardless of whether the Customer's facilities were fraudulently used or used without Customer's knowledge in full or in part. These responsibilities are not changed due to any use, misuse or abuse of the Customer's Service or Customer-provided equipment by third parties, the Customer's employees or the public.

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SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

- 2.5.6 The termination or disconnection of Service(s) by the Company pursuant to Sections 2.2.5, 2.2.6, and 2.20 of this Tariff or if the Customer cancels Service pursuant to Section 2.19 of this Tariff, does not relieve the Customer of any obligations to pay the Company for charges due and owing for Service(s) furnished up to the time of termination or disconnection. The remedies set forth herein will not be exclusive, and the Company will at all times be entitled to all rights available to it under either law or equity.
- 2.5.7 The Customer is responsible for taking all necessary legal steps for interconnecting Customer-provided terminal equipment with the long distance network. The Customer will ensure that the signals emitted into the long distance network do not damage Company-Provided equipment, injure personnel, or degrade Service to other Customers or other users of the long distance network. The Customer is responsible for securing all licenses, permits, rights-of-way, and other arrangements necessary for such interconnection. In addition, the Customer will comply with applicable LEC signal power limitations.
- 2.5.8 The Customer will be responsible for the payment of all charges for Services provided under this Tariff and for the payment of all excise, sales, use, gross receipts or other taxes that may be levied by a federal, state, or local governing body or bodies applicable to the Service(s) furnished under this Tariff unless specified otherwise herein. Also see Section 2.17 of this Tariff for additional information regarding the Customer's obligations concerning taxes.
- 2.5.9 The Customer will be liable for reimbursing the Company for damages to facilities or Company-Provided equipment caused by the negligence or willful acts of the Customer's officers, employees, agents, contractors, or authorized or unauthorized End User(s).

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SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

- 2.5.10 If Service is terminated pursuant to Section 2.2.5, Section 2.2.6 or Section 2.20 of this Tariff or if the Customer cancels Service pursuant to Section 2.19 of this Tariff, the Customer will be deemed to have canceled Service as of the date of such termination or cancellation and will be liable for any cancellation charges set forth in this Tariff.
- 2.5.11 The Customer will indemnify and hold the Company harmless against any and all liabilities, costs, damages, and expenses resulting from claims by third parties that any calling card or PIN, Authorization Code, has been lost, stolen, or fraudulently issued or used; provided, however, that the Company will have no liability hereunder for special or consequential damages incurred by the Company.
- 2.5.12 If the Company is acting as an agent of the Customer for ordering Dedicated Access for the provision of Switched Service(s) and if the Customer is to be exempted from the monthly Special Access Surcharge charged by the Local Access Provider, it is the Customer's responsibility to provide the Company with an Exemption Certificate.
- 2.5.13 If as a result of inaccurate information provided by the Customer, Circuits need to be moved, replaced, or redesigned, the Customer is responsible for the payment of all such charges. In the event the Company incurs costs and expenses caused by the Customer or reasonably incurred by the Company for the benefit of the Customer, the Customer is responsible for the payment of all such charges.

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SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

- 2.5.14 If an entity other than the Company (e.g. another carrier or supplier) imposes charges on the Company in connection with service provided to a specific Customer and those charges are not specifically listed in this Tariff, those charges will be billed to the Customer on a pass-through basis. The Customer is responsible for payment of such charges.
- 2.5.15 The Customer is responsible for the payment of all charges for Service(s) provided under this Tariff and for the payment of all assessments, duties, fees, surcharges, taxes, or similar liabilities whether charged to or against the Company or the Customer. This includes but is not limited to amounts the Company is required by governmental, quasi-governmental, or other entities to collect and/or to pay to designated entities. The Company may adjust its rates and charges or impose additional rates and charges on its Customer in order to recover these amounts. Unless specified otherwise herein, if an entity other than the Company (e.g., another carrier or supplier) imposes charges on the Company in connection with a Customer's Service, that entity's charges may be passed through to the Customer. The Customer is responsible for the payment of all such charges.
- 2.5.16 A Customer shall not use any service mark or trademark of the Company or refer to the Company in connection with any product, equipment, promotion, or publication of the Customer without prior written approval of the Company.

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SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

- 2.5.17 In the event suit is brought or an attorney is retained by the Company to enforce the terms of this Tariff, the Customer shall reimburse the Company, in addition to any other remedy, for attorneys' fees, court costs, costs of investigation, and other related expenses incurred in connection therewith.
- 2.5.18 If a Prepaid Calling Card has a customized design, the design will be subject to the Company's review and approval, in the Company's sole discretion. The Company will deliver to the Customer a prototype of a customized Prepaid Calling Card. The Customer will advise the Company, in writing, of its approval of, or request for revisions of, such prototype prior to the Company's fulfillment of the Customer's order. Any such requested revisions to the customized design will be subject to the Company's approval.
- 2.5.19 Upon the Customer's receipt of Company Prepaid Calling Cards, the Customer will assume all risk of loss or misuse of such Prepaid Calling Cards.
- 2.5.20 Upon the Customer's receipt of Company issued Authorization Codes or PINS for Prepaid Services, the Customer will assume all risk of loss or misuse of such Authorization Codes and PINs.

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SECTION 2 - RULES AND REGULATIONS

2.6 Obligations of a Reseller

- 2.6.1 The terms and conditions of this Tariff, including but not limited to the obligations contained in Section 2.5 and in Sections 2.6.2 through 2.6.7 hereof, apply to Customers that are Resellers. Failure to comply with any term, rule, or regulation of this Tariff may result in the Company immediately and irrevocably terminating Service(s) without incurring any liability. Notification of termination of Service(s) may be in writing or in another expeditious manner selected by the Company.
- 2.6.2 In the event of non-payment by a Reseller's subscriber, the Company may be requested by the Reseller to block such subscribers's service because of non-payment of charges. Before the Company blocks Service to a Reseller's subscriber, the Reseller must certify that proper notice has been given to the subscriber. Proper notice must meet state and federal rules for Blocking Service due to non-payment. The Reseller is responsible for all costs incurred to disconnect or block the location from Service(s).
- 2.6.3 Resellers will be responsible for paying all taxes, surcharges, and fees based upon the taxing jurisdiction's rules and regulations.
- 2.6.4 In addition to the other provisions in this Tariff, Resellers will be responsible for all interaction and interface with their own subscribers or customers. The provision of Service will not create a partnership or joint venture between the Company and the Reseller nor result in a joint offering to third parties.

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SECTION 2 - RULES AND REGULATIONS

2.6 Obligations of a Reseller (continued)

- 2.6.5 If the Customer resells Services, the Reseller is responsible for providing all billing, collection, and customer service functions for all of its locations, including resolving any unauthorized presubscription disputes.
- 2.6.6 In addition to the other provisions in this Tariff, Resellers must have the appropriate authority in all areas where the Reseller provides service and provide such documentation to the Company when requested.
- 2.6.7 If a Reseller switches a subscriber's long distance provider without obtaining permission from the subscriber, the Company may charge the Reseller for the unauthorized presubscription change charges plus all additional charges imposed and costs incurred. The Reseller is financially liable for all lines at all locations until such time as the lines and/or locations are presubscribed to a different long distance service provider. In instances where the Reseller has presubscribed lines and/or location to its Service without proper authorization, the Reseller must:
- (A) Inform the subscriber of the unauthorized change in long distance service providers; and
  - (B) Insure that the subscriber's service is returned to the long distance service provider of choice; and
  - (C) Pay all applicable charges.

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## SECTION 2 - RULES AND REGULATIONS

### 2.7 Obtaining Services

#### 2.7.1 General

To obtain Service, the Company requires the Customer to provide the Company with whatever authorization the Company deems appropriate. Upon the Company's acceptance of this authorization, all applicable provisions in the Company's Tariff, as amended from time-to-time, become the agreement for Service between the Company and the Customer. Acceptance or use of Service offered by the Company shall be deemed an application for such Service and an agreement by the Customer to subscribe to, use, and pay for such Service in accordance with this Tariff. The Applicant must also establish credit satisfactory to the Company as provided in Section 2.7.2 of this Tariff.

#### 2.7.2 Establishment of Credit

##### (A) Applicant

For all Services except the Company's Prepaid Services, the Company reserves the right to require all Applicants to establish credit worthiness to the reasonable satisfaction of the Company. Upon receipt of the signed letter of agency or other authorization the Company deems appropriate, the Applicant will be deemed to have authorized the Company to obtain such routine credit information and verification as the Company requires.

##### (B) Customer

If the conditions of Service or the basis on which credit was originally established have materially changed, an existing Customer may be required to establish additional credit. The Company reserves the right to examine the credit record

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and check the references of any Customer at any time.

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SECTION 2 - RULES AND REGULATIONS

2.8 Customer Deposits / Advance Payments

2.8.1 Customer Deposits

(A) General

For Services other than Prepaid Services, any Applicant whose credit is not acceptable to the Company as provided in Section 2.7.2 of this Tariff may be required to make a deposit to be held by Company as a guarantee of payment for Service provided under this Tariff. In addition, an existing Customer may be required to make a deposit or to increase a deposit presently held by the Company if the conditions of Service or the basis on which credit was originally established have materially changed.

(B) Amount of Deposit

The amount of any deposit will not exceed the estimated charges for two months' Service. The Company will determine the amount of the deposit.

(C) Interest on Deposits

The Company will not pay interest on deposit.

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SECTION 2 - RULES AND REGULATIONS

2.8 Customer Deposits / Advance Payments (continued)

2.8.1 Customer Deposits (continued)

(D) Return of Deposit

A deposit will be returned:

- When an application for Service has been canceled prior to the establishment of Service; or
- At the end of one year of satisfactory payments for Service; or
- Upon discontinuance of Service.

Notwithstanding the foregoing, prior to the return, deposits will be applied to any outstanding charges to the Customer for Service, and only the excess, if any, will be returned.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.8 Customer Deposits / Advance Payments (continued)

2.8.2 Advance Payments

Customers and Applicants who, in the Company's judgment, present an undue risk of non-payment may be required at any time to provide the Company such other assurances of, or security for, the payment of the Company's charges for its Services as the Company may deem necessary, including, without limitation, advance payments for Service, third party guarantees of payment, pledges or other grants of security interests in the Customers' assets, and similar arrangements. The required advance payments or other security may be increased or decreased by the Company as it deems appropriate in the light of changing conditions. In determining whether a Customer presents an undue risk of nonpayment, the Company shall consider the following factors:

- (A) the Customer's or Applicant's payment history (if any) with the Company and its affiliates;
- (B) Customer's ability to demonstrate adequate ability to pay for the Service;
- (C) credit and related information provided by Customer, lawfully obtained from third parties or publicly available;
- (D) information relating to Customer's management, owners, and affiliates (if any); and
- (E) the Applicant's or Customer's actual long distance usage. The Company does not pay interest on advance payments.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.9 Rendering Bill

2.9.1 General

- (A) The Company uses cycle billing. The billing period is one (1) month. Except for fraud, charges may be assessed for unbilled traffic up to two (2) years in arrears.
- (B) The Company may also utilize direct billing by the Company or an authorized billing agent. The availability of the billing option is controlled by the Company not the Customer.
- (C) If a Customer presents an undue risk of nonpayment at any time, the Company may require the Customer to pay its bills in cash or the equivalent of cash. In the event the Company incurs fees or expenses, including attorney's fees, in collecting, or attempting to collect, any charges owed the Company, the Customer will be liable to the Company for the payment of all such fees and expenses reasonably incurred.
- (E) Where billing systems allow, Credit Card billing and automatic withdrawal from the Customer's checking or savings account are available. However, if a Customer presents an undue risk of nonpayment at any time, the Company may require the Customer to pay its bill in cash or the equivalent of cash.

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SECTION 2 - RULES AND REGULATIONS

2.9 Rendering Bill (continued)

2.9.1 General (continued)

- (F) For the purpose of computing partial-month charges, a month is considered to consist of thirty days. If the Company has ordered Dedicated Access as an agent of the Customer, the Company will not cease billing the Special Access Surcharge until the Company receives the Exemption Certificate (as defined herein) from the Customer and the Local Access Provider acknowledges receipt of the Customer's Exemption Certificate.
- (G) Any Applicant for Service that was furnished Service under a former contract with the Company shall pay or make satisfactory arrangements for paying any bill outstanding and unpaid for such Service, before any additional Service will be furnished.
- (H) In the event that the Company's ability to commence or to continue to provide Service in a timely manner is delayed or interrupted because of the non-performance by the Customer of any obligation set forth in this Tariff, the Customer shall pay to the Company amounts equal to the monthly recurring charges which would have been paid had the Company been able to commence or to continue to provide Service.

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SECTION 2 - RULES AND REGULATIONS

2.9 Rendering Bill (continued)

2.9.1 General (continued)

- (I) If billing systems or other support is not available for a Service, feature, surcharge, or other charge element at the time Service is provisioned, the Company will bill for that Service, feature, surcharge, or other charge element as soon as it is capable of doing so.

2.9.2 Direct Billing By Company And/Or Authorized Billing Agent

(A) Other Billing Arrangements

Bills are sent to the Customer's current billing address no later than thirty (30) days following the close of billing. Call detail is available with the bill. Payment in full is due by the due date disclosed on the bill. Charges are payable only in United States currency. Payment may be made by check, money order, or cashier's check made payable as named on the bill and sent to the address as listed on the bill. If the bill is not paid within thirty (30) days from the invoice date, the Company may impose a late charge on the delinquent amount. A late charge applies to any past due balance. The Company may charge a late charge of 1.5% per month. The one-time penalty shall apply on the undisputed amount or on the disputed amount if a dispute is resolved in favor of the Company. When another telecommunications carrier provides the billing function on behalf of the Company, the other carrier's late payment charge applies.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.9 Rendering Bill (continued)

2.9.2 Direct Billing By Company Or Authorized Billing Agent (continued)

(B) Credit Card Billing

With Credit Card billing, the charges for Services provided by the Company are billed on the Customer's designated and approved Credit Card. Charges are billed monthly in accordance with the terms and conditions between the Customer and the Customer's designated Credit Card company. Call detail will not be included in the Credit Card bill. Call detail will be provided by the Company in a separate mailing.

(C) Automatic Withdrawal From Checking or Savings Account

If the Customer utilizes automatic withdrawal, the charges for Services provided by the Company are automatically debited to the Customer's designated checking account or savings account. Call detail will be provided by the Company in a separate mailing.

(D) Prepaid Services

All charges for Prepaid Services must be paid in advance. No Prepaid Authorization Codes or PINs will be activated until payment, in U. S. Dollars and in full, has been received by the Company. Payment shall be made in cash (U.S. funds), check or money order payable in U.S. funds, or Company approved Credit Card. If the Customer pays via check, the Authorization Code or PIN is activated after the check clears the bank. The Company does not render a bill for Prepaid Services. A copy of the call detail will be provided pursuant to a Customer's request within thirty (30) days of the call date.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.10 Disputed Charges

- 2.10.1 The Company will not be required to consider any Customer claim for damages or statutory penalties, or adjustments, refunds, credits or cancellation of charges, unless the Customer has notified the Company, in writing, of any dispute concerning charges, or the basis of any claim for damages, within sixty (60) calendar days after an invoice is rendered or a debit is effected by the Company for the call giving rise to such dispute or claim.
- 2.10.2 Any such notice must set forth sufficient facts to provide the Company with a reasonable basis upon which to evaluate the Customer's claim or demand. Such notice must be sent to the Company's Customer Service Department as per Section 2.11 of this Tariff. If the Customer is not satisfied with the Company's resolution of a billing inquiry, the Customer may make application to the Commission for review and disposition of the matter.
- 2.10.3 Failure of the Customer to participate in the Company's effort to resolve a dispute or claim will constitute a waiver of the Customer's rights to a continuance of Service.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.11 Customer Service Department

Customer correspondence must be addressed to the attention of the Customer Service Department and sent to the appropriate office. The Customer may also contact the Company's Customer Service Department by calling a toll free number. The Company's Customer Service address and toll free number are printed on the Customer's bill. For Customers subscribing to calling card Service, the Customer Service number is displayed on the card and provided in the information sent to the Customer with the calling card. For Customers using Credit Card billing or automatic withdrawal from the checking or savings account, the Company's Customer Service address and toll free number are provided with the Customer's call detail. Customer Service Representatives are available from 6:00AM until 9:00PM Monday through Saturday Pacific Time.

