*Visi*ology, Inc.

Todd H. Lowe (205) 330-1701
Barbara L. Lowe (205) 330-1702
Bobbi Ferguson (205) 330-1703
FAX (205) 330-1705
WEB www.visiology.com
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toddlowe@worldnet.att.net

January 18, 2001

RECEIVED-FPSC
01 JAN 24 AM 10:32
RECORDS AND REPORTING

Ms. Blanca Bayo
Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399

010093-TI

Dear Ms. Bayo:

Enclosed are the original and six (6) copies of Telmex USA, L.L.C's Application Form for Authority To Provide Interexchange Telecommunications Service Within The State of Florida. So that our records will be complete, please date stamp the extra copy of this transmittal letter and return in the enclosed envelope. Also enclosed is a check for $250 made payable to the Florida Public Service Commission to cover the filing fee.

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

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.
Initials of person who forwarded check:

Enclosures

16061 Carmel Bay Drive ● Northport, Alabama 35475

DOCUMENT NUMBER-DATE
01023 JAN 24 õ
FPSC-RECORDS/REPORTING

**** FLORIDA PUBLIC SERVICE COMMISSION ****

DIVISION OF COMMUNICATIONS BUREAU OF SERVICE EVALUATION

APPLICATION FORM

for AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE WITHIN THE STATE OF FLORIDA

Instructions

- This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Appendix A).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250.00 to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: No filing fee is required for an assignment or transfer of an existing certificate to another certificated company.

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Communications
  Bureau of Certification and Evaluation
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6600

1. This is an application for ✓ (check one):

(✓) **Original certificate** (new company).

( ) **Approval of transfer of existing certificate:**
Example, **a** certificated company purchases an existing certificated company and desires to retain the authority of both certificates.

( ) **Approval of assignment of existing certificate:**
Example. a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

( ) **Approval of transfer of control:**
Example, a company purchases 51 % of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

Telmex USA, L.L.C.

3. Name under which applicant will do business (fictitious name, etc.):

Telmex USA, L.L.C.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

9444 Farnham St., Suite 200

San Diego, CA 92123

5. Florida address (including street name & number, post office box, city, state, zip code):

None

6. Select type of business your company will be conducting ~(check all that apply):

( ) **Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

(X) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

( ) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.

(X) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization;

( ) Individual	( ) Corporation
( ) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership

(X) Other - Limited Liability Company

8. **<u>If individual</u>, provide:**

Name: ______________________________

Title: ______________________________

Address: ______________________________

City/State/Zip: ______________________________

Telephone No.: ______________ Fax No.: ______________

Internet E-Mail Address: ______________________________

Internet Website Address: ______________________________

9. **If incorporated in Florida**. provide proof of authority to operate in Florida:

   (a) **The Florida Secretary of State Corporate Registration number:**

   ____

10. **If foreign corporation**. provide proof of authority to operate in Florida:

    (a) **The Florida Secretary of State Corporate Registration number:**
    Applicant is a limited liability company. The number is 697A00037146

11. **If using fictitious name-d/b/a**. provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

    (a) **The Florida Secretary of State fictitious name registration number:** ______________________________

12. **If a limited liability partnership**, provide proof of registration to operate in Florida:

    (a) The Florida Secretary of State registration number:

13. **If a partnership**, provide name, title and address of all partners and a copy of the partnership agreement.

    Name: ______________________________

    Title: ______________________________

Address: ______________________________

City/State/Zip: ______________________________

Telephone No.: ______________ **Fax No.:** ______________

Internet E-Mail Address: ______________________________

Internet Website Address: ______________________________

14. **If a foreign limited Partnership.** provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) The Florida registration number: ______________________________

15 Provide **FEID Number**(if applicable): 760532710

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?
(X)Yes ( )No

(b) If not, who will bill for your services?

Name: ______________________________

Title: ______________________________

Address: ______________________________

City/State/Zip: ______________________________

Telephone No.: ______________ **Fax No.:** ______________

(c) How is this information provided?

____

____

17. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Bobbi Ferguson

Title: Sr. Consultant, Visiology, Inc.

Address: 16061 Carmel Bay Drive

City/State/Zip: Northport, AL 35475

Telephone No.: (205) 330-1703 **Fax No.:** (205) 330-1705

Internet E-Mail Address: bobbi@visiology.com

Internet Website Address: www.visiology.com

(b) Official Point of contact for the ongoing operations of the company:

Name: Linda LaGatta

Title: General Counsel

Address: 9444 Farnham St., Suite 200

City/State/Zip: San Diego, CA 92123

Telephone No.:(858) 505-3900 **Fax No.: (858) 505-3939**

Internet E-Mail Address: llagatta@telmexusa.com

Internet Website Address:

(c) Complaints/Inquiries from customers:

Name: See (b) above

Title:

Address:

City/State/Zip:____________________

Telephone No.: ____________ **Fax No.:** ____________

Internet E-Mail Address:____________________

Internet Website Address:____________________

18. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

Applicant has not yet commenced operations.

(b) has applications pending to be certificated as an interexchange telecommunications company.

Connecticut, Delaware, Illinois, Nevada, and New York.

(c) is certificated to operate as an interexchange telecommunications company.

Arkansas, California, Colorado, Massachusetts, New Mexico, Oregon, Pennsylvania, and Texas.

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

None.

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None.

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None.

19. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. if so. please explain.

None.

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

None

20. The applicant will provide the following interexchange carrier services 1 (check all that apply):

a. _X_ **MTS with distance sensitive per minute rates**

___ Method of access is FGA
___ Method of access is FGB
_X_ Method of access is FGD
_X_ Method of access is 800

b.____ **MTS with route specific rates per minute**

___ Method of access is FGA
___ Method of access is FGB
___ Method of access is FGD
___ Method of access is 800

c._X_ **MTS with statewide flat rates per minute (i.e. not distance sensitive)**

___ Method of access is FGA
___ Method of access is FGB
_X_ Method of access is FGD
_X_ Method of access is 800

d.____ **MTS for pay telephone service providers**

e.____ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f._X_ **800 service (toll free)**

g._X_ **WATS type service (bulk or volume discount)**

_X_ Method of access is via dedicated facilities
_X_ Method of access is via switched facilities

h.____ **Private line services (Channel Services)**
(For ex. 1.544 mbs., DS-3, etc.)

i._X_ **Travel service**

___ Method of access is 950
_X_ Method of access is 800

j.____ **900 service**

k.____ **Operator services**

- ____ Available to presubscribed customers
- ____ Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
- ____ Available to inmates

l.____ **Services included are:**

- ____ Station assistance
- ____ Person-to-person assistance
- ____ Directory assistance
- ____ Operator verify and interrupt
- ____ Conference calling

21. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

See ATTACHMENT D

22. Submit the following:

A. Financial capability.

The application **<u>should contain</u>** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet;

2. income statement; and

3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with* *financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **A written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. **A written explanation** that the applicant has sufficient financial capability to maintain the requested service.

3. **A written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

See Attachment A

B. **Managerial capability**; give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

C. **Technical capability**; give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

** APPLICANT ACKNOWLEDGMENT STATEMENT **

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

ALFONSO LARA
Signature

DECEMBER 14, 2000
Date

Chief Financial Officer
Title

(858) 505-3900
Telephone No.

Address: 9444 Farnham St., Suite 200

(858) 505-3939
Fax No.

San Diego, CA 92123

ATTACHMENTS:

A - CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
B - CUSTOMER DEPOSITS AND ADVANCE PAYMENTS
C - CURRENT FLORIDA INTRASTATE NETWORK
D - AFFIDAVIT
- FLORIDA TELEPHONE EXCHANGES AND EAS ROUTES
- GLOSSARY

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be provided in one of the following ways (applicant, please yr check one):

( ) The applicant will **not** collect deposits nor will it collect payments for service more than one month in advance.

(X) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month.
(The bond must accompany the application.)

UTILITY OFFICIAL:

ALFONSO LARA — DECEMBER 14, 2000
Signature — Date

Chief Financial Officer — (805) 858-3900
Title — Telephone No.

Address: 9444 Farnham St., Suite 200 — (858) 505-3939
Fax No.

San Diego, CA 92123

CURRENT FLORIDA INTRASTATE SERVICES

Applicant **has (X)** or **has not ( )** previously provided *intrastate telecommunications* in Florida.

If the answer is has fully describe the following:

a) What services have been provided and when did these services begin?
b) If the services are not currently offered, when were they discontinued?

The Applicant entered the resale market as Telmex/Sprint Communications, L.L.C. and was granted Certificate No. 5346 effective April 6, 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 switch-based reseller.

UTILITY OFFICIAL:

ALFONSO LARA — Signature

DECEMBER 14, 2000 — Date

Chief Financial Officer — Title

(805) 858-3900 — Telephone No.

Address: 9444 Farnham St., Suite 200

San Diego, CA 92123

(858) 505-3939 — Fax No.

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

ALFONSO LARA — DECEMBER 14, 2000
Signature — Date

Chief Financial Officer — (805) 858-3900
Title — Telephone No.

Address: 9444 Farnham St., Suite 200 — (858) 505-3939
Fax No.

San Diego, CA 92123

Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473

ATTACHMENT A

FINANCIAL CAPABILITY

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.

Statement of Financial Capability

In the opinion of management, Telmex USA, L.L.C, has sufficient financial capability to enter the Florida telecommunications market and meet its ongoing obligations. In addition to funds available as shown on the financial statements furnished, Telmex USA, L.L.C has access to additional funding through financial institutions and if necessary through additional capital from the shareholders.

Alfonso Lara
Chief Financial Officer

highlights

first quarter 20[illegible]

TELMEX

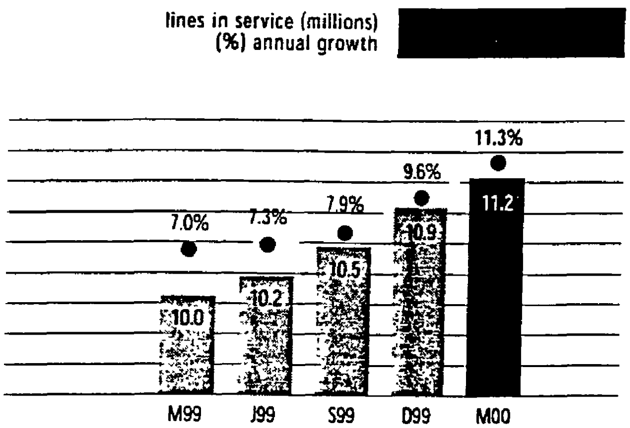
Highlights

- **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

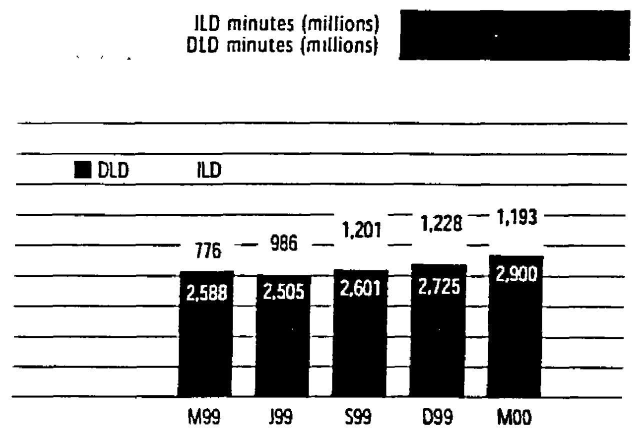
At March 31, domestic long distance billed minutes totaled 2,900 million, an increase of 12.1%, compared with the same period of the previous year.

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 disactivation policy once Calling Party Pays went into effect.