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**Interexchange Services Tariff**

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**SECTION 2 - RULES AND REGULATIONS****2.12 Mileage Measurements**

2.12.1 The mileage between rate centers is calculated based on V and H coordinates as obtained by reference to AT&T Tariff FCC No. 10. Calculation between Serving Wire Centers is based on V and H coordinates as obtained by reference to NECA FCC Tariff No. 4. The mileage for a call between Access Lines associated with stations that use the same rate center is one mile. If Feature Group B is used, the distance will be measured from the rate center of the tandem location or network site to which the Feature Group B line is connected. If Feature Group D access is used, the distance will be measured from the rate center of the calling number.

2.12.2 Airline mileage between service locations is calculated as follows:

Airline mileage is calculated as follows:

The square root of: 
$$\frac{(V_1 - V_2)^2 + (H_1 - H_2)^2}{10}$$

Where  $V_1$  and  $H_1$  are the V and H coordinates of point 1 and  $V_2$  and  $H_2$  are the coordinates of point 2.

Mileage is rounded up to an integer value to determine the airline mileage.

**2.13 Timing of Calls**

The Customer's long distance usage charge is based on the actual usage of the long distance network. Usage begins when the called party picks up the receiver and the local telephone company sends a signal to the switch which utilizes hardware answer supervision or software tone detection. A call is terminated when the calling party hangs up.

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SECTION 2 - RULES AND REGULATIONS

2.13 Timing of Calls (continued)

2.13.2 Chargeable time ends when the calling station hangs up thereby releasing the network connection. If the called station hangs up but the calling station does not, chargeable time ends when the network connection is released either by the automatic timing equipment in the telecommunications network or by the operator.

2.14 Rate Periods

Different rates may be applicable to a call at different times of the day and on certain days of the week, as specified in the appropriate rate schedule for that call. All times shown are local time at the calling station in the case of an outbound call and at the called station in case of an inbound toll free call.

2.15 Determining Rate In Effect

For outbound Services that are time-of-day sensitive, the time-of-day at the central office or POP associated with the calling station determines the rate in effect. For Toll Free Services that are time-of-day sensitive, the time-of-day at the central office or POP associated with the called station determines the rate in effect. If a unit of time is split between two (2) or more rate periods, each rate period applies to the portion of the call that occurred during that rate period rounded to the nearest billing increment. If a call is completed by an operator, the time at the beginning of each initial or additional rate period determines the applicable rate period. When a message spans more than one rate period, total charges for each rate period are calculated and the results for each rate period are totaled to obtain the total message charge.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.16 Application of Charges

2.16.1 General

Rates and charges specified for Services offered under this Tariff are maximums. Any change to a rate or charge at or below the maximum level shall not be construed as an application to increase rates. The rates and charges applicable at any given time are covered in a price list furnished to the Commission by the Company.

2.16.1 Rounding

Each usage sensitive Switched Service has its own specific initial period and additional period (collectively referred to as billing increments) as specified in Section 3 of this Tariff. For all Services, fractions of a billing increment are rounded up to the next higher increment for billing purposes. The usage charges for each completed call during a billing month will be computed. If the charge for the call includes a fraction of a cent of \$.005 or more, the fraction of such charge is rounded up to the next higher whole cent. Otherwise, the charge is rounded down to the next lower whole cent. Rounding for charges for Service(s) is on a call-by-call basis.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.17 Taxes, Surcharges, and Fees (continued)

2.17.1 General

- (A) In addition to the charges specifically pertaining to Services, certain federal, state, and local surcharges, taxes, and fees apply to Services. The Company may impose a surcharge on its Customers to recover amounts it is required by governmental or quasi-governmental authorities to collect from or pay to others in support of statutory or regulatory programs. All federal, state, and local taxes, surcharges, and fees (i.e., sales tax, gross receipts tax, municipal utilities tax, etc.) are listed on the Customer's invoices, and unless otherwise specified herein, are not included in the rates listed in this Tariff.
  
- (B) Pending the conclusion of any litigation challenging a jurisdiction's or body's right to impose any assessments, duties, fees, surcharges, taxes, or similar liabilities, the Company may elect to waive or impose and collect a charge covering such assessments, duties, fees, surcharges, taxes, or similar liabilities, unless otherwise constrained by court order or direction. All such charges will be shown as a separate line item on the Customer's bill. If the Company has collected any assessments, duties, fees, surcharges, taxes, or similar liabilities and any of the challenged assessments, duties, fees, surcharges, taxes, or similar liabilities are found to have been invalid and not enforceable, the Company will credit or refund such sums to each affected Customer if (1) the Company has retained such funds or (2) the Company has remitted such funds to the collecting jurisdiction or body and the funds have been returned to the Company.

2.17.2 Prepaid Services

The rates indicated in Section 4 of this Tariff are inclusive of all federal, state, and local surcharges, taxes, and fees except point-of-sale taxes.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.17 Taxes, Surcharges, and Fees (continued)

2.17.3 Tax Exemption Certificate

- (A) In order to be granted tax exempt status, a Customer claiming tax exempt status must provide the Company with copies of all tax exemption certificates and documents required by the Company at the time Service is ordered. New Customers are required to provide the requested documentation at the time Service is ordered.
- (B) Failure to provide the required documentation at the time Service is ordered will result in all taxes as noted herein being levied by the Company on the Customer's Service, and the Customer will be responsible for the payment of all such charges.
  - .1 At the Company's option, the Company may accord the Customer tax exempt status upon receipt of the required documentation after Service is ordered. However, the Customer will be billed for all applicable taxes and will be responsible for the payment of same until such time as the Company has ceased billing the applicable taxes.
  - .2 The Company is not liable for refunding the amount of the taxes paid by the Customer. The Customer is responsible for seeking refunds for such taxes from the appropriate taxing authority.
- (C) Failure to pay the appropriate taxes prior to tax exempt status being accorded by the Company will result in termination of Service.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.18 Interruption of Service

- 2.18.1 Without incurring liability, the Company may interrupt the provision of Services at any time in order for tests and inspections to be performed to assure compliance with Tariff regulations and the proper installation and operation of Customer's equipment and facilities and may continue such interruption until any items of non-compliance or improper equipment operation so identified are rectified.
- 2.18.2 To prevent possible unauthorized, fraudulent, or unlawful use of Service, the Company may initiate Blocking of all calls or Blocking calls to or from certain NPA-NXXs, cities, or individual telephone stations for any Service offered under this Tariff. Service will be restored as soon as it can be provided without undue risk and only after accounts have been brought current.
- 2.18.3 For Prepaid Services, the Company will not issue a credit for a call in which a wrong number, cutoff, or poor transmission condition occurred. Prepaid Services are not subject to the credit allowance set forth in Section 2.18.4 or 2.18.5.
- 2.18.4 No credit for recurring monthly charges will be issued for outages less than twenty-four consecutive hours in duration. For Customers with Service subject to a monthly recurring charge, Service interruptions of greater than twenty-four (24) consecutive hours duration will receive a credit equal to the number of hours of Service interruption divided by 720 hours times the monthly recurring charge for the Service.
- 2.18.5 For Services, other than Prepaid Services, with usage-sensitive rates, credit allowances for cutoff, wrong number, or poor transmission are subject to the general liability provisions set forth in Section 2.3.1 of this Tariff. If the Customer desires a credit for any Service interruption, the Customer must contact the Company via telephone or in writing. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by the Customer within the Customer's control, or is not in wiring or equipment, if any, furnished by the Customer.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.19 Cancellation of Service By Customer

2.19.1 Prepaid Services may be canceled upon expiration of the account balance.

2.19.2 For all other Services, a Customer may cancel Service by giving five (5) days' written or oral notice to the Company. Such notice should be addressed to the Company's Customer Service organization at the telephone number or the address specified in Section 2.11.1 of this Tariff.

2.20 Termination of Service By Company

2.20.1 The Company may terminate Service to the Customer upon five (5) days' verbal or written notice to the Customer for any condition listed in Section 2.2.6 of this Tariff. If the Company delivers the notice to the Customer's Premises, it will be left in a conspicuous place. When notice is mailed, the notice will be addressed to the Customer's last known billing address and mailed first class or express overnight delivery. The selection of the method of delivery of the notice is made by the Company.

2.20.2 The termination of Service(s) by the Company pursuant to this section does not relieve the Customer of any obligations to pay the Company for charges due and owing for Service(s) furnished up to the time of termination. The remedies set forth herein will not be exclusive and the Company will at all times be entitled to all rights available to it under either law or equity.

2.21 Restoration of Services

The use and restoration of Services in emergencies will be in accordance with the priority system specified in Part 64, Subpart D of the rules and regulations of the Federal Communications Commission.

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.22 Terminal Equipment

Services may be used with or terminated in Customer-provided terminal equipment or Customer-provided communications systems such as a telephone set, PBX or key system. Such terminal equipment shall be furnished and maintained at the expense of the Customer. The Customer is responsible for all costs at the Customer's Premises, including personnel, wiring, electrical power, and the like, incurred in the use of the Service. When such terminal equipment is used, the equipment shall comply with applicable rules and regulations of the Federal Communications Commission, including but not limited to, Part 68. In addition, equipment must comply with generally accepted minimum protective criteria standards and engineering requirements of the telecommunications industry which are not barred by the Federal Communications Commission.

2.23 Notices

Any notices provided by Company pursuant to this Tariff are deemed given and effective upon the earlier of (a) actual receipt by Customer or (b) three days after mailing if sent by mail, the day after express overnight delivery, or the day the notice is left at the Customer's Premises.

2.24 Lost Or Stolen Calling Card, Authorization Code, or PIN

Upon knowledge of facts which would alert a reasonable person to the possibility of unauthorized use of the Customer's calling card, Authorization Code, or PIN, the Customer will alert and give notice to the Company of such facts. Upon receipt of notice, the Company will deactivate the Authorization Code or PIN associated with the Service. If requested by the Customer, Authorization Code or a new calling card and PIN will be issued to the Customer. The Customer will be excused from liability only with respect to unauthorized calls placed after receipt of such notice by the Company.

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Effective:

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Interexchange Services Tariff

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SECTION 2 - RULES AND REGULATIONS

2.25 Fraud Control

If the Customer notifies the Company that a particular Prepaid Calling Card has been lost or stolen prior to the activation of its PIN, the Company will use its best efforts to ensure that such PIN is not activated.

2.26 Changes To Rates and Charges

In accordance with Commission rules, the Company may adjust its current rates and charges for Services by filing revised Tariff pages with the Commission.

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Effective:

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Interexchange Services Tariff

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SECTION 3 - DESCRIPTION OF SERVICES

3.1 Prepaid Long Distance Service

3.1.1 Description of Service

Prepaid Long Distance Service is a prepaid telephone Service that allows Customers to obtain a predetermined amount of access to the Company's long distance Services. The Company does not serve as the Customer's Primary Interexchange Carrier. Prepaid Long Distance Service is available via a domestic TFAN and an Authorization Code. This Service is a dollar based Service, meaning that there is a fixed amount of dollars (i.e., \$5, \$10, \$20, \$50, or some other denomination) available to the Customer who purchases the Service.

The Customer dials a domestic TFAN and hears recorded messages that guide the Customer through the Platform. The Platform validates the Customer's Authorization Code, determines whether sufficient time or value remains on the account and, if so, completes the call to the called telephone number dialed by the Customer. The Customer is verbally informed of the available balance of the account. The Customer may place calls from any location where such access is made available at the sole discretion of the Carrier. All Calls are billed in one minute increments subject to a minimum connect time of one minute. All calls are rounded to the next highest minute.

Calls are real-time rated during call progression. The total price of each call, including applicable taxes, is calculated on the basis of usage and any applicable recurring and non-recurring charges. The total price is deducted from the available account balance associated with each account. The Platform decrements the Customer's account balance as the Customer conducts a call. The Customer receives a warning tone one minute before the balance reaches zero. Calls in progress will be terminated when there is an insufficient balance to continue the call.

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Interexchange Services Tariff

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SECTION 3 - DESCRIPTION OF SERVICES

3.1 Prepaid Long Distance (continued)

3.1.1 Description of Service (continued)

Customer account balances may be increased at any time during business hours or via an alternate automated system if and when such a system becomes available. Once an account is exhausted, however, the Customer cannot complete long distance calls using the Company's Prepaid Long Distance Service until additional Service is purchased. When the additional Service is purchased, the Customer may be issued a new PIN. The Company offers various payment plans.

3.2.2 Availability

Prepaid Long Distance Service is available to Residential Customers and Business Customers.

3.2 Prepaid Calling Card Services

3.2.1 Description of Service

The Company's Prepaid Calling Card service is a prepaid long distance service that allows Customer's to obtain a predetermined amount of access to the Company's long distance services. The card is a dollar based service, meaning there is a fixed amount of dollars (i.e., \$5, \$10, \$20, \$50, or some other denomination) available to the Customer who purchases a card.

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Interexchange Services Tariff

SECTION 3 - DESCRIPTION OF SERVICES

3.2 Prepaid Calling Card Services (continued)

3.2.1 Description of Service (continued)

Prepaid Calling Card service is offered via TFANs and is available to a Cardholder from a touchtone phone. The Cardholder dials a TFAN and hears recorded messages that guide the Cardholder through the Platform. The Platform validates the Cardholder's PIN, determines whether time remains on the card and, if so, completes the call to the called telephone number dialed by the Cardholder. The Cardholder is verbally informed of the available balance of the Prepaid Calling Card account. All Calls are billed in one minute increments subject to a minimum connect time of one minute. All calls are rounded to the next highest minute.

Calls are real-time rated during call progression. The total price of each call, including applicable taxes, is calculated on the basis of usage and is deducted from the available account balance associated with each Prepaid Calling Card. The Platform debits the Cardholder's account balance as the Cardholders places a call. The Cardholder receives a warning tone one minute before the balance reaches zero. Calls in progress will be terminated when the balance reaches zero.

The Cardholder may access the network from anywhere in the State by dialing a universal TFAN, a PIN, and the called telephone number. A Prepaid Calling Card is not reusable once the usage has been exhausted.

3.2.2 Availability

Prepaid Calling Cards are available to Residential Customers and Business Customers.

Issued:

Effective:

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Interexchange Services Tariff

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SECTION 3 - DESCRIPTION OF SERVICES

3.2 Prepaid Calling Card Services (continued)

3.2.3 Features

(A) Instructions Available In Multiple Languages

The Company may make available to the Cardholder different TFAN access numbers for instructions in English or Spanish, or other languages as appropriate.