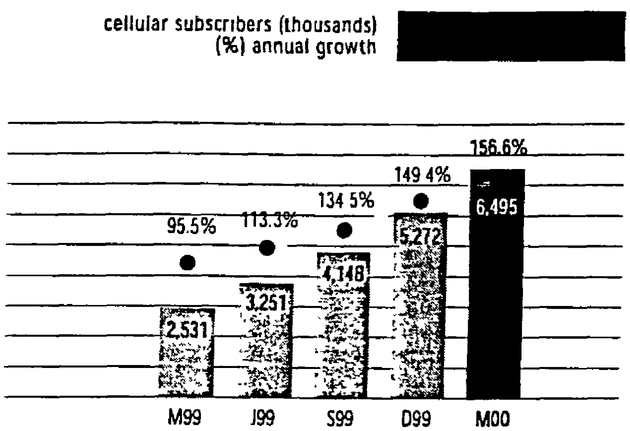
The main increase in customers was registered in the prepaid wireless plans (Sistema Amigo and Amigo Kit). In the first quarter, prepaid wireless services growth rate was 187.2%, and contract services grew 22.1%.

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.

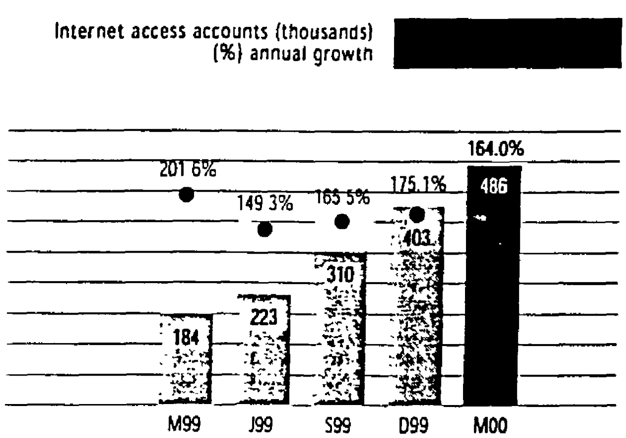
TELCEL's operating income increased 121.0% compared with the first quarter of 1999 totaling 1,136 million pesos. The operating margin for the quarter was 24.3% and the EBITDA margin was 31.0%, both higher than the same period of the previous year.



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.



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 Diano 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 Mar/31/00	Mar/31/99	Percent Change
Operating Revenues:			
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
Total	26,445	21,377	23.7
Operating Costs and Expenses:			
Cost of Sales and Services	6,705	4,677	43.4
Commercial, Administrative and General	5,039	4,039	24.8
Cash Operating Expenses	11,744	8,716	34.7
EBITDA	14,701	12,661	16.1
Depreciation and Amortization	5,242	4,881	7.4
Total	16,986	13,597	24.9
Operating Income	9,459	7,780	21.6
Comprehensive Financing (Income) Cost:			
Net Interest	25	(487)	(105.1)
Exchange Loss (Gain), Net	(167)	32	(621.9)
Monetary Effect	(324)	(310)	4.5
Total	(466)	(765)	(39.1)
Income Before Income Tax and Employee Profit Sharing	9,925	8,545	16.1
Income Tax and Employee Profit Sharing	3,268	3,126	4.5
Income Before Equity in Results of Affiliates and Minority Interest	6,657	5,419	22.8
Equity in Results of Affiliates and Minority Interest	(183)	5	(3,760.0)
Net Income	6,474	5,424	19.4

Wireless Operations

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

	Three Months Ended Mar/31/00	Mar/31/99	Percent Change
Operating Revenues*	4,674	2,559	82.6
Operating Costs and Expenses:			
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
Total	3,538	2,045	73.0
Operating Income	1,136	514	121.0

*Including revenues and/or costs associated with Long Distance service.

Key Ratios and Statistics

	Three Months Ended Mar/31/00	Mar/31/99	Percent Change
Financial Ratios (%)			
Consolidated Operating Margin	36	36	
Consolidated EBITDA Margin	56	59	
Wireless Operating Margin	24	20	
Wireless EBITDA Margin	31	29	
Operating Statistics (Thousands)			
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
LD Billed Minutes (Millions)			
Domestic	2,900	2,588	12.1
International	1,193	776	53.7
Shares Outstanding (Millions)	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)

Assets	Mar/31/00	Mar/31/99
Current assets	51,526	41,541
Plant, Property and Equipment, Net	111,066	115,340
Inventories	4,087	1,744
Licenses	2,121	2,236
Other Assets	14,720	2,565
Intangible Asset	8,307	8,988
Total Assets	191,827	172,414

Liabilities and Stockholders' Equity	Mar/31/00	Mar/31/99
Current Portion of Long-Term Debt	13,264	12,811
Other Current Liabilities	27,793	14,134
Long-Term Debt	25,110	19,685
Labor Obligations	5,472	7,960
Deffered Credits	889	990
Total Liabilities	72,528	55,580
Stockholders' Equity	119,299	116,834
Total Liabilities and Stockholders' Equity	191,827	172,414

Proforma Statements of Income

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

	First Quarter		
	Mar/31/00 Local	Mar/31/99 Local	**Percent Change**
Operating Income:			
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			
Total	15,511	14,056	10.4
Operating Costs and Expenses:			
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			
Total	9,641	8,626	11.8
Operating Income	5,870	5,430	8.1

	First Quarter		
	Mar/31/00 LD	Mar/31/99 LD	**Percent Change**
Operating Income:			
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)
Total	6,711	6,726	(0.2)
Operating Costs and Expenses:			
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
Total	4,149	3,928	5.6
Operating Income	2,562	2,798	(8.4)

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, b[illegible]ng, collecting, leased ports, colocation 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
XTMXL	:	Bolsa de Madrid (LATIBEX)

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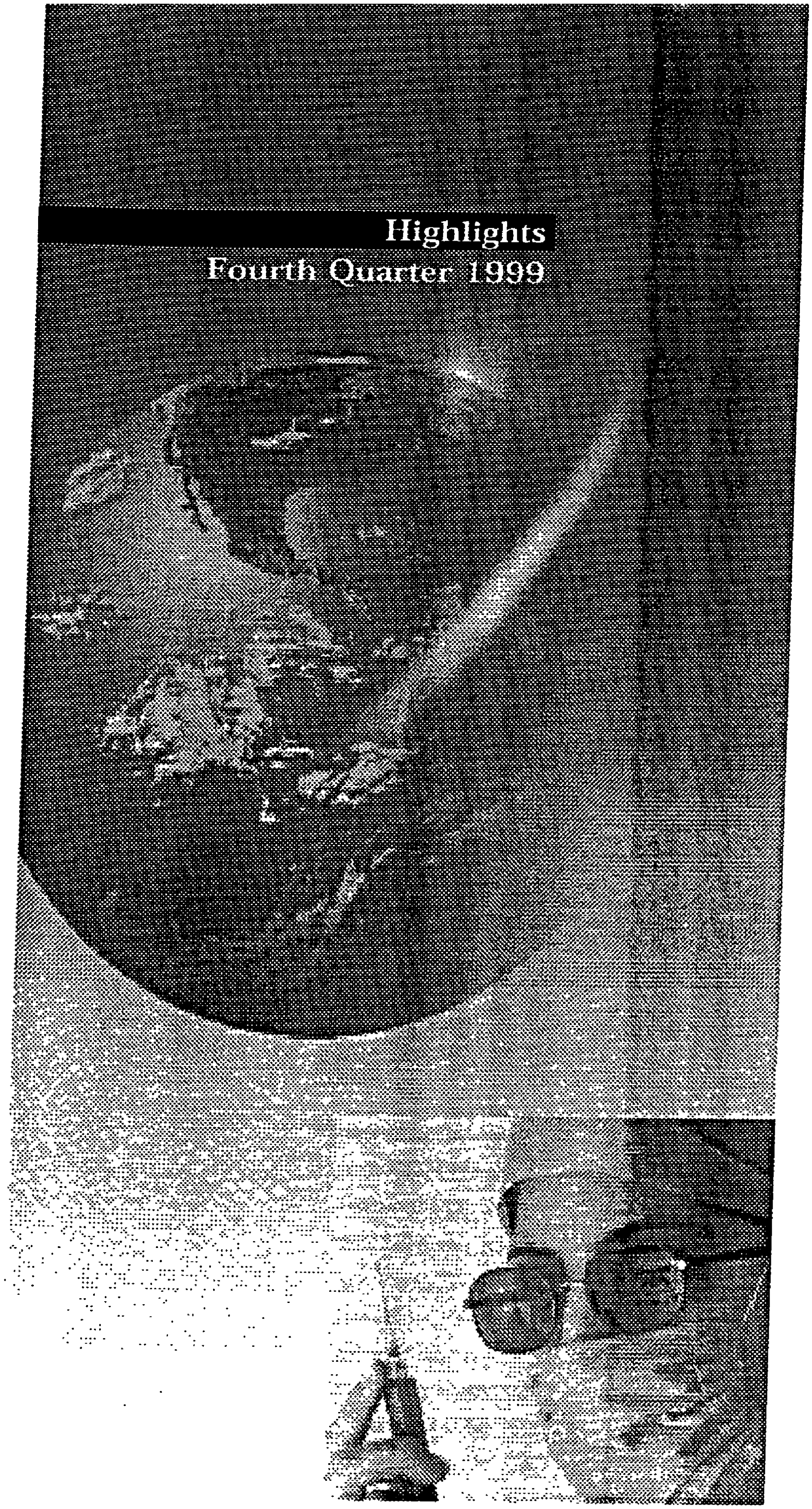
Direccion de Finanzas / Gerencia de Relaciones con Inversionistas
April 25, 2000

Highlights
Fourth Quarter 1999



TELMEX

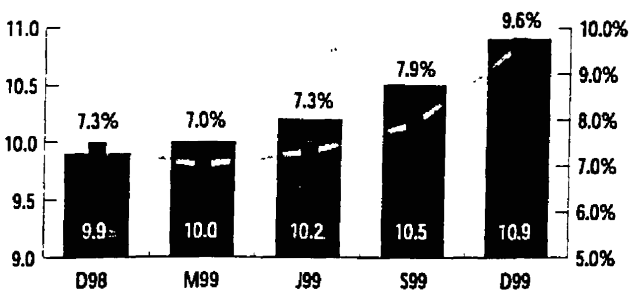
Highlights

- **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.

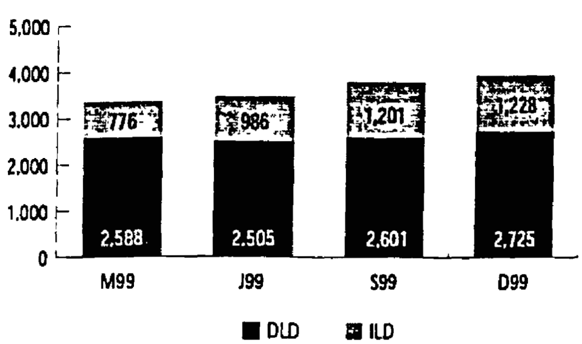
Lines in Service (millions)
% Annual Growth



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)



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.

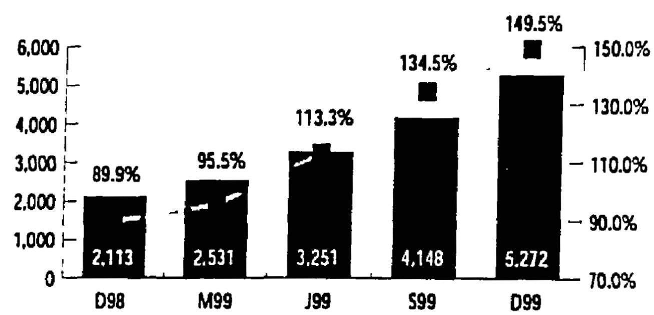
Cellular Telephony

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

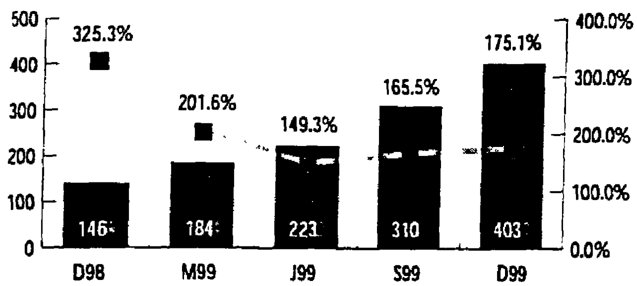


Internet

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.

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 Depository 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 Dec/31/99	Dec/31/98	Percent Change	Twelve Months Ended Dec/31/99	Dec/31/98	Percent Change
Financial Ratios (%)						
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	
Operating Statistics (Thousands)						
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
LD Billed Minutes (Millions)						
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
Shares Outstanding (Millions)	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)

Assets	Dec/31/99	Dec/31/98
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
Total Assets	178,676	172,830

Liabilities and Stockholders' Equity	Dec/31/99	Dec/31/98
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
Deffered Credits	676	847
Total Liabilities	56,241	53,886
Stockholders' Equity	122,435	118,944
Total Liabilities and Stockholders' Equity	178,676	172,830

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
Operating Revenues:						
Access, Rent, Measured Service and Others	12,705	11,924	6.5			
Domestic Long Distance				3,869	3,849	0.5
International Long Distance				2,296	1,955	17.4
Interconnection with Operators:						
Long Distance	2,529	3,454	(26.8)			
Cellular	275	57	382.5			
By-Pass Provision				391	387	1.0
Total	15,509	15,435	0.5	6,556	6,191	5.9
Operating Costs and Expenses:						
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)
Total	9,017	8,475	6.4	4,117	4,579	(10.1)
Operating Income	6,492	6,960	(6.7)	2,439	1,612	51.3

Twelve Months Ended

	Dec/31/99 Local	Dec/31/98 Local	Percent Change	Dec/31/99 LD	Dec/31/98 LD	Percent Change
Operating Revenues:						
Access, Rent, Measured Service and Others	48,085	48,191	(0.2)			
Domestic Long Distance				15,593	15,085	3.4
International Long Distance				9,077	8,743	3.8
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
Total	58,348	62,095	(6.0)	26,935	25,517	5.6
Operating Costs and Expenses:						
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)
Total	35,201	34,372	2.4	15,819	19,274	(17.9)
Operating Income	23,147	27,723	(16.5)	11,116	6,243	78.1

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

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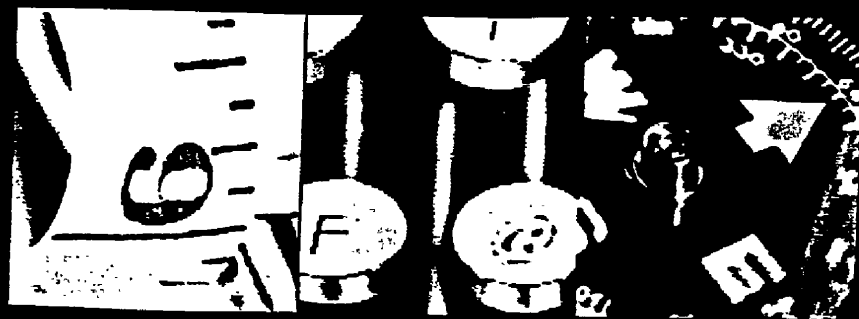
Dirección de Finanzas / Gerencia de Relaciones con Inversionistas
February 3, 2000



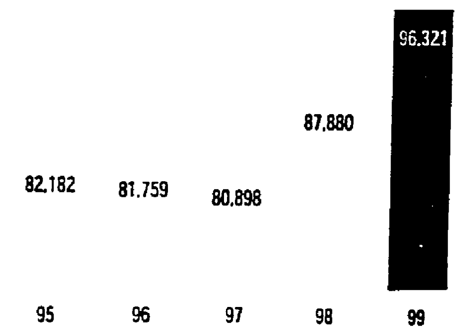
annual report

1999

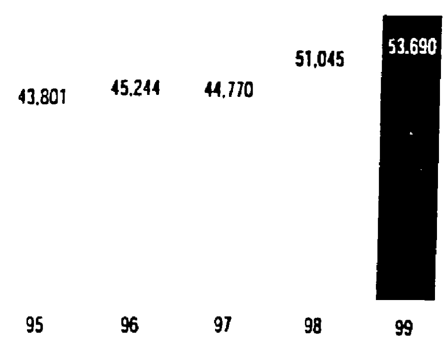
telefonos de mexico

Index

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	178,533	172,830	170,261	172,176	200,086
Total Debt	33,165	33,754	34,292	20,591	32,428
Stockholders' Equity	122,297	118,944	117,544	137,539	155,578
Total Debt / Capitalization (%)	21.3	22.1	22.6	13.0	17.2
Statistics					
Fixed Lines (1)	10,878	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
Data per Share (pesos) (4)					
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 [illegible] since February 1, 2000

Letter to our Shareholders

Today's telecommunications environment characterized by a converging and global telecommunications industry is accelerating the evolution of TELMEX that 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. For TELMEX to succeed in this environment and for us to help integrate Mexico in this new digital era it 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, fill requests for service more quickly so that we eliminated 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 teledensity 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 8 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 Linea 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 intent 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 phone. 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 critical communications tool.

TELMEX'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 "T1msn" portal for Latin America. It will introduce a new content concept by including a growing number of general and local content developers to enrich its editorial offering. Through this portal, Spanish speaking users will be able to take advantage of online applications, information services, advanced search options and online shopping

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 Helú
Chairman of the Board

Jaime Chico Pardo
Chief Executive Officer

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 474,070 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 27.6 percent over the previous year. The growth trend for this service is negatively affected by the illegal transit of traffic known as "by-pass," whereby competitors fail to follow the rules regarding the agreed-upon role TELMEX is to play in transmitting 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 incremental 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.

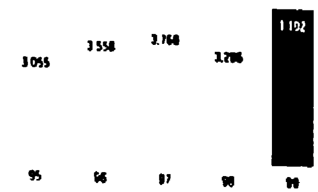
In accordance with the program to introduce competition to Mexico's long distance market, 50 more cities were added in 1999, bringing the total to 150 cities. In these cities, competition accounts for 83 percent of TELMEX's fixed lines and approximately 90 percent of long distance minutes. Market research 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 13,973,045 times in the 1997-1999 period.

Public Telephony

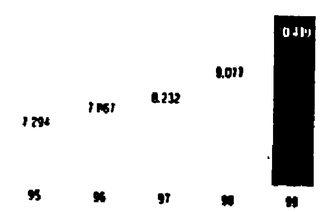
As part of the strategy to raise Mexico's telephone service to world class levels, TELMEX introduced "Ladafon Shared Phone" in 1999. This service is composed by fixed or wireless telephony supported by the Intelligent Network and is installed in multi-dwelling units to accept incoming calls as well as 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 shared phones installed rose to 470,859, of which 168,592 were fixed shared telephones and 302,267 were wireless. In addition to extending telephone access, this initiative has made it possible to update public service previously provided through some residential phones.

ILD minutes (millions)



DLD minutes (millions)



Our commitment

is to be part of our customers

life through products and services

that fit their needs

telecommunications.

TELMEX has continued to upgrade the public telephony network. By the end of 1999, 8.5 percent of the network, or 251,480 public phones, had been equipped with chip technology. During 1999 TELMEX sold 209 million 455 thousand prepaid LADATEL cards, which customers can use to make calls on the public phones. That total was 51.4 percent more than in 1998, a strong indicator of the program's appeal.

To further broaden communications opportunities in Mexico and enhance the competitive environment, TELMEX provided the necessary support for the operations of several companies that offer public telephony services. In December 1999, these companies had 7,225 public phones in operation.

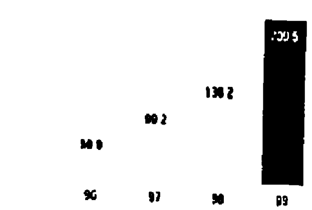
Also, TELMEX increased public telephony coverage in the most remote communities of the country with programs like "Ponga su Línea a Trabajar" (Put your line to work), shared telephony and an expanded public rural telephony platform. During 1999, the number of rural public phones increased 51.6 percent to 76,721. Including all these programs, the total number of public telephones in operation during 1999 was 854,941, or 9.4 phones per one thousand inhabitants.

Wireless Telephony

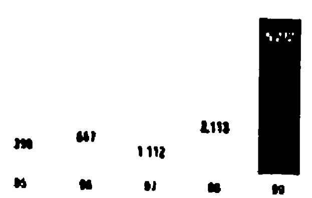
Among the services with especially high growth potential for TELMEX is wireless telephony, which is delivered through TELCEL. As a result, expansion and modernization of TELCEL's infrastructure is a high priority in TELMEX's strategic planning, with particular emphasis on improving customer service.

At the end of December 1999, TELCEL served 5,271,957 subscribers, an increase in the customer base of 149.5 percent compared with the previous year. TELCEL'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 96.9 percent. In May 1999, "Calling Party Pays" was introduced. Along with the increase in national coverage, it was a major factor in TELCEL's growth.

Ladatel cards sold (millions)



wireless lines (thousands)



TELCEL's revenues were 13.035 billion pesos in 1999, for a year-over-year increase of 47.6 percent. TELCEL represented 13.5 percent of TELMEX'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, TELCEL reached a density of 57.8 cellular telephones per one thousand inhabitants and its coverage extended to 87,251 communities. That translates to 93.4 percent of the country's population having access to wireless phone service.

Internet and Data Transmission

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

TELMEX 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.

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 75 cities with coverage, bringing the total to 117 cities and representing an increase of 56.0 percent compared with the cities covered in 1998.

In 1999, data transmission revenues represented 5.6 percent of TELMEX'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, TELMEX 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 (TELMEX 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 (thousands)

	1995	1996	1997	1998	1999
Fixed Lines	8,801	8,826	9,254	9,927	10,878
Wireless Lines	399	657	1,112	2,113	5,272
Internet Access Accounts	-	-	34	146	403
Equivalent Lines for Data Transmission	74	93	224	371	507
Total	9,274	9,576	10,624	12,557	17,060

Y2K

As planned, TELMEX's network and all its components worked normally before, during and after the technology transition to the year 2000. This reflected the dedicated work that TELMEX's Year 2000 group (TA2K) carried out since 1997 to guarantee the continuity of customer service throughout the country. TELMEX's investment in the process was close to 33 million dollars.

Continuous Modernization

Between privatization in 1990 and year-end 1999 TELMEX invested almost 18 billion dollars in consolidating its telecommunications infrastructure. That investment recognizes that the infrastructure is the base from which we serve our customers and offer them world-class products and services. The strategy to maintain our network at the highest quality levels also recognizes that corporate and residential customers seek 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 digitized its local and long distance networks to 99.8 percent and 100 percent, respectively.

In addition, an Intelligent Network platform has been incorporated to support value added services such as 800 and 900 services, phone cards (TeCard and LADAfon), Código LADA and Precisa, 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, to 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 1999, to the Telecorp 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 (VpNET) offers abbreviated dialing, competitive tariffs and traffic management functions as well as RcD SI, 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 functions and services, to develop total solutions that integrate access, service and equipment, and to develop multi service products with TELMEX's Universal Network. Among the main products are LADA Enlaces (LADA Links from 9.6 Kbps to 34 Mbps), Frame Relay, IP, 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 businesses, TELMEX offers several options to help customers choose the best product. The leading service in this regard is SIPna, 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.

always ahead...
through time.

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.