(B) Sequential Calling

Sequential calling allows the Cardholder to make several calls without disconnecting from the Platform after the completion of each call.

3.3 Promotional Services

Prepaid Long Distance Service and Prepaid Calling Card Service are available on a promotional basis. Promotional Services are available to Customers who intend to give the Service away to the End-Users as either a premium or promotional item.

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Interexchange Services Tariff

**SECTION 4 - MAXIMUM RATES AND CHARGES**

**4.1 Prepaid Long Distance Service**

**4.1.1 Rate Plans**

	Rate per Minute or Fraction Thereof	
	1st Minute	Add'l Minute
Option 1	2.25	1.00
Option 2	3.25	1.00
Option 3	2.25	1.00
Option 4	3.25	1.00

**4.2 Prepaid Calling Card Service**

**4.2.1 Usage Charges**

	Rate per Minute or Fraction Thereof	
	1st Minute	Add'l Minute
Option 1	2.25	1.00
Option 2	3.25	1.00
Option 3	2.25	1.00
Option 4	3.25	1.00

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Interexchange Services Tariff

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SECTION 4 - MAXIMUM RATES AND CHARGES

4.3 Promotional Services

4.3.1 Promotional Prepaid Long Distance

The rate per minute for all promotional prepaid long distance calls is \$3.00 per minute or fraction thereof.

4.3.2 Promotional Prepaid Card

The rate per minute for all promotional prepaid calling cards is \$3.00 per minute or fraction thereof.

Issued:

Effective:

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Interexchange Services Tariff

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SECTION 4 - MAXIMUM RATES AND CHARGES

4.3 Miscellaneous Charges

4.3.1 Return Check Charge

If a Customer's check is returned by the bank, the Company may charge the Customer a return check charge. The amount of the return check charge is \$50.00.

4.3.2 Payphone Surcharge

Pursuant to the FCC's Order in CC Docket 96-128, this surcharge applies only to dial-around calls, i.e., calls originating using a carrier's access code, a Customer's 800 and other toll-free numbers, calling cards, and prepaid phone card calls, from payphone instruments. This surcharge does not apply for 0+ call for which the payphone provider would otherwise receive compensation.

(A) Prepaid Services

The Customer shall pay the Company a per call surcharge of \$1.00 per call for all such traffic.

## SECTION 5 - PROMOTIONS

### 5.1 Promotions

The Company will, from time to time, offer one or more of the following promotional offerings or trial Service offerings designed to attract new Customers, retain existing Customers, win back former Customers, stimulate Customer usage, test potential new Services and/or increase existing Customer awareness of Services by waiving or reducing certain rates, charges, fees, or penalties in response to media advertising, direct mail solicitation, telemarketing and/or direct sales presentations. These promotional offerings will be available to Customers who subscribe to one of the Services contained in this Tariff. The promotional offerings may contain a requirement that the Customer remain subscribed to a particular Service for a period not to exceed three years. These offerings may be limited to certain dates, times of day and/or locations determined by the Company.

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Effective:

Interexchange Services Price List

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SECTION 1 - RATES AND CHARGES

1.1 Prepaid Long Distance Service

1.1.1 Rate Plans

	Rate per Minute or Fraction Thereof	
	1st Minute	Add'l Minute
Option 1	0.25	0.25
Option 2	1.07	0.07
Option 3	0.15	0.15
Option 4	1.07	0.07

1.2 Prepaid Calling Card Service

1.2.1 Usage Charges

	Rate per Minute or Fraction Thereof	
	1st Minute	Add'l Minute
Option 1	0.25	0.25
Option 2	1.07	0.07
Option 3	0.15	0.15
Option 4	1.07	0.07

Issued:

Interexchange Services Price List

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Effective:

## SECTION 1 - RATES AND CHARGES

### 1.3 Promotional Services

#### 1.3.1 Promotional Prepaid Long Distance

The rate per minute for all promotional prepaid long distance calls is \$1.00 per minute or fraction thereof.

#### 1.3.2 Promotional Prepaid Card

The rate per minute for all promotional prepaid calling cards is \$1.00 per minute or fraction thereof.

Issued:

Effective:

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Interexchange Services Price List

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SECTION 1 - RATES AND CHARGES

1.4 Miscellaneous Charges

1.4.1 Return Check Charge

If a Customer's check is returned by the bank, the Company may charge the Customer a return check charge. The amount of the return check charge is \$25.00.

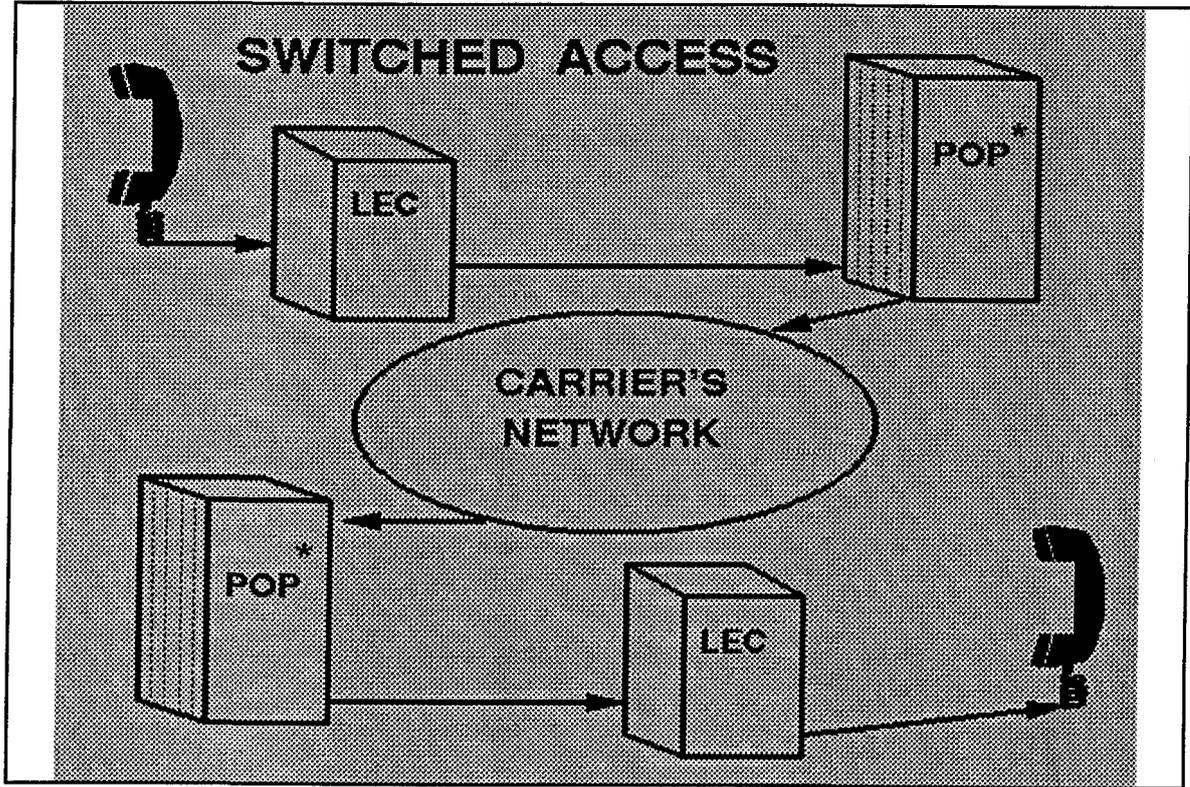
1.4.2 Payphone Surcharge

Pursuant to the FCC's Order in CC Docket 96-128, this surcharge applies only to dial-around calls, i.e., calls originating using a carrier's access code, a Customer's 800 and other toll-free numbers, calling cards, and prepaid phone card calls, from payphone instruments. This surcharge does not apply for 0+ call for which the payphone provider would otherwise receive compensation.

(A) Prepaid Services

The Customer shall pay the Company a per call surcharge of \$0.50 per call for all such traffic.

ATTACHMENT C.1  
NETWORK DIAGRAM



**ATTACHMENT C.2**

**UNDERLYING ARIZONA CARRIERS**

**Williams Communications, Inc.**

## ATTACHMENT D

### CURRENT FINANCIAL STATEMENTS

The Applicant entered the resale market as Telmex/Sprint Communications, L.L.C. on August 7, 1998. The Applicant resold Sprint's long distance services primarily outbound long distance and toll free services both domestic and international. This joint venture arrangement between Telmex and Sprint ended in May of 1999. At its peak under this joint venture, the Applicant had approximately 25,000 long distance customers. These long distance customers were transferred to Sprint when the joint venture terminated. Telmex USA, L.L.C. (formerly Telmex/Sprint Communications, L.L.C.) now intends to re-enter the long distance marketplace as a switched based reseller. The Applicant has adequate and sufficient financial resources to resell the proposed telecommunications service in Florida and can rely on the considerable resources of its ultimate parent, Telefonos de Mexico, S.A. de C.V. In lieu of a balance sheet and income statement for Telmex USA, a new entrant into the telecommunications marketplace, Attachment A consists of the recent financial reports of Telefonos de Mexico, S.A. de C.V. which indirectly holds a controlling interest in Telmex USA.

highlights

first quarter 2001

TELMEX

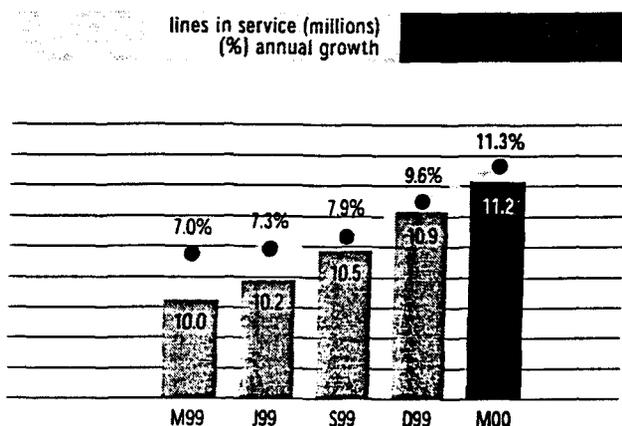
## Highlights

- 11,205,177 Access lines in Service
- 6,495,200 Cellular Customers
- 486,425 Internet Access Accounts

## Fixed Telephony

### Local Service

In the first quarter, net line gain was of 327,022 lines, ending the period with 11,205,177 access lines, an annual increase of 11.3%.



The growth in lines in service was mainly due to: more economic activity; reduction of installation charges and tariffs in real terms; the introduction of the Prodigy Plus package that in some cases generated demand for a second line; and the installation of 79,090 fixed shared phones.

The accounting separation of local service reveals that during the quarter, its revenues increased 10.4%, as a result of a 4.2% increase in basic service revenues and an increase of 27.0% in interconnection with long distance operators. This interconnection item includes the participation that local service receives from TELMEX LADA. The operating income of this business rose to 5,870 million pesos, representing 37.8% of local revenues.

### Long Distance Service

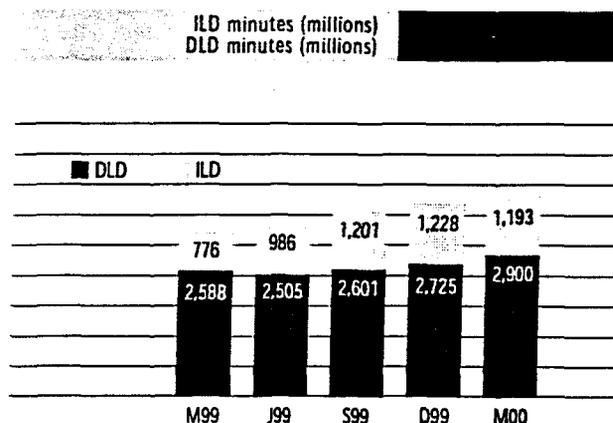
At March 31, domestic long distance billed minutes totaled 2,900 million, an increase of 12.1%, compared with the same period of the previous year.

International long distance minutes for the first quarter were 1,193 million, 53.7% higher than in the first quarter of 1999.

Both volumes are the result of more lines in service, improvement in the economy and that phone tariffs have not increased in real terms. Nevertheless, international long distance is still being negatively impacted by the illegal by-pass of some international long distance operators.

The accounting separation of long distance reflects that during the quarter, the revenues that incorporate an estimate of 547 million pesos associated to illegal by-pass, decreased 0.2%. On the other hand, costs that include total allocations associated with interconnection, co-location, port rental, billing and collecting, rose to 4,149 million pesos. The operating income of the quarter accumulated 2,562 million pesos, in other words, 38.2% of revenues.

The average revenue per local service line without including interconnection rose to 331 pesos which continues to be one of the lowest in the world. In the case of basic long distance service the average monthly revenue per line was 162 pesos. By combining both services, fixed telephony generated the equivalent of 493 pesos of average monthly revenue per line and on an annualized basis it would be equivalent to 5,916 pesos per line.



## Wireless Telephony

At March 31, 2000, TELCEL had 6,495,200 wireless lines in the country. During the quarter, 1,223,243 new customers were added, reflecting annual growth of 156.6%, favored mainly by the change in the deactivation policy once Calling Party Pays went into effect.

The main increase in customers was registered in the prepaid wireless plans (Sistema Amigo and Amigo Kit). In the first quarter, prepaid wireless services growth rate was 187.2%, and contract services grew 22.1%.

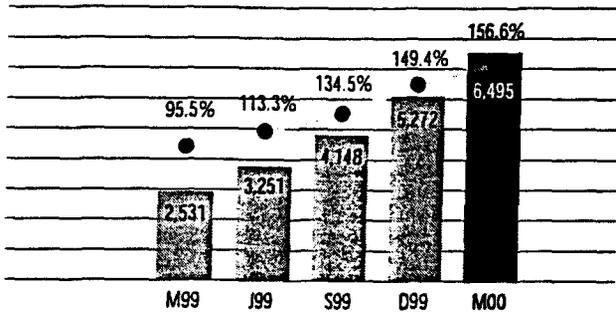
In the first quarter, TELCEL registered revenues of 4,674 million pesos, 82.6% higher than in the same period of the previous year.

The average monthly revenue per cellular customer was 266 pesos, 28.3% lower than in the first quarter of 1999. If this tendency is maintained, the annual average monthly revenue per cellular customer would be equivalent to 3,192 pesos.

Operating costs and expenses increased 73.0%, totaling 3,538 million pesos. The increase is mainly due to costs associated with the acquisition of cellular handsets and telephone cards, as well as commissions paid to distributors.

TELCEL's operating income increased 121.0% compared with the first quarter of 1999 totaling 1,136 million pesos. The operating margin for the quarter was 24.3% and the EBITDA margin was 31.0%, both higher than the same period of the previous year.

cellular subscribers (thousands)  
(%) annual growth

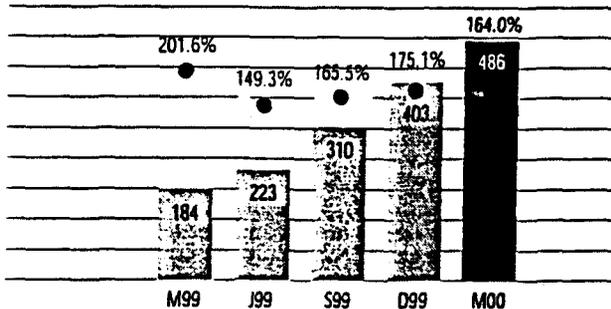


#### Internet / Data

At the end of the first quarter, there were 486,425 Internet access accounts, reflecting an increase of 164.0%. From January to March, 83,671 new accounts were added of which 43.5% correspond to the Prodigy Plus package.

On March 14, Prodigy Turbo (ISDN) was launched, that will allow Internet customers to have access speed of 128 kbps, use their telephone line without having to disconnect from the internet and maintain the actual speed.

Internet access accounts (thousands)  
(%) annual growth



Additionally, on March 21 the T1msn.com Internet Portal was inaugurated along with Microsoft.

Regarding data transmission, equivalent lines increased 49.8% year-over-year, ending the quarter with 604,111 equivalent lines in operation for data transmission.

#### Consolidated Financial Results

Total revenues for the first quarter totaled 26,445 million pesos, 23.7% higher than in the same period of 1999. This increase is mainly explained by the incorporation of TELMEX's international operations in the consolidated results of the company, more revenues generated by TELCEL and more sales of digital services. Additionally, more volume in telephone traffic, the increase in fixed and wireless lines contributed to these revenues, partially offset because tariffs remained unchanged.

Operating costs and expenses rose to 16,986 million pesos, 24.9% higher than in the same period of 1999. The main increase in costs and expenses are associated with TELCEL due to growth in cellular handset volume, commissions paid to distributors and costs related to Calling Party Pays.

The operating margin for the first quarter was 35.8%, and the EBITDA was 14,701 million pesos that is equivalent to 55.6%.

Net income for the quarter was 6,474 million pesos, an increase of 19.4% compared with the same period of the previous year.

#### Financial Structure

The debt/capitalization ratio at March 31, 2000, was 24.3%.

#### 2-for-1 Stock Split

In the extraordinary Shareholders meeting that was held on December 6, 2000, a stock restructure was approved in TELMEX's Series "AA", "A" and "L" shares. Therefore, starting on February 1, 2000 the 2-for-1 split was carried out reflected in the company's capital stock.

#### International Development

TELMEX, Firstmark, El Corte Inglés, Grupo Prisa, Caja San Fernando, Omega Capital, Caja Duero, Ibercaja, El Monte and el Diario de Burgos obtained a license from the Spanish government to operate fixed wireless local loop services in that country. TELMEX's participation is of 17.5%.

TELMEX began to trade in Latibex, the Latin American market in euros of the Spanish Stock Exchange (Bolsa de Madrid) with ticker symbol XTMXL. Telmex will be the largest Latin American company and the second largest in general trading in this Stock Exchange.

Consolidated

Statements of Income

(millions of Mexican pesos with purchasing power at March 31, 2000)

	Three Months Ended		Percent Change
	Mar/31/00	Mar/31/99	
<b>Operating Revenues:</b>			
Long-Distance Service:			
International	2,784	2,201	26.5
Domestic	5,700	5,223	9.1
Local Service	10,949	10,378	5.5
Interconnection Service	2,376	400	494.0
Other	4,636	3,175	46.0
<b>Total</b>	<b>26,445</b>	<b>21,377</b>	<b>23.7</b>
<b>Operating Costs and Expenses:</b>			
Cost of Sales and Services	6,705	4,677	43.4
Commercial, Administrative and General	5,039	4,039	24.8
<b>Cash Operating Expenses</b>	<b>11,744</b>	<b>8,716</b>	<b>34.7</b>
<b>EBITDA</b>	<b>14,701</b>	<b>12,661</b>	<b>16.1</b>
Depreciation and Amortization	5,242	4,881	7.4
<b>Total</b>	<b>16,986</b>	<b>13,597</b>	<b>24.9</b>
<b>Operating Income</b>	<b>9,459</b>	<b>7,780</b>	<b>21.6</b>
<b>Comprehensive Financing (Income) Cost:</b>			
Net Interest	25	(487)	(105.1)
Exchange Loss (Gain), Net	(167)	32	(621.9)
Monetary Effect	(324)	(310)	4.5
<b>Total</b>	<b>(466)</b>	<b>(765)</b>	<b>(39.1)</b>
<b>Income Before Income Tax and Employee Profit Sharing</b>	<b>9,925</b>	<b>8,545</b>	<b>16.1</b>
Income Tax and Employee Profit Sharing	3,268	3,126	4.5
<b>Income Before Equity in Results of Affiliates and Minority Interest</b>	<b>6,657</b>	<b>5,419</b>	<b>22.8</b>
Equity in Results of Affiliates and Minority Interest	(183)	5	(3,760.0)
<b>Net Income</b>	<b>6,474</b>	<b>5,424</b>	<b>19.4</b>

Wireless

Operations

(millions of Mexican pesos with purchasing power at March 31, 2000)

	Three Months Ended		Percent Change
	Mar/31/00	Mar/31/99	
<b>Operating Revenues*</b>	<b>4,674</b>	<b>2,559</b>	<b>82.6</b>
<b>Operating Costs and Expenses:</b>			
Cost of Sales and Services*	2,108	1,042	102.3
Commercial, Administrative and General	1,118	783	42.8
Depreciation and Amortization	312	220	41.8
<b>Total</b>	<b>3,538</b>	<b>2,045</b>	<b>73.0</b>
<b>Operating Income</b>	<b>1,136</b>	<b>514</b>	<b>121.0</b>

\*Including revenues and/or costs associated with long distance service.

Key

## Ratios and Statistics

	Three Months Ended		Percent Change
	Mar/31/00	Mar/31/99	
<b>Financial Ratios (%)</b>			
Consolidated Operating Margin	36	36	
Consolidated EBITDA Margin	56	59	
Wireless Operating Margin	24	20	
Wireless EBITDA Margin	31	29	
<b>Operating Statistics (Thousands)</b>			
Access Lines Added	327	143	128.7
Access Lines in Service	11,205	10,070	11.3
Cellular Subscribers Added	1,223	418	192.6
Total Cellular Subscribers	6,495	2,531	156.6
<b>LD Billed Minutes (Millions)</b>			
Domestic	2,900	2,588	12.1
International	1,193	776	53.7
<b>Shares Outstanding (Millions)</b>	14,940	15,128 (1)	(1.2)

1) For the 1999 figure, a retroactive effect was carried out on the stock split dictated by the December 6, 1999, Shareholders Meeting, that consists of 2 new shares per each previous outstanding share held.

## Consolidated

## Balance Sheet

(millions of Mexican pesos with purchasing power at March 31, 2000)

	Mar/31/00	Mar/31/99		Mar/31/00	Mar/31/99
<b>Assets</b>			<b>Liabilities and Stockholders' Equity</b>		
Current assets	51,526	41,541	Current Portion of Long-Term Debt	13,264	12,811
Plant, Property and Equipment, Net	111,066	115,340	Other Current Liabilities	27,793	14,134
Inventories	4,087	1,744	Long-Term Debt	25,110	19,685
Licenses	2,121	2,236	Labor Obligations	5,472	7,960
Other Assets	14,720	2,565	Deffered Credits	889	990
Intangible Asset	8,307	8,988	<b>Total Liabilities</b>	<b>72,528</b>	<b>55,580</b>
<b>Total Assets</b>	<b>191,827</b>	<b>172,414</b>	<b>Stockholders' Equity</b>	<b>119,299</b>	<b>116,834</b>
			<b>Total Liabilities and Stockholders' Equity</b>	<b>191,827</b>	<b>172,414</b>

Pro forma

Statements of Income

(millions of Mexican pesos with purchasing power at March 31, 2000)

	F i r s t Q u a r t e r		
	Mar/31/00 Local	Mar/31/99 Local	Percent Change
<b>Operating Income:</b>			
Access, Rent, Measured Service and Others	12,316	11,818	4.2
Domestic Long Distance			
International Long Distance			
LADA Interconnection	2,126	1,767	20.3
Interconnection with LD Operators	551	341	61.6
Interconnection with Cellular Companies	518	130	298.5
By-Pass Provision			
<b>Total</b>	<b>15,511</b>	<b>14,056</b>	<b>10.4</b>
<b>Operating Costs and Expenses:</b>			
Cost of Sales and Services	3,182	2,887	10.2
Commercial, Administrative and General	2,824	2,221	27.1
Depreciation and Amortization	3,635	3,518	3.3
Local Network Interconnection			
<b>Total</b>	<b>9,641</b>	<b>8,626</b>	<b>11.8</b>
<b>Operating Income</b>	<b>5,870</b>	<b>5,430</b>	<b>8.1</b>

	F i r s t Q u a r t e r		
	Mar/31/00 LD	Mar/31/99 LD	Percent Change
<b>Operating Income:</b>			
Access, Rent, Measured Service and Others			
Domestic Long Distance	4,070	4,119	(1.2)
International Long Distance	2,094	2,013	4.0
LADA Interconnection			
Interconnection with LD Operators			
Interconnection with Cellular Companies			
By-Pass Provision	547	594	(7.9)
<b>Total</b>	<b>6,711</b>	<b>6,726</b>	<b>(0.2)</b>
<b>Operating Costs and Expenses:</b>			
Cost of Sales and Services	454	505	(10.1)
Commercial, Administrative and General	1,093	1,176	(7.1)
Depreciation and Amortization	579	560	3.4
Local Network Interconnection	2,023	1,687	19.9
<b>Total</b>	<b>4,149</b>	<b>3,928</b>	<b>5.6</b>
<b>Operating Income</b>	<b>2,562</b>	<b>2,798</b>	<b>(8.4)</b>

Notes:

- 1) Local revenues for monthly rent, measured service, installation charges, equipment sales and interconnection.
- 2) Long Distance: revenues for basic services of domestic and international long distance, it does not include rural, public and data transmission services.

- 3) Tariffs include the corresponding imputations for interconnection, billing, collecting, leased ports, collocation and leased lines.
- 4) Settlement revenues are recognized according to the negotiated rates for each period.

*Stock Information*

TELMEX : Bolsa Mexicana de Valores  
          : Ticker Symbol  
TMX : NYSE Ticker Symbol  
TFONY : NASDAQ Ticker Symbol  
XTVXL : Bolsa de Madrid (LATIBEX)

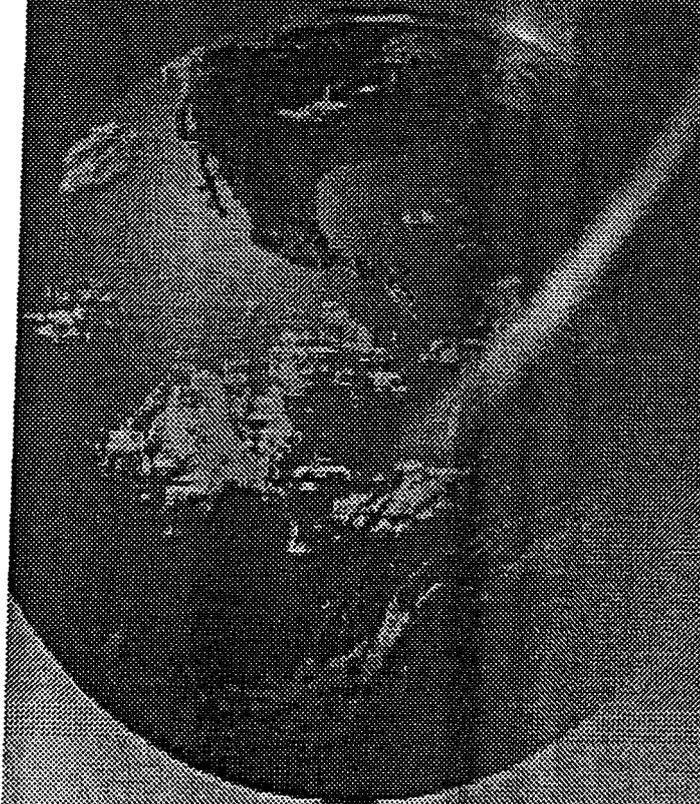


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*Dirección de Finanzas / Gerencia de Relaciones con Inversoristas*

April 25, 2000

**Highlights**  
Fourth Quarter 1999



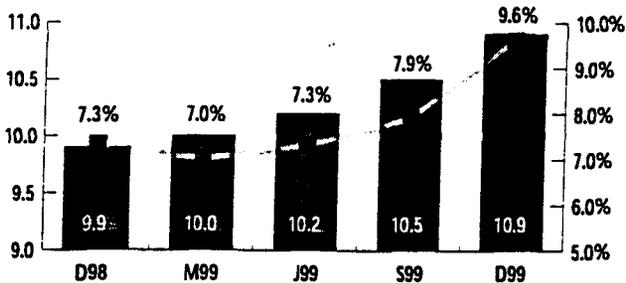
## Highlights

- **10,878,155 Access Lines**
- **5,271,957 Cellular Customers**
- **402,754 Internet Access Accounts**

## Local Service

At December 31, there were 10,878,155 access lines in service, reflecting an annual increase of 9.6%. In 1999, 951,276 lines were added, 41.3% higher than in 1998.

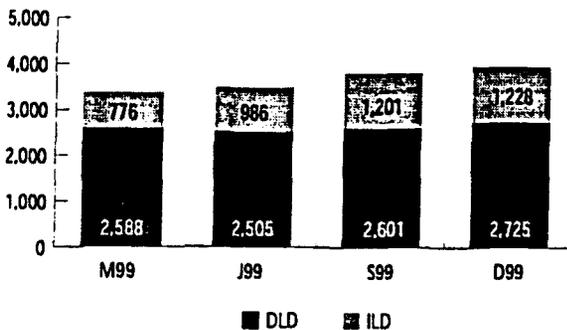
Lines in Service (millions)  
% Annual Growth



## Long Distance Service

International long distance minutes billed for the year rose to 4,192 million, 27.6% higher than the previous year. During the quarter, international long distance minutes billed were 1,228 million, 61.4% higher than the same period of 1998.

ILD Minutes (millions)  
DLD Minutes (millions)



2

Domestic long distance minutes billed for 1999 increased 14.8% compared with 1998, reaching 10,419 million minutes. Domestic long distance minutes billed for the fourth quarter were 2,725 million, 11.4% higher than the same period of 1998.

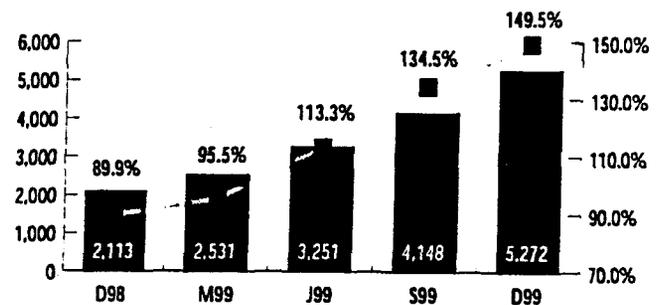
## Cellular Telephony

At December 31, 1999 the number of cellular customers was 5,271,957, reflecting an annual increase of 149.5%. In 1999, 3,158,495 new customers were added, an increase of 215.5% compared with 1998.

This growth is partly due to not canceling cellular services, accelerated penetration in rural areas and keeping prices in nominal terms. All this causes lower minutes and revenues per subscriber.

In the fourth quarter, TELCEL registered revenues of 4,043 million pesos, 38.6% higher than the same period of 1998. Operating costs and expenses increased 58.8% in the fourth quarter. As a result, operating income was 878 million pesos, 5% lower than the fourth quarter of 1998. The operating margin for the quarter was 21.7% compared with 31.7% in the fourth quarter of 1998.