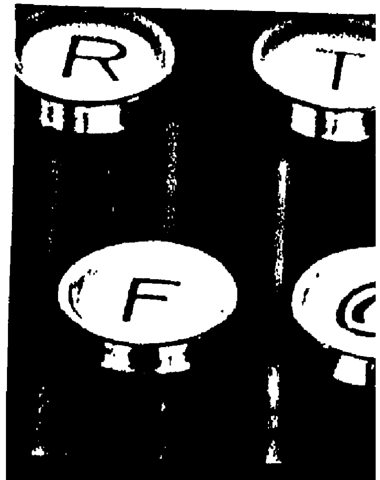
The competitiveness of TELMEX's universal network is based on the application of leading-edge technology for data transmission to the national fiber optic network, to integrate the largest diversity of fixed or wireless access means and multiple broadband options. This network incorporates an entire 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 Teléfonos de México, (INTTELMEX) was created in 1991 to make sure that the learning curve of TELMEX's employees keeps pace with technological modernization. INTTELMEX 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, INTTELMEX conducted 822,279 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 INTTELMEX 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.



Satisfied customers,

integrated solutions, opp

constant objective of the

part of today's world

International Development

TELMEX's international expansion intensified in 1999 often accomplished 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.

Prodigy

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 1,116,033 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.

Microsoft

Another initiative was carried out in October of 1999, when TELMEX signed a co investment agreement with Microsoft to jointly operate and create a Spanish-language portal T1msn. The objective is to reach all Spanish-speaking users in the continent and to offer information and excellent local content. The platform of this portal includes a broad portfolio of applications to enrich users' experience.

Topp Telecom

In wireless telephony TELMEX's international development began with Topp Telecom, Inc. (Topp) with headquarters in Miami, Florida. Through its brand name Tracfone, 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 6 percent, totaling 234 194 at year end. In the same period revenues increased 90 1 percent to just over 81 million dollars.

Comm South

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.

Cellular Communications of Puerto Rico

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, 37.5 percent higher than a year earlier. Revenues increased 12 2 percent over the prior year to approximately 202 million dollars.

ATL-Algar Telecom Leste

In late 1999, TELMEX and SBC announced that they planned to acquire 50 percent of the Brazilian cellular company ATL-Algar Telecom Leste, S A. (ATL). It provides services in Rio Janeiro and Bay of Espirito Santo, Brazil. 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.

Telecomunicaciones de Guatemala

During 1999, TELMEX played a significant role in helping expand local and long distance service provided by Telecomunicaciones de Guatemala, S A. (Telgua). A work plan put into practice during the year accelerated modernization of the infrastructure and increased the nation's teledensity. The 1999 investment to meet these goals was 156 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 8.2 percent in the customer base. Total revenues were 246 million dollars, 8 3 percent higher than in 1998. The wireless subsidiary in only six months of operation signed up 92,495 customers.

Williams Communications Group

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.

toward new markets.

Financial Structure
The debt to capitalization ratio of 21.3 percent for 1999 shows that TELMEX's financial structure continues solid. In 1998 this ratio was 22.1 percent.

Stock Repurchase
TELMEX in 1999 repurchased 250 million shares, equivalent to 3.2 percent of outstanding shares at the beginning of the year. At year end, TELMEX had 7,474.7 million shares outstanding, comprised of 2,163.0 million Series "AA" shares, 184.7 million Series "A" shares and 5,127.0 million Series "L" shares.

In March 1999, a program was approved to acquire up to 800 million additional shares.

Shareholders at a special meeting on December 6, 1999 approved a two for one stock split in "AA", "A" and "L" shares. The split took effect February 1, 2000.

Restated for the two for one stock split, total shares outstanding at the end of 1999 were 14,949.4 million, of which 4,326.1 million were Series "AA" shares, 369.3 million Series "A" shares and 10,254.0 million Series "L" shares.

Cellular Telephony
At the end of 1999, cellular customers totaled 5,271,857, 149.5 percent higher than a year ago. Billed minutes reached 3,513 million, an increase of 96.9 percent compared with 1998.

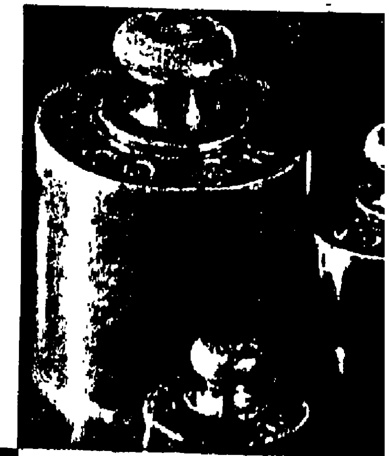
Revenues were 47.6 percent higher than in 1998, totaling 13,035 billion pesos. The growth in revenues reflected the increase in the number of cellular customers, introduction of "calling party pays," a revised cancellation policy, accelerated penetration in rural areas and prices that have remained stable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

During 1999, operating costs and expenses were 10,221 billion pesos, 48.2 percent higher than the previous year. The growth in operating costs and expenses reflected higher commissions and costs generated by larger volume and the accompanying increase in handset sales. The operating margin in 1999 was 21.6 percent compared with 21.9 percent in 1998.

CELLULAR TELEPHONY
Years ended December 31

	1999 Million pesos	1999 % of operating revenues	1998 Million pesos	1998 % of operating revenues
Operating Revenues (*)	13 035	100.0	8 829	100.0
Operating Cost and Expenses				
Cost of Sales and Services (*)	5 612	43.1	3 413	38.7
Commercial, Administrative and General	3 668	28.1	2 820	31.9
Depreciation and Amortization	941	7.2	664	7.5
	10 221	78.4	6 897	78.1
Operating Income	2 814	21.6	1 932	21.9

(*) Include revenues and/or costs associated with Long Distance service



Consolidated Financial

Statements

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 presented to the stockholders are adequate and sufficient and were applied on a basis consistent with that of the prior year. 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.

C.P.C. Víctor Aguilar
Statutory Auditor

Mexico City, Mexico
March 3, 2000

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, 199
and 1998, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the years ther
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 perforn
the audit to obtain reasonable assurance that the financial statements are free of material misstatement and are prepared in conformity wit
accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and th
disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made b
management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for ou
opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Teléfono
de México, S.A. de C.V. and subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations, changes in thei
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

C.P.C. Alberto Tiburcio

Mexico City, Mexico
March 3, 2000

Consolidated Statements of Income

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

	Year ended December 31 1999	1998
Operating revenues		
Long distance service		
International	Ps 11 547 481	Ps 9 738 248
Domestic	21 694 906	20 192 904
Local service	51 236 438	50 170 667
Interconnection service	5 130 638	2 498 873
Other	6 711 083	5 279 560
	96 320 586	87 880 252
Operating costs and expenses		
Cost of sales and services	23 598 403	18 246 873
Commercial administrative and general	19 032 115	17 588 433
Depreciation and amortization (Notes 3 to 5)	17 447 244	17 655 072
	60 077 762	54 490 378
Operating income	36 242 624	33 389 874
Comprehensive financing (income) cost		
Interest income	(4 733 860)	(8 524 008)
Interest expense	4 022 742	5 235 768
Exchange loss net (Note 3)	58 118	4 297 651
Monetary effect	(376 103)	(944 134)
	(129 103)	3 065 275
Income before income tax and employee profit sharing	36 371 927	30 324 599
Provisions for		
Income tax (Note 13)	8 783 939	8 228 416
Employee profit sharing	2 596 180	2 705 355
	11 380 119	11 933 771
Income before equity in results of affiliates and minority interest	24 991 808	18 390 828
Equity in results of affiliates (Note 5)	(79 419)	30 232
Income before minority interest	24 912 389	18 421 060
Minority interest in loss of subsidiaries	214 254	
Net income	Ps 25 126 643	Ps 18 421 060
Net income per share (Notes 1 and 12)		
Basic	Ps 1 665	Ps 1 166
Diluted	Ps 1 628	Ps 1 166

See accompanying notes

Consolidated Statements of Changes in Financial Position

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

	Year ended December 31 1999	1998
Operating activities:		
Net income	Ps 25 126 643	Ps 18,421,060
Add (deduct) items not requiring the use of resources		
Depreciation	16 887 907	17,470,905
Amortization	659 277	184,167
Deferred taxes	510 021	1,648 325
Equity in results of affiliates	79 419	(30 232)
Minority interest	(214 254)	
Changes in operating assets and liabilities.		
(Increase) decrease in.		
Accounts receivable	(1 181 724)	1,668,677
Prepaid expenses	(260 347)	505,966
Increase (decrease) in		
Employee pensions and seniority premiums.		
Reserve	3 013 232	3,048,338
Contributions to trust fund	(2 369 823)	(3,580,939)
Payments to employees	(1 984 800)	(1,765 263)
Accounts payable and accrued liabilities	4 462 551	336,384
Taxes payable	904 759	(886,876)
Deferred credits	(277 787)	(735,702)
Resources provided by operating activities	45 275 134	36,285 020
Financing activities:		
New loans	17 344 018	18 571,252
Repayment of loans	(12 882 080)	(17,938 965)
Effect of inflation and of exchange rate differences on debt	(5 431 721)	(1,171,073)
Decrease in capital stock and retained earnings due to purchase of Company's own shares	(7 852 523)	(10,802,845)
Minority interest	191 801	
Cash dividends paid	(8 035 069)	(6,621,664)
Resources used in financing activities	(14 665 573)	(17,763 295)
Investing activities.		
Investment in telephone plant	(14 704 697)	(13,254,015)
Investment in inventories	(1 612 813)	(264,571)
Investment in subsidiary companies	(2 155 833)	
Investment in affiliated companies	(2 854 229)	(848,509)
Investment in licenses		(2,068 978)
Other equity investments	(1 110 222)	
Resources used in investing activities	(22 437 594)	(16,434 071)
Net increase in cash and short term investments	8 171 967	2 087,654
Cash and short term investments at beginning of year	20 201 207	18 119,553
Cash and short term investments at end of year	Ps 28 379 174	Ps 20 207 207

See accompanying notes.

Consolidated Balance Sheets

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

Assets	December 31 1999	1998
Current assets		
Cash and short term investments	Ps 28 179 174	Ps 20 207 207
Accounts receivable, net (Note 2)	18 072 265	18 710 429
Prepaid expenses	2 271 426	1 717 396
Total current assets	48 722 865	38 635 032
Plant, property and equipment, net (Note 3)	108 736 261	119 406 471
Inventories primarily for use in construction of the telephone plant	3 958 501	2 176 270
Licenses, net (Note 4)	2 090 906	2 203 953
Equity investments (Note 5)	4 270 388	681 239
Intangible asset (Note 6)	8 164 076	9 058 086
Goodwill, net (Note 5)	2 554 852	871 344
Total assets	Ps 178 537 949	Ps 172 830 394

Liabilities and stockholders' equity	December 31 1999	1998
Current liabilities		
Current portion of long term debt (Note 7)	Ps 9 019 529	Ps 13,006,058
Accounts payable and accrued liabilities	13 423 772	8 706 559
Taxes payable	4 014 313	2,590,557
Total current liabilities	26 457 614	24,303,174
Long-term debt (Note 7)	24 146 004	20,748,079
Reserve for employee pensions and seniority premiums (Note 8)	4 961 801	7,988 208
Deferred credits (Note 9)	678 272	846 749
Total liabilities	58 240 691	53,886 210
Stockholders' equity (Note 12):		
Capital stock:		
Historical	747 472	772,433
Restatement increment	51 036 706	51,126 570
	51 784 178	51 899 003
Premium on sale of shares	9 127 297	9,127,297
Retained earnings		
Unappropriated earnings of prior years	92 434 060	87,785,767
Net income for the year	26 126 643	18 421,060
	117 560 703	106,206,827
Minimum pension and seniority premium liability adjustment (Note 8)	(484 185)	(1,277,173)
Deficit from restatement of stockholders' equity	(66 361 135)	(47,011,770)
Total majority stockholders' equity	121 626 878	118,944,184
Minority interest	670 380	
Total stockholders' equity	122 297 258	118 944,184
Total liabilities and stockholders' equity	Ps. 178 537 949	Ps 172,830 394