Cellular Customers (thousands)  
% Annual Growth



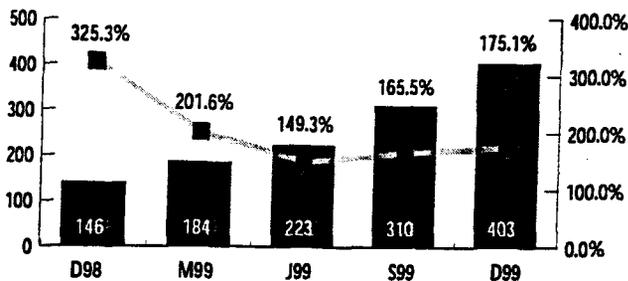
## Internet

During the fourth quarter, Internet added 92,924 access accounts, an annual increase of 175.1%, reaching 402,754 accounts in service, of which 30% are from Prodigy Internet Plus "PIP" packages.

At December 31, 1999, Prodigy Internet served 117 cities in the country.

3

Internet Access Accounts  
% Annual Growth



## Year 2000

As planned, TELMEX's network worked perfectly before and during the year 2000 transition. The investment made for this transition was approximately \$33 million dollars.

## Consolidated Financial Results

In the fourth quarter, international long distance revenues were 2,574 million pesos, 191.8% higher than the same period of 1998. These revenues increased due to higher international traffic. In addition, because of payments received from international settlements corresponding to 1998 of 1.25 billion pesos. International long distance revenues for full-year 1999 were 11,538 million pesos, 18.9% higher than in 1998.

Domestic long distance revenues for the fourth quarter were 5,286 million pesos, an increase of 7.0% compared with the same period of 1998. In 1999, domestic long distance revenues were 20,492 million pesos, an increase of 5.4% over a year ago.

Local service revenues for the quarter were 10,675 million pesos, 1.6% lower than the same period of 1998. Local service revenues for the year totaled 42,283 million pesos, 3.3% lower than in 1998.

Total operating costs and expenses for the quarter rose to 16,295 million pesos, 17.1% higher than in 1998. As in prior quarters, costs increased due to the purchase of cellular handsets, telephone cards and costs related to Calling Party Pays. Operating costs and expenses for the year were 60,077 million pesos, an increase of 10.3% compared with 1998.

The operating margin for the quarter was 38.0%, compared with 36.3% obtained in the same period of 1998.

Net income for the quarter was 7,995 million pesos, an increase of 48.4% compared with the fourth quarter of 1998. Net income for the year was 25,128 million pesos, 36.4% higher than in 1998.

## Financial Structure

The debt/capitalization ratio at December 31, 1999, was 21.3%.

## 2-for-1 Stock Split

In the Special Shareholders' meeting held on December 6, 1999, a 2-for-1 split was approved on Series "AA", "A" and "L" shares. For holders of American Depositary Shares, the effective date will be February 7, 2000.

## Expansion

During the fourth quarter, TELMEX continued with the strategy to grow internationally and in the Internet business.

With the objective of creating an Internet portal for Spanish-speaking users, TELMEX and Microsoft signed a co-investment agreement in October.

On December 20, TELMEX announced its participation of 25% in Algar Telecom Leste's (ATL) capital stock, a Brazilian wireless company that provides service to Rio de Janeiro and Espirito Santo states. This operation was approved January 11, 2000 by the Brazilian authorities.

Also on December 20, TELMEX announced its participation of 5% in Patagon.com International, LTD's capital stock, a company that provides financial and brokerage services in Latin America, based in Argentina.

## KEY RATIOS AND STATISTICS

	Three Months Ended		Percent Change	Twelve Months Ended		Percent Change
	Dec/31/99	Dec/31/98		Dec/31/99	Dec/31/98	
<b>Financial Ratios (%)</b>						
Consolidated Operating Margin	38	36		38	38	
Consolidated EBITDA Margin	53	57		56	58	
Wireless Operating Margin	22	32		22	22	
Wireless EBITDA Margin	28	38		29	29	
<b>Operating Statistics (Thousands)</b>						
Access Lines Added	361	176	105.1	951	673	41.3
Access Lines in Service	10,878	9,927	9.6	10,878	9,927	9.6
Cellular Subscribers Added	1,124	345	225.8	3,158	1,001	215.5
Total Cellular Subscribers	5,272	2,113	149.5	5,272	2,113	149.5
<b>LD Billed Minutes (Millions)</b>						
Domestic	2,725	2,447	11.4	10,419	9,077	14.8
International	1,228	761	61.4	4,192	3,286	27.6
<b>Shares Outstanding (Millions)</b>						
	7,475	7,724	(3.2)	7,475	7,724	(3.2)

## CONSOLIDATED BALANCE SHEETS

(Millions of Mexican pesos with purchasing power at December 31, 1999)

	Dec/31/99	Dec/31/98
<b>Assets</b>		
Current assets	48,723	38,635
Plant, Property and Equipment, Net	108,874	119,406
Inventories	3,998	2,176
Licenses	2,091	2,204
Other Assets	6,826	1,353
Intangible Asset	8,164	9,056
<b>Total Assets</b>	<b>178,676</b>	<b>172,830</b>

	Dec/31/99	Dec/31/98
<b>Liabilities and Stockholders' Equity</b>		
Current Portion of Long-Term Debt	9,020	13,006
Other Current Liabilities	17,438	11,297
Long-Term Debt	24,145	20,748
Labor Obligations	4,962	7,988
Deferred Credits	676	847
<b>Total Liabilities</b>	<b>56,241</b>	<b>53,886</b>
<b>Stockholders' Equity</b>	<b>122,435</b>	<b>118,944</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>178,676</b>	<b>172,830</b>

# PROFORMA STATEMENTS OF INCOME

(Millions of Mexican pesos with purchasing power at December 31, 1999)

## Fourth Quarter

	Dec/31/99 Local	Dec/31/98 Local	Percent Change	Dec/31/99 LD	Dec/31/98 LD	Percent Change
<b>Operating Revenues:</b>						
Access, Rent, Measured Service and Others	12,705	11,924	6.5	3,869	3,849	0.5
Domestic Long Distance				2,296	1,955	17.4
International Long Distance						
Interconnection with Operators:						
Long Distance	2,529	3,454	(26.8)			
Cellular	275	57	382.5			
By-Pass Provision				391	387	1.0
<b>Total</b>	<b>15,509</b>	<b>15,435</b>	<b>0.5</b>	<b>6,556</b>	<b>6,191</b>	<b>5.9</b>
<b>Operating Costs and Expenses:</b>						
Cost of Sales and Services	3,607	3,136	15.0	543	702	(22.6)
Commercial, Administrative and General	2,787	2,123	31.3	1,244	960	29.6
Depreciation and Amortization	2,623	3,216	(18.4)	433	476	(9.0)
Local Network Interconnection				1,897	2,441	(22.3)
<b>Total</b>	<b>9,017</b>	<b>8,475</b>	<b>6.4</b>	<b>4,117</b>	<b>4,579</b>	<b>(10.1)</b>
<b>Operating Income</b>	<b>6,492</b>	<b>6,960</b>	<b>(6.7)</b>	<b>2,439</b>	<b>1,612</b>	<b>51.3</b>

## Twelve Months Ended

	Dec/31/99 Local	Dec/31/98 Local	Percent Change	Dec/31/99 LD	Dec/31/98 LD	Percent Change
<b>Operating Revenues:</b>						
Access, Rent, Measured Service and Others	48,085	48,191	(0.2)	15,593	15,085	3.4
Domestic Long Distance				9,077	8,743	3.8
International Long Distance						
Interconnection with Operators:						
Long Distance	9,138	13,481	(32.2)			
Cellular	1,125	423	166.0			
By-Pass Provision				2,265	1,689	34.1
<b>Total</b>	<b>58,348</b>	<b>62,095</b>	<b>(6.0)</b>	<b>26,935</b>	<b>25,517</b>	<b>5.6</b>
<b>Operating Costs and Expenses:</b>						
Cost of Sales and Services	12,480	11,877	5.1	2,117	2,584	(18.1)
Commercial, Administrative and General	10,521	9,557	10.1	4,684	4,711	(0.6)
Depreciation and Amortization	12,200	12,938	(5.7)	1,982	1,948	1.7
Local Network Interconnection				7,036	10,031	(29.9)
<b>Total</b>	<b>35,201</b>	<b>34,372</b>	<b>2.4</b>	<b>15,819</b>	<b>19,274</b>	<b>(17.9)</b>
<b>Operating Income</b>	<b>23,147</b>	<b>27,723</b>	<b>(16.5)</b>	<b>11,116</b>	<b>6,243</b>	<b>78.1</b>

### NOTES:

- 1) Local: revenues for monthly rent, measured service, installation charges, digital services and interconnection.
- 2) Long Distance: revenues for basic services of domestic and international long distance, it does not include rural, public and data transmission services.

- 3) Tariffs include the corresponding imputations for interconnection, billing, collecting, leased ports, co-location and leased lines.
- 4) Settlement revenues are recognized according to the negotiated rates for each period.
- 5) An estimated provision is included to recognize the effect of by-pass.

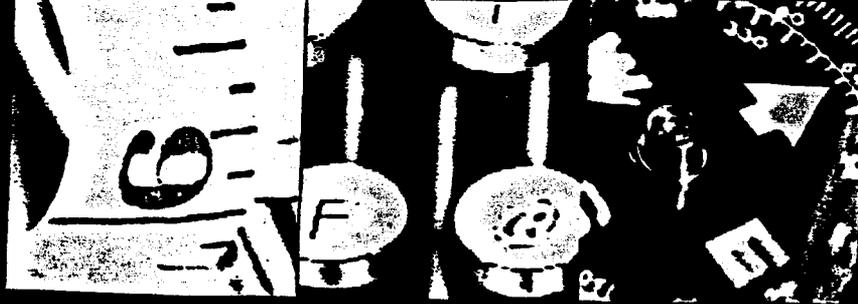
Stock Information

TELMEX : Bolsa Mexicana de Valores  
          : Ticker Symbol  
TMX : NYSE Ticker Symbol  
TFONY : NASDAQ Ticker Symbol



**NYSE**

TELEFONOS DE MEXICO, S.A. DE C.V.  
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February 3, 2000



annual report

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teléfonos de méxico

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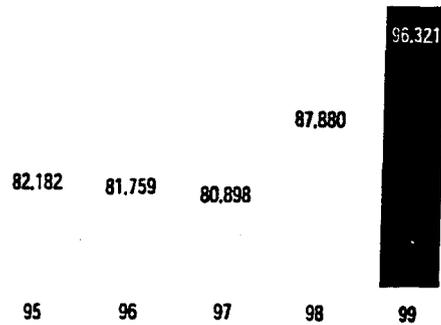
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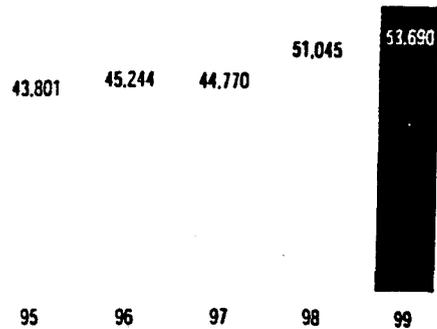
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Directory 40

total revenues (millions of pesos)



EBITDA (millions of pesos)



# Highlights

(Figures in millions of pesos, unless otherwise indicated, with purchasing power as of December 31, 1999)

Financial Results	1999	1998	1997	1996	1995
Total Revenues	96,321	87,880	80,898	81,759	82,182
Cost of Sales and Services	23,599	19,247	18,907	18,634	24,346
Commercial, Administrative and General Expenses	19,032	17,588	17,221	17,881	14,035
Depreciation and Amortization	17,447	17,655	16,753	19,926	14,823
Total Costs and Expenses	60,078	54,490	52,881	56,441	53,204
Operating Income	36,243	33,390	28,017	25,318	28,978
EBITDA	53,690	51,045	44,770	45,244	43,801
Net Income	25,127	18,421	17,120	17,884	18,322
Total Assets	178,538	172,830	170,261	172,176	200,086
Total Debt	33,165	33,754	34,292	20,591	32,428
Stockholders' Equity	22,297	118,944	117,544	137,539	155,578
Total Debt / Capitalization (%)	21.3	22.1	22.6	13.0	17.2
<b>Statistics</b>					
Fixed Lines (1)	9,878	9,927	9,254	8,826	8,801
Wireless Lines (1)	5,272	2,113	1,112	657	399
Internet Access Accounts (1)	403	146	34	-	-
Equivalent Lines for Data Transmission (1)	507	371	224	93	74
Total Services	17,060	12,557	10,624	9,576	9,274
Domestic L.D. Minutes (2)	10,419	9,077	8,232	7,867	7,294
International L.D. Minutes (2) (3)	4,192	3,286	3,768	3,558	3,055
<b>Data per Share (pesos) (4)</b>					
Average Earnings of the Year	1.67	1.17	1.02	0.98	0.91
Book Value	8.18	7.70	7.24	7.75	8.06
Nominal Market Value at Year-End (TELMEX L)	26.50	12.20	11.38	6.49	6.18
Nominal Dividend Paid	0.388	0.350	0.263	0.175	0.150
Outstanding Shares at the End of each Year (2)	14,949	15,449	16,236	17,749	19,308

(1) Thousands

(2) Millions

(3) Includes incoming and outgoing traffic

(4) Considers in retroactive form the effect of the stock split effective since February 1, 2000

## Letter to our Shareholders

Today's telecommunications environment characterized by a competitive global telecommunications industry is accelerating the evolution of TELMEX. It began with our privatization 10 years ago.

The industry is changing so fast that the challenges and the opportunities they represent are even greater than we imagined them. Telecommunications are developing rapidly in open and competitive markets. Mexico in this new digital era is essential to develop an infrastructure with the best technical, quality and price conditions. A key component of TELMEX's strategy continues to focus on that telecommunications infrastructure.

A brief review of what TELMEX has accomplished since January 1991, when the company was privatized provides additional perspective on the rapid pace of change in the telecommunications industry. When TELMEX began its transition to a competitive telecommunications company the most important challenges seemed to be modernizing an existing system and expanding service across the Mexican market. More specifically we needed to update the analog switching centers in use for more than 60 years. The requests for service more quickly so that we responded what in some cases had become a 2 year waiting period. rebuild the external infrastructure and broaden geographic coverage to serve rural communities with more than 500 inhabitants and develop efficient public telephony. Looking somewhat further into the future, we also accepted the challenges of developing wireless telephony optimizing the network's architecture, digitizing local and long distance centers, rebalancing tariffs to eliminate cross subsidies and building a wide fiber optic network with nearly 31 thousand miles, including redundancy that could cover the whole country. Included in our thinking were plans to install an advanced network in high-traffic areas to handle data and to prepare for globalization, starting with providing telecommunications access to most of the Mexican population (by the end of 2000, we will serve more than 98.5

percent of Mexico's population). In short, the task was to transform the company from a government monopoly with an obsolete and insufficient infrastructure to a private competitive company. We knew that we had to be ready for competition in all areas, even though by agreement the opening of the long distance market was deferred for 6 years.

The achievements of the past 10 years demonstrate how appropriate that assessment was. Here are only a few of the accomplishments: We increased telephony to 28.2 percent of our domestic market from 6.7 percent. Availability of fixed and wireless lines per home rose from 32.9 percent to 127.3 percent. Annual per capita telephone use has increased to 930 from 339 minutes for local service, to 145.1 from 53.6 minutes for domestic long distance and to 69.3 from 15.9 minutes for international long distance. Access to telephone service has continued to expand, and a major contributor to these achievements is TELMEX's ability to continue to devise new services which recognize the needs of individual market segments. An early example, introduced in 1991, is "Ponga su Línea a Trabajar" (Put your line to work), which involves public phones operated by small businesses. Four years ago, we introduced prepaid services. Our most recent service innovation is the concept of shared phones, which allow customers in multi-family dwellings to use centrally located phones for both incoming and outgoing calls.

Other innovations have improved TELMEX's operating position, which in turn contributes to the sound financial foundation that is essential for continued progress. For example, in our fixed line service area we have developed a process which allows us to suspend customers' ability to make outgoing calls when they fail to pay their bill. The fruits of the program is to keep these customers from being totally shut off from telephone service and allow TELMEX to stay in touch with them. Eventually, when their economic condition allows them to pay their bills, we reestablish telephone service for them.

The rapid changes taking shape in our industry in the first years after TELMEX became a private company encouraged us to go beyond our initial assumptions about the scope of our challenges and established a three-year plan. We recognized that telecommunications represent the nervous system of the new digital environment, in which technical development occurs at lightning speed, accelerating and intensifying the interaction of various economic and social trends.

Additionally, we recognized the need for continual upgrades to achieve and maintain a state-of-the-art telecommunications infrastructure. We also accepted the responsibility of contributing to the accelerated diffusion of the digital culture in our country and in Latin America.

To accomplish this, TELMEX actively supports education by training teachers, providing equipment and expanding an education network that includes public libraries in rural areas. To sustain this development and the flow of new ideas, we initiated an agreement with MIT's Media Lab to investigate new ways and equipment to accelerate the diffusion of the digital culture. Also, we are searching and evaluating new economical alternatives for Internet access through means like Web TV, mobile phones and Web phones. TELMEX recognizes that the Internet will play a significant role in global economic development, and we are committed to making sure that the Mexican population has computer equipment to access this crucial communications tool.

TELME's internationalization, though recent, has been intense. Our initial efforts have focused on Latin America and the Hispanic market in the United States. We have operations in Puerto Rico and are increasing our presence in Brazil, Ecuador and Guatemala. Additionally, along with Microsoft, we have begun development of

The same kind of efforts we have described as applying to our markets in Mexico are central to our objectives for markets throughout Latin America.

Telecommunications is a changing, challenging industry. If anything, communications and the use of telecommunications networks will continue to escalate. People will always communicate among themselves, their family friends and members of their local communities. Increasingly telecommunications takes people into the global community following the paths of commerce and personal interests. The challenge for TELMEX is to accompany our customers as they reach across boundaries. We are committed to the continued development of value added telecommunications products and services that fit their needs.

Elsewhere in this report you will read about TELMEX's operating and financial results. They are the result of the efforts and dedication of all TELMEX employees. Their talent, experience, vision and commitment converge in a single purpose that of carrying out the company's strategy, which in turn allows us to look at the future with confidence.

Carlos Slim Helu  
Chairman of the Board

Juliano Gilio Peres  
Chief Executive Officer

TELMEX

**Global Growth and Coverage**

TELMEX helps make phone service a daily part of the personal and business life of our customers by offering products and services that satisfy their expectations.

To identify and eliminate the barriers that keep people from having access to telecommunications, has been TELMEX's business pattern. Making telecommunications services more accessible to all population segments is an important contributor to TELMEX's growth.

**Local Service**  
At the end of 1999, TELMEX had 10,878,155 fixed lines in service. During the year, 1,425,346 installations and 414,070 disconnections occurred for a net increase of 951,276 lines, or 9.6 percent. The total number of value added services in effect, such as call waiting, three way calling, call forwarding and caller ID, was 2,070,133, or 65.4 percent higher than in 1998.

Several changes were made in local service during 1999. In February, the process of updating local call dialing began. In July, local service areas were consolidated, including restructuring several existing switching centers to make the infrastructure more efficient.

Another major change during 1999 was the introduction of competition in local telephony. Once again, TELMEX completed the preparations on time and in line with the requirements regulators established for the process. Just as was the case when the Mexican telecommunications market was opened to long distance competition.

**Long Distance**  
In 1999, international long distance traffic rose to 4,192 million minutes, reflecting an increase of 21.6 percent over the previous year. The growth trend for this service is negatively affected by the illegal internet

of traffic known as "by-pass," whereby competitors fail to follow the rules regarding the agreed-upon rate TELMEX is to play in terminating long distance calls.

In the first half of 1999, TELMEX reached an agreement on settlement rates with the North American long distance operators which have entered the competitive Mexican market. This agreement set a settlement rate for 1998 of US \$0.37 per minute. Additionally, the settlement rate agreed to for the first half of 1999 was US \$0.31 per minute and for the second half of 1999 and the year 2000, US \$0.19 per minute.

Domestic long distance traffic amounted to 10,419 million minutes, an annual growth rate of 14.8 percent in 1999. The increased traffic resulted from the record number of lines in service, a higher volume of calls and impact of "by-pass," which effectively shifts certain calls from international to domestic long distance.

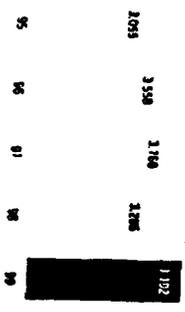
In accordance with the program to introduce competition to Mexico's long distance market, 50 more cities were added in 1999, bringing the total to 150 cities. In these cities, competition accounts for 83 percent of TELMEX's fixed lines and approximately 90 percent of long distance minutes. Market research conducted by NCS, an independent company that verifies changes in long distance providers, showed that 85 percent of customers in the cities covered by competition have selected a long distance provider and have initiated switches among providers 13,873,045 times in the 1997-1999 period.

**Public Telephony**  
As part of the strategy to raise Mexico's telephone service to world class levels, TELMEX introduced "Landing Street Phone" in 1999. This service is composed by fixed or wireless telephony supported by the Intelligent Network and is included in

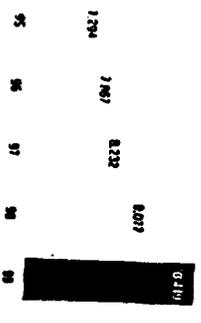
multi-quantity units to accept incoming calls as well as outgoing calls. The service is based on a prepaid program, and there are no installation charges or monthly fees for users.

In 1999, the number of fixed phones installed rose to 310,859 of which 168,592 were fixed street telephones and 302,281 were wireless. In addition to allowing telephone access, the initiative has made it possible to update public service previously provided through some residential phones.

**(10 minutes)**



**DLD minutes**



Local Communications



The commitment  
is to be part of our customers  
lives through products and services.

That is their work.

TELCEX has continued to upgrade the public telephony network. By the end of 1999, 85 percent of the network of 251,480 public phones had been equipped with G.P. technology. During 1999, TELCEX sold 208 million G.P. cards and provided 1.4 million G.P. cards to make calls on the public phones. The total was 5.4 percent, more than in 1998, a strong indicator of the progress ahead.

To further broaden communications opportunities in Mexico and enhance the competitive environment, TELCEX provided the necessary support for the operations of several companies that offer G.P. telephony services. In December 1999, these companies had 7,275 public phones in operation.

As of TELCEX increased public telephony coverage in the most remote corners of the country with programs like "Porque Si Linea a la Casa" (P-1 year ago to work), shared telephony and an expanded G.P. telephony platform. During 1999, the number of rural public phones increased 51.6 percent to 76,721, including all these programs, the total number of public telephones in operation during 1999 was 654,941, or 9.4 phones per one thousand inhabitants.

#### Wireless Telephony

Among the services with especially high growth potential for TELCEX is wireless telephony, which is delivered through TELCEX. As a result, expansion and modernization of TELCEX's infrastructure is a high priority in TELCEX's strategic planning, with particular emphasis on improving customer service.

At the end of December 1999, TELCEX served 5,271,957 subscribers, an increase in the customer base of 149.5 percent compared with the previous year. TELCEX's market share also increased to 68 percent of Mexico's cellular customers, compared with 64 percent in 1998. During 1999, 3,513 million minutes of air time were billed, an annual increase of 96.8 percent. In May 1999, "Calling Party Pays" was introduced. Along with the increase in national coverage, it was a major factor in TELCEX's growth.

#### Landline cards sold

(millions)



TELCEX's revenues were 13,036 billion pesos in 1999, for a year-over-year increase of 47.6 percent. TELCEX represented 13.5 percent of TELCEX's total revenues for the year. Its operating income increased to 2,814 billion pesos, 45.6 percent higher than in 1998. The operating margin was 21.6 percent.

At the end of 1999, TELCEX reached a density of 57.8 cellular telephones per one thousand inhabitants and its coverage extended to 97,251 communities. That translates to 93.4 percent of the country's population having access to wireless phone service.

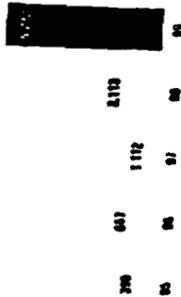
#### Internet and Data Transmission

Over time, TELCEX has transformed itself from a company concentrating on voice transmission services to one providing multimedia options. In addition, TELCEX has carried out an Internet strategy, extending its capability to satisfy the growing demands of access and content.

TELCEX offered Internet access service to 402,754 customers at the end of 1999, achieving an annual growth rate of 175.1 percent with 256,374 new users added during the year.

#### Wireless lines

(thousands)



In June 1999, the "Prodigy Internet Plus" package was launched. This package gives customers unlimited access to the Internet for 2 years, a personal Web page, an e-mail account and a multimedia-equipped personal computer. During 1999, customers bought 109,047 Prodigy Plus packages. In other words, 42.5 percent of all new customers chose this option.

At the same time, a larger number of cities gained Internet access. During 1999, 42 cities were added to the existing 76 cities with coverage, bringing the total to 117 cities and representing an increase of 58.0 percent compared with the cities covered in 1998.

In 1999, data transmission revenues represented 5.6 percent of TELCEX's total revenues. Compared with 1998, revenues increased

21.2 percent to 5,411 billion pesos, and equivalent lines for data transmission grew 36.8 percent, reaching 506,921 in service at year-end.

Taking another step to contribute actively in the development of a digital culture, TELCEX signed an agreement with the Media Laboratory of the Massachusetts Institute of Technology (MIT) to carry out research and develop technology to establish a testing laboratory focused on projects with applications for Mexico and Latin America. (TELCEX Lab) to have access to all the information on projects being carried out at MIT's Media Labs, and to train researchers and technology developers to serve Mexico and Latin America.

#### 20 / 20 plan

	1998	1999	1999	1999
Fixed Lines	8,801	8,828	8,254	9,927
Wireless Lines	596	657	1,312	2,113
Internet Access Accounts	-	-	34	146
Equivalent Lines for Data Transmission	74	83	224	371
Total	9,471	9,568	9,814	12,557

#### YZM

As planned, TELCEX's network and all its components worked normally before, during and after the technology transition to the year 2000. This reflected the dedication that TELCEX's Year 2000 Group (Y2K20) carried out since 1997 to guarantee the continuity of customer service throughout the country. TELCEX's investment in the process was close to 33 million dollars.

Between privatization in 1990 and year-end 1999, TELMEX invested a total 18 billion dollars in consolidating its telecommunications infrastructure. That investment recognizes that the infrastructure is the base from which we serve our customers and offers them world-class products and services. The strategy to maintain our network at the highest quality levels also recognizes that corporate and residential customers see more than just a provider. They also look for a telecommunications partner which communicates effectively with them and supports contact among themselves and with the world.

TELMEX has constantly invested in its infrastructure and systems, as well as in training and developing personnel, to transform that platform into products and services that satisfy the diverse telecommunications needs of its customers. As a result, between 1990 and year-end 1999, TELMEX upgraded its local and long distance networks to 68.6 percent and 100 percent, respectively.

In addition, an Intelligent Network platform has been incorporated to support value-added services such as 800 and 800 services, phone cards (le-Card and IADAMon), Coligo LADA and Fluxus among others.

As a result of the quality and dependability of TELMEX's processes and infrastructure, the company has received various quality certificates from the Mexican Institute of Normalization and Certification, A.C. In 1997 that recognition was given to the National Supervision Center of the Long Distance Network in ISO 9002. In 1998, the Intelligent Network and the Signaling System for Common Channel No. 7 in ISO 9001 and to the Management of Development of the World and International Network in ISO 9002, and in 1998, to the Iticoup Corporate Market Attention Center and the Area of Operation and Maintenance of the Long Distance Network in ISO 9002. TELMEX

continues to emphasize meeting these criteria in how we supervise operations and serve customers:

**Voice Solutions**  
Even as data transmission becomes an increasingly important part of the services TELMEX provides, the company continues to upgrade voice transmission as well. The Virtual Private Network (VPN) offers abbreviated dialing, competitive tariffs and traffic management functions, as well as RoD-SL, a digital network of integrated voice, data and video services, digital trunks and high-capacity traffic access in switchboard intercommunication.

**Data Solutions**  
Data transmission's commercial strategy has focused on facilitating the migration of private networks to virtual networks. The advantage to the customer comes from the ability to add new services and equipment, and to develop local solutions that integrate access, TELMEX's Universal Network. Among the main products are LADA (Local BADA) links from 9 to 34 Mbps, Frame Relay R, dedicated and switched corporate Internet and extended port, as well as data transport services through Uninet, the data network with the best coverage and reliability in the country.

**Service Integration**  
To help corporate customers integrate telecommunications products and achieve the best network solutions for their own business, TELMEX offers several options to help customers choose the best product. The leading service in this regard is Sierra, a diverse online consulting and analysis tool. Second is redundancy and diversity in security solutions and recovery capability to protect voice and data traffic in critical applications. Third is maintenance contracts, to offer preventive and corrective attention for customers' equipment.

**Universal Network**  
TELMEX's universal network represents the essential technological platform to provide the Mexican market with the new generation of services required for further corporate development. It integrates voice, data, video and Internet services that TELMEX provides and offers its customers the necessary capacity to develop new applications to meet the demands of the commercial environment and customer service.

The competitiveness of TELMEX's universal network is based on the application of leading-edge technology for data transmission to the national fiber optic network, to integrate the largest diversity of fixed or wireless access means and multiple broadband options. This network incorporates an entire range of communication protocols and offers high capacity to support all types of applications. Likewise, it guarantees readiness, quality and security of operations.

**Human Resources**  
The Technological Institute of Telephony de México, (INTELTEL) was created in 1991 to make sure that the learning curve of TELMEX's employees keeps pace with technological modernization. INTELTEL established a broad training curriculum to provide basic telecommunications knowledge, aid technology transfer and develop commercial and sales abilities to support the company's competitive process.

From 1991 to 1999, INTELTEL conducted 822,278 course hours, the equivalent of two courses per employee per year, each averaging nine days of training. This level is competitive at international standards. During 1999 alone, INTELTEL offered 15,052 courses, or the equivalent of 106,151 course hours when the number of participating employees is factored into the measurement.

As a result of the extensive personnel development within TELMEX, employees' average education level of 6 years in 1990 has increased to 14 in 1999, equivalent to the most competitive international companies.

Always ahead...  
through time.

TELMEX's international expansion intensified in 1999, often accompanied through strategic alliances with local partners to bolster our long term objectives in the case of the internet. TELMEX has focused its business plan on two initiatives: access through Prodigy Communications Corporation (Prodigy) and content, through association with Microsoft Corporation (Microsoft) in the development of a portal for the Hispanic market.

In February 1999, Prodigy carried out a public stock offering in conjunction with that offer, TELMEX acquired 2 million shares of common stock.