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)

	Capital stock	Premium on sale of shares	Retained earnings: Legal reserve	Retained earnings: Reserve for purchase of Company's own shares	Retained earnings: Unappropriated	Retained earnings: Total	Minimum pension and seniority premium liability adjustment	Deficit from restatement of stockholders' equity	Total majority stockholders' equity	Minority interest	Total stockholders' equity
Balance at December 31, 1997	Ps 52 080 139	Ps 9 127,297	Ps 11 820 778	Ps 4 061,783	Ps. 88,946 560	Ps 104 829,140		Ps. (48 492,856)	Ps. 117,543,710		Ps. 117,543,710
Appropriation of earnings approved at stockholders meetings held in March and April 1998											
Cash dividends paid at Ps. 0.70 per share					(6,621 664)	(6 621,664)			(6 621,664)		(6,621,664)
Increase in legal reserve			724 742		(724 742)						
Increase in reserve for purchase of Company's own shares				21,757,855	(21,757 855)						
Cash purchase of Company's own shares	(181 136)			(10 414 446)	(7 263)	(10 421,709)			(10 602,845)		(10,602,845)
Minimum pension and seniority premium liability adjustment (Note 6)							Ps. (1,277 173)		(1 277,173)		(1,277,173)
Surplus from holding nonmonetary assets								1,481,096	1 481,096		1,481,096
Net income					18 421 060	18 421 060			18 421,060		18 421,060
Balance at December 31, 1998	51 899 003	9 127 297	12 545 520	15 405 202	78 256 105	106 206,827	(1,277 173)	(47,011,770)	118 944,184		118,944,184
Appropriation of earnings approved at stockholders meetings held in March and April 1999											
Cash dividends paid at Ps. 0.775 per share					(8,038,060)	(8,038,060)			(8,038,060)		(8,038,060)
Increase in reserve for purchase of Company's own shares				24,101,804	(24,101,804)						
Increase in legal reserve			10,240		(10 240)						
Cash purchase of Company's own shares	(114,826)			(7,454,732)	(282,966)	(7,737,898)			(7,852,823)		(7,852,823)
Minimum pension and seniority premium liability adjustment (Note 6)							793,008		793,008		793,008
Minority interest										Ps. 692,833	692,833
(Deficit) surplus from holding nonmonetary assets								(8,349,365)	(8,349,365)	191,991	(8,157,664)
Net income					25,128,643	25,128,643			25,128,643	(214,264)	24,912,380
Balance at December 31, 1999 (Note 12)	Ps. 51,784,177	Ps. 9,127,297	Ps. 12,555,760	Ps. 32,052,274	Ps. 72,952,669	Ps. 117,560,703	Ps. (484,165)	Ps. (55,361,135)	Ps. 121,626,878	Ps. 670,380	Ps. 122,297,258

See accompanying notes

Notes to Consolidated Financial Statements

December 31 1999 and 1998

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

1 Description of the Business and Significant Accounting Policies

I Description of the business

Teléfonos de México S A de C V and its subsidiaries (collectively "the Company" or TELMEX), provide telecommunications services mainly in Mexico. Starting in 1993 the Company provides telecommunications services through its subsidiaries in the United States of America and Guatemala.

The amended concession under which the Company operates was signed on August 10 1990. The concession runs through the year 2026 but it may be renewed for an additional period of fifteen years. The concession defines, among other things, the quality standards for telephone service and establishes the basis for regulating rates.

At the end of 1996 and gradually during 1997 the competition was allowed to provide domestic and international long-distance telephone services. In 1999 the competition began to provide basic local telephone service.

TELMEX obtains its revenues primarily from telecommunications services including domestic and international long-distance and local telephone services, data transmission and internet services, as well as the interconnection of domestic long-distance operators, cellular telephone companies and local service operators networks with the TELMEX local network. The Company also obtains revenues from other activities related to its telephone operations, such as the publication of the telephone directory.

II Significant accounting policies

The significant accounting policies and practices observed in the preparation of these financial statements are described below.

a) Consolidation

The consolidated financial statements include the accounts of Teléfonos de México S A de C V and its twenty four Mexican subsidiaries, all of which are wholly owned except for two subsidiaries in which the Company holds a 70% and an 80% equity interest. All of the companies operate in the telecommunications sector or they provide services to companies operating in this sector.

The minority interest mainly refers to foreign subsidiaries of the Mexican subsidiaries referred to above.

All significant intercompany accounts and transactions have been eliminated in consolidation.

b) Recognition of revenues

Revenues are recognized as they accrue.

Local service revenues are derived from new line installation charges, monthly service fees, measured usage charges based on the number of calls made, air time for cellular phones and other service charges to subscribers, including among others charges for interconnecting fixed-system users with cellular users.

Revenues from domestic and international long distance telephone calls are determined on the basis of the duration of the calls and the type of service used. All these services are billed monthly based on the rates authorized by the Ministry of Communications and Transportation. International long distance service revenues include the revenues earned under agreements with foreign telephone service providers or operators for the use of facilities in interconnecting international calls. These agreements specify the rates for the use of such international interconnecting facilities. These service revenues represent the net settlement between the parties.

In 1998 revenues obtained from U S long-distance service operators were conservatively recognized at the time payments were received because no agreement with respect to settlement rates had been reached at the end of the year. In 1999, based on the agreements reached, the Company recorded as revenue for the year approximately U S $ 131 5 million as complement to the interconnection services provided in 1998.

c) Recognition of the effects of inflation on financial information

The Company recognizes the effects of inflation on financial information as required by Mexican Accounting Principles Bulletin B 10 ("Accounting Recognition of the Effects of Inflation on Financial Information") as amended issued by the Mexican Institute of Public Accountants (MIPA). Consequently the amounts shown in the accompanying financial statements and in these notes are expressed in thousands of Mexican pesos with purchasing power at December 31, 1999. The December 31, 1999 restatement factor applied to the financial statements at December 31, 1998 was 12 32% (which represents the annual rate of inflation for 1999) based on the Mexican National Consumer Price Index (NCPI) published by Banco de México (the central bank).

Plant, property and equipment and construction in progress were restated as described in Note 3. Telephone plant and equipment depreciation was computed on the restated investment using the retirement and replacement method (composite group method). All other assets were depreciated using the straight line method based on the estimated useful lives of the related assets.

Inventories are valued at average cost and are restated on the basis of specific indexes. The stated value of inventories is similar to replacement value, not in excess of market.

Capital stock, premium on sale of shares, and retained earnings were restated using adjustment factors obtained from the NCPI.

The deficit from restatement of stockholders' equity consists of (i) the accumulated monetary position loss at the time the provisions of Bulletin B-10 were first applied in 1984 (Ps 10 010 457 at December 31 1999) and, (ii) of the result from holding nonmonetary assets, which represents the net difference between restatement by the specific-cost method through 1996 and the alternate method of specific indexation (see Note 3) effective January 1 1997, compared to restatement based on the NCPI.

The monetary effect represents the impact of inflation on monetary assets and liabilities. The net monetary effect of each year is included in the statements of income as a part of the comprehensive financing (income) cost.

d) Short-term investments

Short-term investments represented basically by time deposits in financial institutions are stated at market value.

e) Equity investments in affiliates

The investment in shares of affiliates is valued using the equity method. This accounting method consists basically of recognizing the investor's equity interest in the results of operations and in the result from holding nonmonetary assets of investees at the time such results are incurred (see Note 5).

f) Exchange rate differences

Transactions in foreign currency are recorded at the prevailing exchange rate at the time of the related transactions. Foreign currency denominated assets and liabilities are translated at the prevailing exchange rate at the balance sheet date. Exchange rate differences are applied directly to income of the year.

At times the Company enters into short term forward exchange and option contracts as hedges for transactions denominated in currencies other than the U S dollar. The gains or losses on these contracts are recognized in income as incurred net of the gains or losses on the liabilities covered.

g) Labor obligations

Pension and seniority premium costs are recognized periodically during the years of service of employees, based on actuarial computations made by independent actuaries using the projected unit credit method and financial hypotheses net of inflation, as required by Mexican Accounting Principles Bulletin D 3 ("Labor Obligations", see Note 8). Termination payments are charged to income in the year in which the decision to dismiss an employee is made.

h) Income taxes, asset tax and employee profit sharing

Income taxes and employee profit sharing are provided based on the amount paid, taking into consideration the effect of important nonrecurring temporary differences in income for financial and tax reporting purposes (deferred taxes, see Note 13).

i) Basis of translation of financial statements of foreign subsidiaries

The accounting records of foreign subsidiaries located in the U S and in Guatemala which in the aggregate account for approximately 1% of consolidated net revenues and approximately 1% of total assets in 1999, are kept in the local currency of each country and are translated into Mexican pesos in conformity with Mexican Accounting Principles Bulletin B-15, ("Transactions in Foreign Currency and Translation of Financial Statements of Foreign Operations") as follows:

- The figures reported by the subsidiaries abroad were adjusted to conform with accounting principles generally accepted in Mexico.
- All balance sheet amounts, except for capital stock and retained earnings, were translated at the prevailing exchange rate at year-end; capital stock and retained earnings were translated at the prevailing exchange rate at the time capital contributions were made and earnings were generated. The statement of income was translated at the prevailing exchange rate at the end of the reporting period. In 1999, the effects of translation are not significant and are included in the deficit from restatement of stockholders' equity account shown in the statement of changes in stockholders' equity.

j) Earnings per share

TELMEX determined earnings per share in conformity with Mexican Accounting Principles Bulletin B 14 ("Earnings per share," see Note 12).

k) Use of estimates

The preparation of financial statements requires the use of estimates and assumptions in some areas. Actual results could differ from these estimates.

l) Reclassifications

Certain amounts shown in the 1998 balance sheet and income statement h been reclassified for uniformity of presentation with 1999.

2. Accounts Receivable

Accounts receivable consist of the following

		1999		1998
Subscribers	Ps	15 037 491	Ps.	15,629 56
Net settlement receivables		780 052		297 91
Other		4 390 241		2,746,37
		20 907 784		18,673,85
Less				
Allowance for doubtful accounts		2 835 519		1,963,42
Total	Ps	18 072 265	Ps	16 710 42

3. Plant, Property and Equipment

a) Plant, property and equipment consist of the following.

		1999		1998
Telephone plant and equipment	Ps	187 987.481	Ps.	163,826,00
Land and buildings		21 477 447		21,022,96
Other assets		17 853 700		17,618,70
		197 368 628		202,167,76
Less				
Accumulated depreciation		97 128 929		89,701,93
Net		100 269 699		112,465,83
Construction in progress and advances to equipment suppliers		8 486 562		6,940,64
Total	Ps	108 736 261	Ps.	119 406 47

b) Through December 31, 1996, items constituting the telephone plant we restated based on the acquisition date and cost, applying the factors derived fro the specific indexes determined by the Company and validated by an independe appraiser registered with the National Banking and Securities Commission (NBSC

Since the fifth amendment (as revised) to Bulletin B-10, effective January 1, 199 eliminated the use of appraisals to restate plant, property and equipment in th financial statements, this caption was restated as follows at December 31 199 and 1998:

- The December 31, 1996 appraised value of the imported telephone plant, as well as the cost of subsequent additions to such plant, were restated based on the rate of inflation in the respective country of origin and the prevailin exchange rate at the balance sheet date (i e , specific indexation factors)
- The appraised value of land, buildings and other fixed assets of domest origin at December 31 1996, and the cost of subsequent additions to suc assets were restated based on the NCPI

At December 31, 1999 and 1998, approximately 53% of the value of plant, property and equipment has been restated using specific indexation factors.