In November to strengthen Prodigy's leadership as an internet access provider in the United States, Prodigy and SBC Communications established an alliance focused on meeting the needs of the mass market and small businesses, which will contribute to positioning Prodigy as one of a leading US provider of DSL (Digital Subscriber Line). The project continues through the first half of 2000.

At the end of 1999, Prodigy had 1,114,832 customers in the United States representing growth of 51.9 percent compared with year end 1998. Total revenues increased to 188 million 885 thousand dollars in 1999, 38.7 percent ahead of the previous year.

Another alliance was carried out in October of 1999, Microsoft when TELMEX signed a co-investment agreement with Microsoft to jointly operate and create a Spanish language portal *11men*. The objective is to reach all Spanish-speaking users in the content and to offer information and excellent local content. The platform of this portal includes a broad portfolio of applications to enrich user experience.

In wireless telephony, TELMEX's international development began with Topp Telecom, Inc. (Topp), with headquarters in Miami, Florida.

Through its brand name *flexfone*, Topp offers national coverage in the United States, with a universal number prepaid system and immediate activation of the service.

In 1999, the number of customers grew 54.5 percent, totaling 234,194 at year-end in the same period revenues increased 80.1 percent to just over \$1 million dollars.

In June, TELMEX acquired Comm South Companies, Inc. (Comm South), with headquarters in Dallas Texas. It offers prepaid fixed telephony to residential customers in the United States.

At December 1999, the company served 180,765 customers, an annual growth rate of 18.6 percent. Sales in 1999 were approximately 108 million dollars, 33.0 percent higher than in 1998.

With SBC Communications, TELMEX acquired Cellular Communications of Puerto Rico, Inc. (CCPR) in October. This company offers wireless, paging and long distance services in Puerto Rico and the Virgin Islands. It operates under the Cellular One brand.

CCPR had 414,485 wireless customers at the end of 1999, 37.9 percent higher than a year earlier. Revenues increased 12.2 percent over the prior year to approximately 202 million dollars.

In late 1998, TELMEX and SBC announced that they planned to acquire 50 percent of the Mexican cellular company AT-Álger Telefón Lesa, S.A. (ATL). It provides services in Rio Arriero and Bay of Ejeto Santo, Baja. The transaction was completed in January 2000.

In one year of operations, ATL had approximately 930 thousand customers and generated revenues of about 243 million dollars.

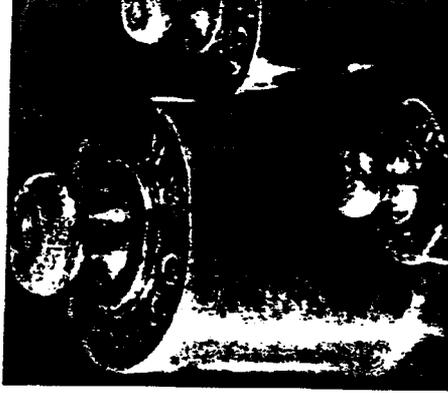
During 1999, TELMEX played a significant role in helping expand local and long distance service provided by Telecomunicaciones de Guatemala, S.A. (Telegua). A work plan put into practice during the year accelerated modernization of the infrastructure and increased the nation's tele-density. The 1999 investment to meet these goals was 166 million dollars.

The program substantially reduced the lag in fixed line installations. To continue the improvement, the planned investment for 2000-2001 is approximately 350 million dollars. The strategic plan for that period focuses on broader coverage, the addition of a large number of rural communities to the network and more availability of voice and data services in the country.

Additionally, subsidiary companies were created to provide data transmission and wireless communication services using CDMA technology. Likewise, public telephony with chip technology was introduced with widely acclaimed success.

By December 1999, Telgua had 570,647 fixed lines in operation, reflecting growth of 6.2 percent in the customer base. Total revenues were 216 million dollars, 8.3 percent higher than in 1998. The wireless subsidiary in only six months of operation signed up 92,495 customers.

TELMEX and Williams Communications Group, Inc. signed a strategic alliance in May 1999 to enhance their capacity to offer international services between Mexico and the United States. By interconnecting both fiber optic networks, the two companies will be able to offer a unique platform of multimedia services in their respective markets.



Consolidated Financial Statements

**Financial Structure**  
 The 2001 to 2010 repurchase of 21.3 percent for 1999 shows that 11,188,151 shares of common stock were repurchased in 1999, which was 22.1 percent of the 50,150,000 shares outstanding at the end of 1998.

**Stock Repurchase**  
 In 1999, the company repurchased 210 million shares equivalent to 3.2 percent of the 6,400,000 shares outstanding at the end of 1998. The repurchase program was authorized by the board of directors on March 15, 1999, and the company has repurchased 210 million shares of common stock through the end of 1999. The program was approved to acquire up to 800 million shares.

On October 15, 1999, the company announced that it had repurchased 200 million shares of common stock at a price of \$11.00 per share. The repurchase program was approved by the board of directors on October 15, 1999, and the company has repurchased 200 million shares of common stock through the end of 1999. The program was approved to acquire up to 800 million shares.

**Cellular Telephony**  
 At the end of 1999, cellular customers totaled 5,271,957, 149.5 percent higher than at the end of 1998. Total minutes reached 3,513 million, an increase of 96.9 percent compared with 1998.

Revenues were 47.6 percent higher than in 1998, totaling 13,035 billion yen. The growth in revenues reflected the increase in the number of cellular customers, introduction of "calling party pay," revised cancellation policy, accelerated penetration in rural areas and prices that have remained stable in nominal terms.

During 1999, operating costs and expenses were 10,221 billion yen, 48.2 percent higher than the previous year. The growth in operating costs and expenses reflected higher communications and other services, higher depreciation and the increasing market in handset sets. The operating margin in 1999 was 21.6 percent compared with 21.9 percent in 1998.

**CELLULAR TELEPHONY**  
 Year ended December 31

	1999	% of operating revenues	1998	% of operating revenues
Operating Revenues (*)	13,035	100.0	8,829	100.0
Operating Costs and Expenses	10,221	78.4	6,857	77.8
Operating Income	2,814	21.6	1,972	22.2

\* Includes revenue from other services available with long distance service.

Opinion  
of the Statutory Auditor

To the Stockholders of  
Teléfonos de México, S.A. de C.V.

In my capacity as statutory auditor and in compliance with Article 166 of the Mexican Corporations Act and the bylaws of Teléfonos de México, S.A. de C.V. I am pleased to submit my report on the consolidated financial statements for the year ended December 31, 1999, presented to you by the Board of Directors.

I personally (or in my absence the alternate statutory auditor) attended the Stockholders' and the Board of Directors' meetings to which I was summoned and I obtained from the board members and the Company's officers the information on the Company's operations, documentation and records that I considered necessary for examination. I conducted my review in accordance with auditing standards generally accepted in Mexico.

In my opinion, the accounting and reporting policies and criteria observed by the Company in the preparation of the consolidated financial statements that are being submitted to the stockholders are adequate and sufficient and were applied on a basis consistent with that of the prior period. Consequently, it is also my opinion that the above-mentioned consolidated financial statements present fairly in all material respects, the consolidated financial position of Teléfonos de México, S.A. de C.V. and subsidiaries at December 31, 1999, the consolidated results of their operations, changes in their stockholders' equity and changes in their financial position for the year then ended in conformity with accounting principles generally accepted in Mexico.

*V. Aguilar U.*

CPC Victor Aguilar  
Statutory Auditor

México City, México  
March 3, 2000

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Report  
of Independent Auditors

 **MANCERA, S.C.**  
**ERNST & YOUNG**

To the Stockholders of  
Teléfonos de México, S.A. de C.V.

We have audited the accompanying consolidated balance sheets of Teléfonos de México, S.A. de C.V. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement and are prepared in conformity with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Teléfonos de México, S.A. de C.V. and subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations, changes in their stockholders' equity and changes in their financial position for the years then ended in conformity with accounting principles generally accepted in Mexico.

Mancera, S.C.  
A Member of  
Ernst & Young International

*SAU*  
CPC Alberto Tiburcio

México City, México  
March 3, 2000

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**Consolidated**

**Balance Sheets**

(Thousands of Mexican pesos with purchasing power at December 31, 1999)

Assets	December 31		December 31	
	1999	1998	1999	1998
Current assets				
Cash and short term investments	P\$ 28,119,116	P\$ 20,207,207		
Accounts receivable net (Note 2)	19,072,266	18,110,429		
Prepaid expenses	2,271,428	1,171,398		
Less current assets	48,122,865	28,635,032		
PPE, property and equipment net (Note 3)	108,136,261	119,406,471		
Intangible assets primarily for use in construction of the transport plant	3,948,501	2,176,270		
Leases net (Note 4)	2,020,908	2,203,953		
Equity investments (Note 5)	4,270,368	681,239		
Intangible assets (Note 6)	8,164,076	9,058,088		
Goodwill net (Note 5)	2,554,852	871,344		
Other assets	P\$ 178,537,649	P\$ 172,830,384		
Liabilities and stockholders' equity				
Current liabilities				
Current portion of long-term debt (Note 7)				
Accounts payable and accrued liabilities				
Leases payable				
Total current liabilities				
Long-term debt (Note 7)				
Reserve for employee pensions and seniority premiums (Note 8)				
Deferred credits (Note 8)				
Total liabilities				
Stockholders' equity (Note 12):				
Capital stock:				
Historical				
Reinvestment statement				
Premium on sale of shares				
Retained earnings:				
Unappropriated earnings of prior years				
Net income for the year				
Minimum pension and seniority premium liability adjustment (Note 8)				
Deficit from restatement of stockholders' equity				
Total majority stockholders' equity				
Minority interest				
Total stockholders' equity				
Total liabilities and stockholders' equity				

See accompanying notes.

**Consolidated**

**Statements of Changes in Stockholders' Equity**

(Thousands of Mexican pesos with purchasing power at December 31, 1999 except for dividends per share)

**Retained earnings**

	Capital stock	Premium on sale of shares	Legal reserve	Reserve for purchase of Company's own shares	Unappropriated	Total	Minority interest liability adjustment	Minority pension and security premium liability adjustment	Deficit from restatement of stockholders' equity	Total minority stockholders' equity	Minority interest	Total stockholders' equity
Balance at December 31, 1997	Ps 52,000,139	Ps 9,127,297	Ps 11,820,710	Ps 4,051,703	Ps 88,948,569	Ps 104,829,140			Ps (48,462,866)	Ps 117,543,710		Ps 117,543,710
Appropriation of earnings approved by stockholders meeting held in March and April, 1998												
Cash dividends paid												
4 Ps 0.70 per share												
Increase in legal reserve			724,742		(6,821,664)	(6,096,922)						
Increase in reserve for purchase of Company's own shares				21,757,855	(21,757,855)							
Cash purchase of Company's own shares	(181,138)			(10,914,416)	(7,263)	(10,421,700)		Ps (1,277,172)		(10,602,845)		(10,602,845)
Minimum pension and security premium liability adjustment (Note 6)												
Surplus from hedging nonmonetary assets												
Net income					18,421,020	18,421,020			1,481,000	1,481,000		1,481,000
Balance at December 31, 1998	Ps 51,869,001	Ps 9,127,297	Ps 12,545,520	Ps 15,005,202	Ps 78,256,105	Ps 106,208,627			(47,011,770)	18,421,050		18,421,050
Appropriation of earnings approved by stockholders meeting held in March and April, 1999												
Cash dividends paid at Ps 0.775 per share												
Surplus in reserve for purchase of Company's own shares												
Increase in legal reserve			94,240		(6,028,000)	(5,933,760)						
Cash purchase of Company's own shares	(114,028)			24,197,004	(24,197,004)							
Minimum pension and security premium liability adjustment (Note 6)					(16,240)	(16,240)						
Minority interest												
(Deficit) surplus from hedging nonmonetary assets												
Net income					282,940	282,940		794,000		794,000		794,000
Balance at December 31, 1999 (Note 12)	Ps 51,754,973	Ps 9,127,297	Ps 12,544,760	Ps 22,062,274	Ps 72,662,649	Ps 117,549,753	Ps (94,188)		Ps (4,940,266)	117,505,487	Ps 874,300	Ps 122,379,787

See notes to financial statements









The net temporary differences on which the Company has recognized deferred taxes in terms of Mexican Accounting Principles Bulletin D-4, as in effect at December 31, 1993, are as follows:

	1999	1998
At December 31, 1993:		
Deferred tax asset		
- Long-term investments		
- Other		
- Total		
Deferred tax liability		
- Depreciation		
- Other		
- Total		
Net deferred tax liability		
- Total		

The deferred tax asset and liability are presented on the balance sheet in accounts receivable and accounts payable, respectively, representing directly long-term assets for and (negative) liabilities for. Accounting for income tax expense under the new Bulletin requires the recognition of deferred income tax liability for temporary differences in balance sheet accounts to be determined on a quarterly basis, using the enacted income tax rate in the time the financial statements are prepared.

statements are issued through December 31, 1999, deferred income tax was recognized only on temporary differences that were considered to be non-recurring and that had a known turnaround time.

The cumulative effect derived from the adoption of the Bulletin at the beginning of 2000 is to be reported to stockholders' equity without restating the financial statements of prior years.

At the date of issuance of these financial statements, the Company is assessing the impact that the change in the requirements will have. The effect is expected to be a decrease in stockholders' equity. Also, it is expected that the Bulletin will increase income tax provisions in future years.

The new Bulletin does not significantly affect the accounting for employee profit sharing.

The foreign subsidiaries determine their income tax based on the individual results of each subsidiary and in conformity with the local tax laws of each country. The income tax provisions of these subsidiaries are not material in relation to the consolidated financial statements.

14. Segments  
 TIMSA operates primarily in the following segments: local telephone services, long distance telephone services and other services. Local telephone services consist of local and long distance services. The long distance services consist of long distance services, including international services, and other services. The other services include local and long distance services. The information presented in this segment information is based on the Company's internal reporting system. Additional information may be obtained from the Company's internal reporting system. The following summary shows the most important segment information and has been prepared knowing the accounting policies described in Note 1 on a consistent basis.

Income of Mexican pesos with purchasing power at December 31, 1999

	Local Service	Long Distance	Other	Others adjustments and eliminations	Consolidated total
At December 31, 1999:					
Revenues					
- Local service	48,018	24,670	13,025	10,598	96,321
- Long distance	10,310	1,982	841	10,310	22,443
- Other	12,200	1,862	2,814	2,324	17,447
Expenses					
- Local service	23,167	6,851	2,814	1,431	36,263
- Long distance	151,184	23,378	13,711	22,171	208,464
- Other					
- Local service	48,074	21,829	8,829	1,189	81,960
- Long distance	14,061	1,948	443	14,061	31,655
- Other	12,938	4,554	1,931	2,106	21,529
- Depreciation	2,123	4,554	1,931	820	9,428
- Other	19,584	74,679	8,544	18,518	111,325

16. Generally Accepted Accounting Principles in the United States - Reclassification

The Company's consolidated financial statements are prepared in accordance with Mexican GAAP, which differ in certain significant respects from Accounting Principles Generally Accepted in the United States ("U.S. GAAP").

The principal differences between Mexican GAAP and U.S. GAAP as they relate to the Company consist of the accounting for pension plan costs, deferred income taxes, and employee profit sharing (deferred income tax), and the valuation of stock options and equipment. Other differences are the accounting for interest on assets under construction, accrued vacation cost and inventory interest.

Net Income as reported under Mexican GAAP  
 Total approximate U.S. GAAP adjustments, net  
 Approximate net income under U.S. GAAP  
 Other comprehensive income  
 Approximate comprehensive income under U.S. GAAP

Weighted average common shares outstanding (in millions):  
 Basic  
 Diluted

Approximate net income per share under U.S. GAAP:  
 Basic  
 Diluted

Total stockholders' equity under Mexican GAAP  
 Total approximate U.S. GAAP adjustments, net  
 Approximate total stockholders' equity under U.S. GAAP

The reconciliation to U.S. GAAP does not include the reversal of the adjustments to the financial statements for the effects of inflation required under Mexican GAAP (Bulletin B-10), because the application of Bulletin B-10 involves a comprehensive measure of the effects of inflation on the Mexican economy and, as such, is considered a non-recurring item. The presentation of the historical cost-based financial reporting for both Mexican and U.S. accounting purposes.

A summary reconciliation of net income, comprehensive income and total stockholders' equity between Mexican and U.S. GAAP is as follows:

	1999	1998
Net Income as reported under Mexican GAAP		
- Total approximate U.S. GAAP adjustments, net	26,128,643	18,421,060
- Approximate net income under U.S. GAAP	1,688,202	853,733
- Other comprehensive income	23,440,441	17,567,327
- Approximate comprehensive income under U.S. GAAP	720,686	918,058
Weighted average common shares outstanding (in millions):		
- Basic	22,118,322	16,708,271
- Diluted	18,092	15,804
Approximate net income per share under U.S. GAAP:		
- Basic	19,376	15,804
- Diluted	1,553	1,111
Total stockholders' equity under Mexican GAAP	1,529	1,111
Total approximate U.S. GAAP adjustments, net	122,287,258	118,944,184
Approximate total stockholders' equity under U.S. GAAP	9,162,364	14,641,231
Weighted average common shares outstanding (in millions):		
- Basic	113,134,894	104,302,863
- Diluted	18,092	15,804

**Proposal**

**to the Meeting**

(thousands of Mexican pesos with purchasing power at December 31, 1999, except for dividends per share)

Requesting a second payment for the 1999 local year and according to Clause forty five of the Articles of Mexico, S.A. de C.V. by law, the following amounts are subject to the Shareholders:

Amount	
P. 25,809,950	
Plus: Payment for one dividend payment in cash to shareholders beginning March 23, 2000, of P. 0.10 per share by presenting coupons 12, according with the Shareholders Meeting and the Extraordinary Shareholders Meeting held on April 25, 1999 and December 6, 1999 respectively	
P. 1,099,499	
P. 24,110,451	
P. 18,437,209	
P. 42,567,660	

It is proposed that the balance of P. 42,567,660 made available to the shareholders to be allocated as follows:

Amount	
P. 8,897,694 (1)	
P. 35,669,966	
P. 42,567,660	

The cash dividend proposed to the Shareholders' Meeting will be paid starting June 22, 2000, September 21, 2000, December 21, 2000 and March 22, 2001, for all outstanding shares which make up the capital stock of the Company by presenting coupons 11, 14, 15 and 18 respectively. The dividend payments are subject to the corresponding withholding tax. While the amounts of the dividends are not allocated to the shareholders, they will continue in the Company's retained earnings account.

(1) Estimated figure considering a total of 14,994,987,802 outstanding shares at March 31, 2000.

**Significant Results**

**of Accounting Separation of Local and Long-Distance Telephone Service**

for the years ended December 31 (thousands of Mexican pesos with purchasing power at December 31, 1999)

Based on Condition 7.5 of the Amendments to the Concession Title, the commitment to present independent accounting records for local and long-distance services is presented below for 1999, 1998 and 1997.

	Local Service			Long-Distance Service		
	1999	1998	1997	1999	1998	1997
<b>Operating Revenue:</b>						
Access, Int., Measured Service and Other	P. 48,096	P. 48,191	P. 46,792	P. 19,993	P. 15,065	P. 16,345
Domestic Long-Distance						
International Long-Distance						
LAN Interconnection	7,298	11,213	13,469	9,077	8,743	12,411
Interconnection with Long-Distance Carriers	1,740	2,258	1,469			
Interconnection with Cellular Companies	1,128	423	852			
<b>Total Revenue</b>	<b>58,348</b>	<b>62,095</b>	<b>56,402</b>	<b>24,670</b>	<b>23,808</b>	<b>28,756</b>
<b>Operating Costs and Expenses:</b>						
Cost of Sales and Services	12,460	11,877	12,181	2,117	2,594	2,839
Commercial Administrative and General	10,321	9,557	10,113	4,684	4,371	5,052
Depreciation and Amortization	12,650	12,938	12,172	1,982	1,946	1,865
Interconnection				7,036	10,031	11,985
<b>Total Costs and Expenses</b>	<b>35,201</b>	<b>34,372</b>	<b>34,416</b>	<b>15,819</b>	<b>18,274</b>	<b>21,341</b>
<b>Operating Income</b>	<b>P. 23,147</b>	<b>P. 27,723</b>	<b>P. 20,986</b>	<b>P. 8,851</b>	<b>P. 4,554</b>	<b>P. 7,415</b>
<b>Estimation of Revenues due to Regal "by-pass"</b>						
				P. 2,265	P. 1,699	P. 697
<b>Gross Fixed Asset</b>	<b>P. 181,194</b>	<b>P. 189,684</b>	<b>P. 151,096</b>	<b>P. 23,328</b>	<b>P. 24,839</b>	<b>P. 21,889</b>
<b>Personnel</b>	<b>42,849</b>	<b>41,123</b>	<b>42,865</b>	<b>6,109</b>	<b>6,319</b>	<b>6,319</b>

Notes:

The information refers to the one presented in the consolidated financial statements of the Annual Report due for

1) The information that was considered in its elaboration was only the one corresponding to companies that are directly involved in rendering local and long-distance telephone services, as follows: Telefonos de Mexico, S.A. de C.V.; Telefonos de Veracruz, S.A. de C.V.; Compania de Telefonos y Borneos, S.A. de C.V. and Aquilones de Casas, S.A. de C.V.

2) Local Service: Revenue for monthly rent, measured service, installation charges, equipment sale and interconnection.

3) Long-Distance Service: Revenue for lease services of domestic and international long-distance, do not include retail and public telephone services, and data transmission services.

4) The services being declined consider the corresponding imputations for interconnection, billing, collecting, leased ports, co-location and leased lines.

5) Settlement revenues are recognized according to the regulated rates for each period.

6) The results of long distance do not include the losses associated to rural telephone services of P. 277 million in 1998, P. 729 million in 1999 and P. 680 million in 1997.

# Board of Directors

## of Directors

## Consultive

## Regional Board

## North Region

## Center - West Region

## South Region

## North Region

## Center - West Region

## South Region

**Directors**

**Juan Pedro Achaute**  
President and Director of Operations  
FEBON

**Pedro W. Campesino**  
Director (Chairman of Operations)  
SBC Mexico SBC International Inc

**José Chilo Pardo**  
Chief Executive Officer  
Telcelon de Mexico S.A. de C.V.

**Antonio Cotto Arino**  
President  
C-Tel's Industrial Group de Mexico S.A. de C.V.

**R. Allen Craft**  
C.O.

**SBC International Inc**

**Richard C. Doshi**  
Director  
SBC Cable Mexico

**Alfonso Espinosa Bugnaga**  
Director  
Mitos Atlixco

**Jorge Estévez Campesino**  
President  
Sociologia Industrial  
Agrupadora S.A. de C.V.

**Agustín Franco Medina**  
President  
Cytosin S.A. de C.V.

**Humberto Guzmán Osorio E.**  
President  
Grupo Guzman S.A. de C.V.

**Rafael Halesch Mitrani**  
President  
Vicepresidente de empresas  
Francisco

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President  
Rural Intercontinental S.A.

**Michael Marsh**  
President  
France Telecom  
Rural SBC October 1999

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Consultant

**Angel Leonidas Moreno**  
Assistant President  
Gigante S.A. de C.V.

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Chairman of the Board  
and President  
Nacional Telecom S.A. de C.V.

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Vice Chairman of the Board  
Telefonos de México S.A. de C.V.

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President  
Grupo ICA S.A. de C.V.

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President  
Irid S.A. de C.V.

**Federico Luffán Fero**  
Partner  
Luffán Jaus y Gory S.C.

**Bernardo Martín Brizgas**  
President  
Organización Suave S.A. de C.V.

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Chairman of the Board  
Telefonos de México S.A. de C.V.

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CEO  
Francisco Cabas y Busto de México  
Francisco Telecom Group

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and President  
Grupo Francor Mexico S.A. de C.V.

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President  
Grupo Cero S.A. de C.V.

**Statutory Auditor**

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President  
Mozcora S.C.

**Secretary**

**Sergio E. Medina Márquez**  
General Counsel  
Telefonos de México S.A. de C.V.

**Alberto Blum Dornst**  
President  
Grupo Cero S.A. de C.V.

**Alfonso Statutory Auditor**

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Partner  
Mozcora S.C.

**Assistant Secretary**

**Rafael Robles Méjico**  
Partner  
Francisco Galera Doshi  
y Robles S.C.

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Chairman of the Board and President  
Grupo Villareal

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President  
Desarrollo Integrado S.A. de C.V.

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Executive President  
Laboratorios Piza S.A. de C.V.

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Director of Operations  
Alarcón Com Products S.A. de C.V.

**Alfonso Barba González**  
President  
Industria de Sal S. de R.L. de C.V.

**José Bernardo Már**  
Director  
Mesa México S. de R.L. de C.V.

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Promotora Tormenta S.A. de C.V.

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President  
Grupo Industrial Martínez Guerra S.A. de C.V.

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President  
Loma Tota S.A. de C.V.

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Executive President  
Grupo Trama S.A. de C.V.

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President  
Banco del Bajío S.A.

**Roberto Ruiz Rubio**  
President  
Fomento Quetzalteno S.A. de C.V.

**Miguel Carlos Bergamín Villarreal**  
Chairman  
Proyección Corporativa S.A. de C.V.

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Chairman of the Board and President  
Luz S.A. de C.V.

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Chairman  
Grupo Chupe S.A. de C.V.

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Grupo Empresarial Sorocense S.A. de C.V.

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President  
Industria de América

**Juan Manuel Loy López**  
President  
Crea Joy S.A. de C.V.

**José López del Bosque**  
President of Operations  
Grupo Industrial Salinas S.A. de C.V.

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Chairman of the Board  
CE Capital México S.A. de C.V.

**Ricardo E. Merales Touche**  
Chairman of the Board and President  
Grupo Lela S.A. de C.V.

**José Pérez Benítez**  
Partner  
Relaciones de México S.A. de C.V.

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President  
Banco Regional de Monterrey S.A.

**Federico Terrasa Torres**  
President  
Grupo Comenzos de Chihuahua S.A. de C.V.

**Eduardo Trido Hero**  
Chairman  
Grupo Lela S.A. de C.V.

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President  
Grupo Comisocial Chetral S.A. de C.V.

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President  
Grupo Ocas-Frutz S.A. de C.V.

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Chairman of the Board and President  
Grupo Farma S.A. de C.V.

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President  
Grupo Guadalupe Embalmados S.A. de C.V.

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Chief Executive Officer  
Operadora de Turistas Vaurantales S.A. de C.V.

**Armando Miles Meabe**  
President  
Operadora Rural Jaysa S.A. de C.V.

**Enrique Montalvo Aramburo**  
Chief Executive Officer  
C. Montalvo S.A. de C.V.

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Chairman of the Board and President  
Promotora Xcaret S.A. de C.V.

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Director of Operations  
Alarcón Com Products S.A. de C.V.

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Industria de Sal S. de R.L. de C.V.

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Director  
Mesa México S. de R.L. de C.V.

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Fomento Quetzalteno S.A. de C.V.

**North Region**

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Chairman  
Grupo Lela S.A. de C.V.

**Center - West Region**

**Carlos Álvarez Bermujillo**  
Executive President  
Laboratorios Piza S.A. de C.V.

**Luis Anapolitano Velles**  
Director of Operations  
Alarcón Com Products S.A. de C.V.

**Alfonso Barba González**  
President  
Industria de Sal S. de R.L. de C.V.

**José Bernardo Már**  
Director  
Mesa México S. de R.L. de C.V.

**Luis Guillermo Carroba García**  
President  
Promotora Tormenta S.A. de C.V.

**Salvador Martínez Guerra**  
President  
Grupo Industrial Martínez Guerra S.A. de C.V.

**José Martínez Ramírez**  
President  
Loma Tota S.A. de C.V.

**Francisco Medina Chávez**  
Executive President  
Grupo Trama S.A. de C.V.

**Salvador Osorio Asensolo**  
President  
Banco del Bajío S.A.

**Roberto Ruiz Rubio**  
President  
Fomento Quetzalteno S.A. de C.V.

**South Region**

**Antonio Chetral Osorio**  
President  
Grupo Comisocial Chetral S.A. de C.V.

**Juan Manuel Ocas Fuentes**  
President  
Grupo Ocas-Frutz S.A. de C.V.

**Bernardo Ferrera Escudero**  
Chairman of the Board and President  
Grupo Farma S.A. de C.V.

**Juan José Guadalupe Bulle**  
President  
Grupo Guadalupe Embalmados S.A. de C.V.

**Miguelo Medabauer Cámara**  
Chief Executive Officer  
Operadora de Turistas Vaurantales S.A. de C.V.

**Armando Miles Meabe**  
President  
Operadora Rural Jaysa S.A. de C.V.

**Enrique Montalvo Aramburo**  
Chief Executive Officer  
C. Montalvo S.A. de C.V.

**Miguel Quintana Pail**  
Chairman of the Board and President  
Promotora Xcaret S.A. de C.V.

# Directory

**Jaime Chico Pardo**  
Chief Executive Officer

## Corporate Directors

**Isidoro Ambe Attar**  
Commercial

**Adolfo Cerezo Pérez**  
Finance and Administration

**Javier Elguea Solís**  
Human Resources

**Arturo Elías Ayub**  
Internet, Regulation and Communication

**Eduardo Gómez Chibli**  
Technical and Long Distance

**Daniel Hajj Aboumrak**  
Wireless and Affiliates

**Javier Mondragón Alarcón**  
Legal Affairs

**Héctor Slim Seade**  
Operational Support

**Andrés Vázquez del Mercado Benhimol**  
Strategic Development

**Oscar Von Hauske Solís**  
Telecommunications Operators,  
Systems and Processes

## Divisional Directors

**Facundo Alonso García**  
Northeast

**Javier Coca Muñiz**  
Gulf - Pacific

**José Covarrubias Bravo**  
East Metro

**Miguel Ángel González Arriaga**  
Telcel

**Gerardo Leal Garza**  
South Metro

**Jesús Rafael Mendoza Ortíz**  
West Metro

**Leopoldo Muro Pico**  
West

**José Manuel Pacheco Gamboa**  
Southwest

**Raymundo Paulín Velasco**  
Northwest

**Jorge Luis Suástegui Esquivel**  
Center

**Miguel Ángel Vera García**  
North

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Shares Traded in Mexico  
"A": Bolsa Mexicana de Valores  
Symbol: TELMEX A

"L": Bolsa Mexicana de Valores  
Symbol: TELMEX L

Shares Traded in the U.S.  
ADS : New York Stock Exchange  
Symbol: TMX  
One ADS represents 20 "L" shares

ADR : NASDAQ  
Symbol: TFOXY  
One ADR represents one "A" share

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Independent Auditors  
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