Following are the figures on plant, property and equipment at December 31, 1999 and 1998, restated on the basis of the NCPI (starting with the appraised values at December 31, 1996) to meet MBSC disclosure requirements with respect to the restatement [illegible] based on specific indexation factors:

		1999		1998
Telephone plant and equipment	Ps	186 575 315	Ps	176 470 102
Land and buildings		21 417 447		21 022 969
Other assets		20 134 249		18 352 121
		228 127 011		215 845 192
Less: Accumulated depreciation		114 256 857		96 712 335
Net		113 870 154		119 132 857
Construction in progress and advances to equipment suppliers		8 635 905		8 007 420
Total	Ps	122 506 059	Ps	127 140 277

c) Because of the important progress and the technological advances in telecommunications equipment, the Company makes a periodic assessment of the estimated useful lives of its fixed assets, adjusting annual depreciation whenever it believes this to be appropriate. In 1999 the Company extended the useful lives of certain assets, thereby decreasing depreciation expense for 1999 as compared to 1998 by approximately Ps. 512,000.

Depreciation of the telephone plant has been calculated at annual rates ranging from 3.3% to 16.7%. The other assets are depreciated at rates ranging from 3.3% to 33.3%. Depreciation charged to income was Ps. 16 887 967 in 1999 and Ps. 17 470 905 in 1998.

4. Licenses

In May 1998, TELMEX acquired from the Mexican Government concessions to operate radio spectrum wave frequency bands to provide fixed and mobile wireless telephone services at a cost of Ps. 2 068 976. In December 1997 the Company also acquired from the Mexican Government concessions to operate radio spectrum wave frequency bands for point-to-point and point-to-multipoint microwave communications at a cost of Ps. 191 574. This cost will be amortized over a period of twenty years (see Note 1 j).

5. Equity Investments

An analysis at December 31, 1999 and 1998 is as follows:

		1999		1998
Equity investments in:				
Affiliates	Ps	3 160 166	Ps	681 239
Other		1 110 222		
		4 270 388		681 239
Goodwill:				
Subsidiaries		1 905 913		
Affiliates		649 039		671 344
		2 554 952		671 344
Total	Ps	6 825 340	Ps	1 352 583

An analysis of the equity investment in affiliated companies at December 31, 1999 and 1998, and a brief description of major acquisitions in each year is as follows:

		1999		1998
SBC International Puerto Rico, Inc.	Ps	2 246 839		
Empresas Cablevision, S.A. de C.V.		648 319	Ps	607,812
Prodigy Communications Corporation		265 008		81 781
Telmex/Sprint Communications, LLC				(8 154)
Total	Ps	3 160 166	Ps	681 239

a) In October 1999, TELMEX acquired a 50% equity interest in SBC International Puerto Rico, Inc. (SBC International), the parent company of Cellular Communications of Puerto Rico, Inc., the major wireless telephone operator in Puerto Rico and the Virgin Islands. The remaining 50% equity interest in SBC International is held by SBC Communications, Inc. The goodwill of Ps. 81 878 generated on this transaction will be amortized over a period of five years. The unamortized balance of goodwill at December 31, 1999 was Ps. 50 147.

b) In July 1998, the Company acquired a 20.9% equity interest in Prodigy Communications Corporation (Prodigy), which is engaged in providing internet services in the United States. In February 1999, Prodigy made a public offering of 9,200,000 shares for approximately U.S. $ 129 million. At the same time, TELMEX subscribed and paid a capital increase for the equivalent of 2 million shares of Prodigy. In December 1999, the Company acquired 432,600 shares of Prodigy.

As a result of these transactions, at December 31, 1999, the Company holds an 18.4% equity interest in Prodigy. The goodwill of Ps. 806,386 generated on these transactions will be amortized over a period of five years. The unamortized balance of goodwill at December 31, 1999 and 1998 was Ps. 598 892 and Ps. 671,344, respectively. In January 2000, the Company acquired an additional 171,100 shares of Prodigy.

c) Total equity investments in affiliated companies during 1999 aggregated approximately U.S. $ 284 million (U.S. $ 75 million in 1998).

d) TELMEX's equity interest in the results of operations and the stockholders' equity of affiliated companies represented a charge to operations of Ps. 79 419 in 1999 (credit of Ps. 30 232 in 1998) and a charge to stockholders' equity from holding nonmonetary assets of Ps. 122 439 in 1999 (credit of Ps. 13 710 in 1998).

Following is a summary of the most important equity investments in subsidiaries and other equity investments:

a) In February 1999, the Company acquired a 66.6% equity interest in Topp Telecom Inc. (Topp), which is engaged in the re-sale of prepaid cellular telephone service in the United States. In the period June through September 1999, TELMEX made additional capital contributions to Topp and, as a result, increased its equity interest in such company to 88.3%. The goodwill of Ps. 1,006,175 generated on these acquisitions will be amortized over a period of five years. The unamortized balance of goodwill at December 31, 1999 was Ps. 845 868.

b) In June 1999, the Company acquired Comm South Companies, Inc., which is engaged in the re-sale of prepaid local telephone service in the United States. The

goodwill of Ps. 711,782 generated on this acquisition will be amortized over a period of five years.

The goodwill generated on the acquisition of other subsidiaries aggregated Ps. 403,588. The unamortized portion of this goodwill at December 31, 1999 was Ps. 348 263, which will be amortized over a period of five years.

No pro forma information on the preceding acquisitions is presented because such information is considered to be relatively immaterial in relation to the consolidated financial statements taken as a whole.

c) In May 1999, the Company entered into an agreement with Williams Communications Group, Inc. (Williams), which is engaged in providing telecommunications services in the United States, to acquire approximately 1% of the shares comprising the capital stock of Williams. This transaction was consummated in October 1999. Williams and TELMEX will interconnect their fiber optics and long distance networks in supplying international telecommunications services.

d) In 1999, total equity investments in subsidiaries and other equity investments aggregated approximately U.S. $ 478 million.

The most important equity investments made by the Company subsequent to December 31, 1999 are as follows:

a) In the period from January 1, 2000 to the date of the audit report on these financial statements, the Company invested approximately U.S. $ 625 million to acquire a 25% equity interest in ATL-Algar Telecom Leste S.A., which provides cellular telephone service in Rio de Janeiro and Bahia de Espirito Santo, Brazil, a 46% equity interest in CompUSA, Inc., a computer hardware and softw distributor in the United States.

b) In March 2000 the Company is in the process of negotiating the acquisiti of a 79.6% equity interest in Luca, S.A., the parent company Telecomunicaciones de Guatemala, S.A. and a 60% equity interest in Consor Ecuatoriano de Telecomunicaciones, S.A., which provides cellular telepho services in Ecuador.

6. Employee Pensions and Seniority Premiums

Substantially all the Company's employees are covered under defined benefi retirement and seniority premium plans.

Pension benefits are determined on the basis of compensation of employees i their final year of employment, their seniority and their age at the time o retirement.

In 1990 the Company set up an irrevocable trust fund to cover the payment o these obligations. It adopted the policy of making annual contributions to th fund, which totaled Ps. 2 369 823 in 1999 and Ps. 3 580 939 in 1998. Thes contributions are deductible for Mexican corporate income tax purposes.

The transition liability, past services and variances in assumptions are bein amortized over a period of twelve years, which is the estimated average remainin working lifetime of Company employees.

The most important information related to labor obligations is as follows:

Analysis of the net period cost:

		1999		1998
Labor cost	Ps.	1,666,103	Ps.	1,532,388
Financial cost of projected benefit obligation		2,778,219		2,696,977
Return on plan assets		(2,220,099)		(2,070,480)
Amortization of past service costs		892,250		892,238
Amortization of variances in assumptions		(1,241)		(2,785)
Net period cost	Ps	3 013,232	Ps	3 048,338

Reserve for employee pensions and seniority premiums:

		1999		1998
Projected benefit obligation	Ps	48 107,763	Ps.	41,246,266
Plan assets		(40,557,998)		(30 958 389)
Transition liability		(8,164,076)		(8,056,085)
Actuarial loss to be amortized		(3,072,129)		(3,678,842)
Net projected asset		(3,686,440)		(1,345,050)
Additional minimum liability		8,648,241		10,333,258
Reserve for employee pensions and seniority premiums	Ps	4,961,801	Ps.	7,988,208
Accumulated benefit obligation	Ps	45,519,799	Ps.	38,940,597
Intangible asset included on balance sheet	Ps.	8,164,076	Ps	8,056,085
Minimum pension and seniority premium liability adjustment on stockholders' equity	Ps	484,165	Ps.	1,277,173

The effect of the minimum pension and seniority premium liability adjustment on stockholders' equity represents the amount by which the additional minimum liability exceeds the intangible asset. The latter represents the unamortized transition liability, most of which arose in 1997, when, effective January 1 of such year, the MIPA required that actuarial computations be based on rates net of inflation instead of nominal rates as was the practice through December 31, 1996.

At December 31, 1999, 74% (75% in 1998) of plan assets were invested in fixed income securities and 26% (25% in 1998) in variable income securities.

The rates used in the actuarial studies were:

	1999	1998
Discount of labor obligations:		
First year	6.9 %	6.9 %
Long-term average	4.9 %	4.9 %
Increase in salaries:		
First year	0.9 %	0.9 %
Long-term average	1.4 %	1.4 %
Annual returns from the fund:		
First year	6.9 %	6.9 %
Long-term average	4.9 %	4.9 %

7. Long-term Debt

The long-term debt consists of the following:

	Average interest rates 1999*	1998*	Maturities from 2000 through	Balance at December 31 1999	1998
Debt denominated in foreign currency					
Convertible senior debentures (1)	4.2 %		2004	Ps 9 522 200	
Banks	7.5 %	5.8 %	2009	6 924 899	Ps 11 732 134
Suppliers' credits	6.8 %	6.0 %	2021	4 386 558	8 549 904
Financial leases	7.2 %	10.1 %	2004	295 952	19 967
Mexican Government	7.6 %	5.9 %	2006	224 229	286 001
Total				21 353 838	20 588 006
Debt denominated in Mexican pesos					
Medium term notes	20.2 %	34.1 %	2001	9 716 328	11 381 385
Commercial paper	18.5 %	35.7 %	2000	1 174 395	575 740
Banks	18.8 %	36.6 %	2003	801 288	1 046 409
Financial leases	19.8 %	35.5 %	2005	118 684	162 597
Total				11 810 695	13 166 131
Total debt				33 164 533	33 754 137
Less current portion of long-term debt				9 019 529	13 006 058
Long-term debt				Ps 24 145 004	Ps 20 748 079

* Net of taxes, subject to variances in international and local rates.

(1) On June 11, 1999, the Company issued U.S. $ 1 000 million of convertible senior debentures. The debentures are convertible to common stock at the option of the holders at any time prior to their maturity into American Depositary Shares (ADSs), each representing 20 TELMEX "L" shares. The conversion price is US$47.46095 per ADS, after the two for one stock split described in Note 12, equal to a conversion ratio of US$21.0695 per US$1 000 principal amount of the convertible debentures, subject to adjustment under certain circumstances.

Should any person or group (other than the present controlling stockholders) acquire 50% or more of the issuer's voting shares, the holders of the convertible debentures may ask TELMEX to repurchase the convertible debentures for 100% of the principal amount plus unpaid accrued interest through the repurchase date.

The maturity date of the convertible debentures is June 15, 2004. The debentures bear 4.25% annual interest, payable semiannually. In 1999, accrued interest on these debentures aggregated Ps 216 280.

An analysis of the foreign currency denominated debt at December 31, 1999 is as follows:

	Foreign currency (in thousands)	Exchange rate at December 31, 1999 (in units)	Mexican peso equivalent
U.S. dollar	2 201.677	Ps 9.5222	Ps 20,963,857
French franc	230 731	1.4556	335 852
Guatemalan Quetzal	43 331	1.2492	54,129
Total			Ps 21,353,838

At December 31, 1999, the Company has unused lines of credit from certain banks of approximately Ps 8,500,000, at a floating interest rate of LIBOR plus approximately 0.9 points at the time of use.

During 1999 the Company entered into various short term derivative transactions. At December 31, 1999 these transactions are not material.

Long term debt maturities at December 31, 1999 are as follows:

Year	Amount
2001	Ps. 7,968 994
2002	1,922,379
2003	1 608 816
2004	10,728 258
2005 and beyond	1,916,757
Total	Ps 24,145,004

8. Deferred Credits

Deferred credits consist of the following at December 31, 1999 and 1998:

	1999	1998
Advance billings	Ps. 662 886	Ps. 494,314
Advances from subscribers and others	13 386	352,435
Total	Ps 676 272	Ps. 846,749

9. Foreign Currency Position and Transactions

a) At December 31, 1999, TELMEX and its Mexican subsidiaries have a net foreign currency short position of U.S.$ 2,181 million (net foreign currency short position of U.S.$ 1,831 million at December 31, 1998).

The prevailing exchange rate at December 31, 1999 was Ps. 9.52 per U.S. dollar (Ps 9.87 per U.S. dollar at December 31, 1998). At March 3, 2000, which is the date of issuance of these financial statements, the exchange rate of the Mexican peso relative to the U.S. dollar was Ps. 9.36 per U.S. dollar.

b) In the years ended December 31, 1999 and 1998, TELMEX and its Mexican subsidiaries had the following transactions denominated in foreign currencies. Currencies other than the U.S. dollar were translated to U.S. dollars using the average exchange rate for the year.

	Millions of U.S. dollars 1999	1998
Net settlement revenues	U.S.$ 534	U.S.$ 309
Interest expense	156	175
Operating expenses	146	128

10. Commitments and Contingencies

a) At December 31, 1999 the Company has noncancelable commitments of approximately Ps 2,120 000 (Ps 1,750 000 in 1998) for the purchase of equipment.

b) At December 31, 1999, there are outstanding letters of credit in the approximate amount of Ps 65,000 (Ps 85 000 in 1998), which were issued to foreign suppliers for the purchase of materials and supplies.

c) In February 1998 the Federal Commission of Economic Competition determined that Teléfonos de México, S.A. de C.V. has substantial power in what it referred to as five telecommunications markets so that, in conformity with Article 63 of the Federal Telecommunications Act, the Federal Telecommunications Commission may impose specific obligations with respect to rates charged and quality of services and information. At the present time, it is not possible to quantify or estimate the economic consequences, if any, that may derive from this situation.

The Company's external lawyers who are handling this matter are of the opinion that this finding is unjustified. Consequently, Teléfonos de México, S.A. de C.V. filed an appeal for reconsideration by the Federal Commission of Economic Competition, which reconfirmed its initial stance, against which the Company proceeded to undertake relief proceedings and obtained the protection and shelter of the Mexican Federal Justice. This case is currently being reviewed by the Mexican Supreme Court.

d) In August 1997, a telecommunications sector company demanded from Teléfonos de México, S.A. de C.V. and from the Ministry of Communications and Transportation the rescission of the Company's concession for alleged violations of one of the terms of the concession. The same plaintiff has demanded that Teléfonos de México, S.A. de C.V. and a subsidiary nullify the transaction that such plaintiff refers to as the purchase sale of 49% of the capital stock of Cablevisión, S.A. de C.V.

In defense, TELMEX maintains that the suit is unfounded and its inadmissibility was so declared in the first and second instances. An appeal filed by the plaintiff is currently being reviewed and, in the opinion of the Company's external lawyers handling this matter, TELMEX will prevail.

e) In December 1995, a competitor that provides cellular telephone services reported Teléfonos de México, S.A. de C.V. and a subsidiary to the Federal Commission of Economic Competition for alleged monopolistic practices.

The Company's external lawyers believe that the probabilities are great that the complaint will be declared unfounded. Although the accusation makes reference to different amounts of damages, there is no mention of the total amount of the claim. Also, the Commission is only empowered to impose fines, the total amount of which cannot be determined at the present time. Accordingly, the financial statements do not include any provision for this contingency.

f) In August 1994, Teléfonos de México, S.A. de C.V. was sued by a former employee for the alleged illegal use of a system the latter calls the "High Traffic System", which the former employee claims to have created. The suit does not specify the exact amount of the indemnification sought. In the opinion of the Company's external lawyers, Teléfonos de México, S.A. de C.V. will prevail in this matter.

11 Related Parties

In the years ended December 31, 1999 and 1998, the Company had the following significant transactions with related parties:

	1999	1998
Purchase of materials, inventories and fixed assets	Ps 1 765 491	Ps 2 983 885
Payment of insurance premiums and fees for administrative and operating services	1 036 573	777 836
Discount on sale of doubtful accounts receivable	488 647	117 091
Donations to a non profit social welfare organization	1 003 701	875 270
Sale of materials, inventories, fixed assets and services	417 575	452,183

12 Stockholders' Equity

a) An extraordinary stockholders' meeting held on December 6, 1999 approved the increase on February 1, 2000 in the number of outstanding Series "AA", "A" and "L" shares, by means of a two for one stock split.

All per share and shares outstanding data in these financial statements have been retroactively restated to reflect the two for one stock split.

b) At December 31, 1999, capital stock is represented by 14 949 million common shares (7 475 million prior to the stock split) with no par value, representing the fixed capital (15 449 million in 1998 and 7 724 million prior to the stock split) issued and outstanding. An analysis is as follows:

	1999	1998
4 326 million Series "AA" shares	Ps 25 646 036	Ps 25 646 036
369 million (429 million in 1998) series "A" shares	2 335 659	2 691,769
10 254 million (10 694 million in 1998) series "L" shares	23 802 483	23 561 198
Total	Ps 51 784 178	Ps 51 899 003

c) Series "AA" shares, which may be subscribed only by Mexican individuals and corporate entities, must represent at all times no less than 20% of capital stock and no less than 51% of the common shares. Common series "A" shares, which may be freely subscribed, must account for no more than 19.6% of capital stock and no more than 49% of the common shares. Series "AA" and "A" shares combined may not represent more than 51% of capital stock. The combined number of series "L" shares, which have limited voting rights and may be freely subscribed, and series "A" shares may not exceed 80% of capital stock. The Company's bylaws contemplate the possibility of the holders of series "L" shares exchanging such shares in certain circumstances for series "AA" shares, commencing January 1, 2001.

d) In 1994, TELMEX initiated a program to purchase its own shares. For this purpose, in accordance with the Securities Trading Act, the Company appropriated retained earnings to set up a reserve to purchase its own shares. A charge is made to the reserve for the excess cost of the shares purchased over the portion of capital stock represented by the shares acquired.

In March 1998, the stockholders approved an increase of Ps. 21 757 855 in the reserve for the purchase of the Company's own shares to acquire up to 1 600 million shares (800 million prior to the stock split). In such year, the Company acquired 788 million series "L" shares (394 million prior to the stock split), for Ps. 10 595 582 (Ps. 8 620 261 historical). On that same date, an extraordinary stockholders' meeting approved the cancellation of 1,706 million treasury shares (853 million prior to the stock split).

In March 1999, the stockholders approved an increase of Ps. 24,101,804 in the reserve for the purchase of the Company's own shares to acquire up to 1 600 million additional shares to those previously authorized (800 million prior to the stock split). In 1999, the Company acquired 500 million series "L" shares (250 million prior to the stock split), for Ps. 7 569,557 (Ps. 7,116,910 historical).

e) In conformity with the Mexican Corporations Act, at least 5% of net income of the year must be appropriated to increase the legal reserve. This practice must be continued each year until the legal reserve reaches at least 20% of capital stock issued and outstanding.

f) The majority earnings per share are obtained by dividing the majority net income for the year by the average weighted number of shares issued and outstanding during the period. To determine the average weighted number of shares issued and outstanding at December 31, 1999 and 1998, the Company recognized retroactively the effect of the previously mentioned two for one stock split that occurred on February 1, 2000.

The diluted earnings per share at December 31, 1999, were determined considering the effect of the shares that may be delivered (potentially dilutive

shares) as a result of the convertible senior debentures described in Note 7. The computation was made by deducting from the majority net income for the year, the comprehensive financing income, net of income tax and employee profit sharing, derived from the convertible debentures. The adjusted income was divided by the average weighted number of shares issued and outstanding, taking into account the number of shares that could be capitalized. At December 31, 1998, there were no instruments that could produce any dilutive effect.

An analysis is as follows:

	1999	1998
Earnings per basic share:		
Net income	$ 25 128 643	$ 18 421.060
Weighted average number of shares issued and outstanding (millions)	15 092	15 804
Earnings per basic share (in pesos)	$ 1 665	$ 1 166
Earnings per diluted share:		
Net income	$ 25 128 643	$ 18 421 060
Comprehensive financing income (net of income tax and employee profit sharing)	(181 103)	
Adjusted net income	$ 24 945 540	$ 18 421 060
Weighted average number of shares issued and outstanding (millions)	15 092	15.804
Add:		
Potentially dilutive shares	234	
Weighted average number of diluted shares issued and outstanding (millions)	15 326	15 804
Earnings per diluted share (in pesos)	$ 1 628	$ 1.166

Earnings per basic share before the two-for-one stock split were Ps. 3.330 and Ps. 2 331 at December 31, 1999 and 1998, respectively. Earnings per diluted share at December 31, 1999 before the two for one stock split were Ps. 3 255.

13. Income Tax and Asset Tax

a) The Ministry of Finance and Public Credit authorized TELMEX to consolidate the group tax returns for tax purposes starting January 1, 1995. The Instituto Tecnológico de Teléfonos de México, S.C., Fundación Telmex, A.C., and the subsidiaries acquired in 1999 are excluded from this tax consolidation.

Various changes in the tax consolidation methodology went into effect on January 1, 1999. The most important of these changes reduces the consolidation equity percentage to 60%. In 1999, these new provisions did not have a significant impact on the Company's tax results.

b) Asset tax for the years ended December 31, 1999 and 1998 was Ps. 2 938 983 and Ps. 2 924 870, respectively. In both years TELMEX credited against these amounts the income tax paid in such years.

c) Effective January 1, 1999, the corporate income tax rate was increased from 34% to 35%. However, corporate taxpayers have the option of deferring a portion, so that the tax payable for the year will represent 30% of taxable income (32% in 1999). The earnings on which there is a deferral of taxes must be controlled in a so called "net reinvested tax profit" account ("CUFINRE"), to clearly identify the earnings on which the taxpayer has opted to defer payment of corporate income tax.

If the Company opts for the tax deferral, starting in the year 2000 earnings will be considered to be distributed first from the "CUFINRE" account, and any excess will be distributed from the "net tax profit" account ("CUFIN"), so as to pay the 5% deferred tax (3% for 1999).

Any distribution of earnings in excess of the above-mentioned account balances will be subject to payment of 35% corporate income tax.

In addition, effective January 1, 1999, cash dividends obtained by individuals or residents abroad from corporate entities in Mexico will be subject to a 5% withholding tax on the amount of the dividend multiplied by 1 5385 (1 515 for dividends paid from the determined balance of the "CUFIN" account at December 31, 1998).

d) An analysis of income tax provisions is as follows:

	1999	1998
Current year	Ps. 8 273 918	Ps. 7,580 091
Deferred	510 021	1,648,325
Total	Ps. 8 783 939	Ps. 9,228,416

The most important differences between book and tax results relate to the difference in depreciation expense for book and tax purposes, the amortization of goodwill and licenses, pensions and other nondeductible expenses.

The major temporary differences on which the Company has recognized deferred taxes in terms of Mexican Accounting Principles Bulletin D-4, still in effect at December 31, 1999, are as follows:

	1999	1998
Deferred tax asset		
Excess cost over appraised value of Federal Microwave Network	Ps 61 344	Ps 137 804
Deferred tax liability		
Inventories	(731 817)	(771 383)
Pensions	(1 103 113)	(808 822)
	(1 834 930)	(1 580 205)
Net deferred tax (liability) asset	Ps (1 773 646)	Ps (1 442 401)

The deferred tax asset and liability are presented on the balance sheet in accounts receivable and accounts payable, respectively, representing basically long term items.

A new Mexican Accounting Principles Bulletin D-4, "Accounting for Income Tax, Asset Tax and Employee Profit Sharing", went into effect on January 1, 2000. The new bulletin modifies the rules with respect to the valuation of deferred income tax. Basically, the new bulletin requires that deferred income tax be determined on virtually all temporary differences in balance sheet accounts for financial and tax reporting purposes, using the enacted income tax rate at the time the financial 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 this bulletin at the beginning of 2000 is to be applied to stockholders' equity without restructuring the financial statements of prior years.

At the date of issuance of these financial statements, the Company is quantifying the impact that the observance of these new requirements will have. The effect is expected to be a decrease in stockholders' equity. Also, it is expected that this 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 specific tax regimes of each country. The income tax provisions of these subsidiaries are not material in relation to the consolidated financial statements.

14. Segments

TELMEX operates primarily in the following segments: local telephone service, long-distance telephone service, and cellular service. Local telephone service corresponds to fixed local wired service. The long distance service includes both domestic and international services, exclusive of the long-distance calls originated in public and rural telephones and private circuits. The cellular service represents the mobile telephone service and includes both local and long distance services. Additional information related to the Company's operations is provided in Note 1. The following summary shows the most important segment information and has been prepared following the accounting policies described in Note 1 on a consistent basis.

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

	Local Service	Long Distance	Cellular	Others, adjustements and eliminations	Consolidated total
At December 31, 1999					
Revenues					
External revenues	Ps 48 018	Ps 24 670	Ps 13 035	Ps 10 598	Ps 96,321
Intersegment revenues	10 330			(10 330)	
Depreciation and amortization	12 200	1 982	941	2 324	17,447
Operating income	23 147	8 851	2 814	1 431	36 243
Segment assets	151 194	23 328	13 171	22 171	209 864
At December 31, 1998					
Revenues					
External revenues	48 034	23 828	8 829	7 189	87 880
Intersegment revenues	14 061			(14 061)	
Depreciation and amortization	12 938	1 848	663	2 106	17 655
Operating income	27 723	4 554	1 933	(820)	33 390
Segment assets	159 584	24 639	8 544	18 518	211 285

15. Generally Accepted Accounting Principles in the United States Reconciliation

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 deferred employee profit sharing (deferred taxes), and the restatement of plant, property and equipment. Other differences are the accounting for interest on assets under construction, accrued vacation costs and minority interest.

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 represents a comprehensive measure of the effects of price level changes in the Mexican economy and, as such, is considered a more meaningful presentation than 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	Ps 25 128 843	Ps 18,421,060
Total approximate U.S. GAAP adjustments, net	(1 686 202)	(863,733)
Approximate net income under U.S. GAAP	23 440 441	17,557,327
Other comprehensive income	(720 908)	(849 056)
Approximate comprehensive income under U.S. GAAP	Ps 22 719 533	Ps 16,708 271
Weighted average common shares outstanding (in millions)		
Basic	16 092	15,804
Diluted	15 326	15 804
Approximate net income per share under U.S. GAAP:		
Basic	Ps. 1 553	Ps. 1 111
Diluted	Ps 1 520	Ps 1 111
Total stockholders' equity under Mexican GAAP	Ps 122 297 258	Ps 118,944,184
Total approximate U.S. GAAP adjustments, net	(9 162 364)	(14,641,231)
Approximate total stockholders' equity under U.S. GAAP	Ps 113 134 894	Ps 104,302,953

Proposal to the Meeting

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

Regarding dividend payments for the 1999 fiscal year and according to Clause forty five of Teléfonos de México, S.A. de C.V. by laws, the following amounts are available to the Shareholders:

		Amount
Prior years unappropriated earnings according to the unconsolidated balance at December 31, 1999	Ps	25 609 950
Less: Separation for one dividend payment in cash to shareholders beginning March 23, 2000 of Ps. 0.10 per share by presenting coupon 12, according with the Shareholders' Meeting and the Extraordinary Shareholders' Meeting held on April 29, 1999 and December 6, 1999, respectively		1 499 499
		24 110,451
Unconsolidated net income for the year		18 457 209
Total	Ps.	42 567 660

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

		Amount
There will be no increase to the legal reserve due to the fact that it has reached the 20% limit established in Article 20 of the Mexican Corporations Act		
To pay four instalments of Ps. 0.115 per share each, as a cash dividend coming from the Net Tax Profit Account	Ps	6.897 694 (1)
To the retained earnings account		35 669 966
Total	Ps	42 567 660

The cash dividends 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 13, 14, 15 and 16, 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-distan[ce] services is presented below for 1999, 1998 and 1997

	Local Service 1999	Local Service 1998	Local Service 1997	Long-Distance Service 1999	Long-Distance Service 1998	Long-Distance Service 1997
Operating Revenues:						
Access, Rent, Measured Service and Others	Ps 48,085	Ps. 48,191	Ps 40,792			
Domestic Long Distance				Ps 15 593	Ps 15,085	Ps 16 34
International Long Distance				9 077	8,743	12 41
LADA Interconnection	7,398	11,213	13 468			
Interconnection with Long-Distance Carriers	1,740	2,268	590			
Interconnection with Cellular Companies	1,126	423	652			
Total Revenues	58,348	62,095	56 402	24 670	23,828	28,75
Operating Costs and Expenses:						
Cost of Sales and Services	12,480	11,877	12,181	2 117	2,584	2,83
Commercial, Administrative and General	10,521	9 557	10 113	4 684	4,711	5 0
Depreciation and Amortization	12 200	12 938	12.122	1 982	1,948	1,62
Interconnection				7 036	10,031	11,88
Total Costs and Expenses	35,201	34,372	34 418	15 819	19 274	21,34
Operating Income	Ps 23 147	Ps. 27,723	Ps 20 986	Ps 8 851	Ps 4,554	Ps 7,41
Estimation of Revenues due to Illegal "by-pass"				Ps. 2 265	Ps 1,689	Ps 88
Gross Fixed Asset	Ps 161,194	Ps. 159,584	Ps 151 096	Ps 23 328	Ps 24,639	Ps 21,68
Personnel	42,849	43,123	42 885	8 109	8,319	8,37

Notes:
This information varies to the one presented in the consolidated financial statements of this Annual Report due to:

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-distanc[e] telephone services, as follows: Teléfonos de México, S.A. de C.V. Teléfonos del Noroeste, S.A. de C.V., Compañía de Teléfonos y Bienes Raíces, S.A. de C.V. an[d] Alquiladora de Casas, S.A. de C.V.

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

3) Long Distance Service: Revenues for basic services of domestic and international long distance, do not include rural and public telephone services, and dat[a] transmission services.

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

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

6) The results of long distance do not include the losses associated to rural telephone services of Ps. 277 million in 1999, Ps. 729 million in 1998 and Ps. 660 million i[n] 1997.

Board of Directors

Carlos Slim Helú
Chairman of the Board

Directors

Jean Pierre Achouche
Executive Director of Operations
FCR/DJA

Paul W. Cardarella
Director Ejecutivo de Operaciones
SBCI Mexico SBC International Inc

Jaime Chico Pardo
Chief Executive Officer
Teléfonos de México S.A. de C.V.

Antonio Cosío Ariño
President
Compañía Industrial Tepeji del Río
S.A. de C.V.

R. Allen Craft
CFO
SBC International Inc

Richard C. Dietz
Director
SBC Global Markets

J. Cliff Eason
President
SBC International
SBC Communications Inc

Amparo Espinosa Rugarcía
Director
Documentación y
Estudio de Mujeres A.C.

Pierre Fortin
President
France Telecom-México
(Retired Since September, 1999)

Elmer Franco Macías
President
Grupo Infra S.A. de C.V.

Claudio X. González Laporte
Chairman of the Board
and President
Kimberly Clark de México
S.A. de C.V.

Michel Hirsch
President
France Telecom
(Retired Since October 1999)

David Ibarra Muñoz
Consultant

Ángel Losada Moreno
Assistant President
Gigante S.A. de C.V.

Rómulo O'Farrill Jr.
Chairman of the Board
and President
Novedades Editores, S.A. de C.V.

Juan Antonio Pérez Simón
Vice Chairman of the Board
Teléfonos de México, S.A. de C.V.

Bernardo Quintana Isaac
President
Grupo ICA S.A. de C.V.

Carlos Slim Domit
President
Grupo Carso S.A. de C.V.

Statutory Auditor

Víctor Aguilar Villalobos
President
Mancera, S.C.

Secretary

Sergio F. Medina Noriega
General Counsel
Teléfonos de México S.A. de C.V.

Alternate Directors

Jaime Alverde Goya
Executive Vice President
Gigante S.A. de C.V.

Claude Benmussa
Vice President of Accounting
and Finance Control
France Telecom/BRHF

Carlos Bernal Verea
Partner
Noriega y Escobedo S.C.

Orlando E. Castillo
Associated Director-Regulatory
SBC International Inc

Christian Chauvin
Vice President
International Development
France Telecom

Antonio del Valle Ruiz
President
Kaluz Internacional S.A.

Ángeles Espinosa Rugarcía
Director
Museo Amparo

Jorge Esteve Campdera
President
Tecnología Industrial
Agropecuaria, S.A. de C.V.

Agustín Franco Macías
President
Cryoinfra S.A. de C.V.

Humberto Gutiérrez Olvera Z.
President
Grupo Condumex S.A. de C.V.

Rafael Kalach Mizrahi
President
Grupo Kaltex S.A. de C.V.

Donald E. Kiernan
Senior Executive Vice President,
Treasurer and CFO
SBC Communications Inc

José Kuri Harfush
President
Janel, S.A. de C.V.

Federico Laffan Fano
Partner
Laffan Mues y Garay S.C.

Ricardo Martín Bringas
President
Organización Soriana S.A. de C.V.

Sergio F. Medina Noriega
General Counsel
Teléfonos de México S.A. de C.V.

Bernard Perrillon
CFO
France Cables et Radio de México
France Telecom Group

Marco Antonio Slim Domit
Chairman of the Board
and President
Grupo Financiero Inbursa S.A. de C.V.

Patrick Slim Domit
President
Grupo Carso, S.A. de C.V.

Alternate Statutory Auditor

Alberto Tiburcio Celorio
Partner
Mancera, S.C.

Assistant Secretary

Rafael Robles Miaja
Partner
Franck, Galicia, Duclaud
y Robles, S.C.

Consultive Regional Board

North Region

Miguel Carlos Barragán Villarreal
Chairman
Proyección Corporativa, S.A. de C.V.

Federico Barrio Terrazas
Chairman of the Board and President
Lintel S.A. de C.V.

Jorge Chapa Salazar
Chairman
Grupo Chapa S.A. de C.V.

José Ramón Fernández Aguilar
President
Grupo Empresarial Sonorense, S.A. de C.V.

Luis Lara Armendáriz
President
Industrias de América

Juan Manuel Ley López
President
Casa Ley, S.A. de C.V.

Javier López del Bosque
President of Operations
Grupo Industrial Saltillo, S.A. de C.V.

Gastón Luken Aguilar
Chairman of the Board
GE Capital México, S.A. de C.V.

Ricardo E. Marcos Touché
Chairman of the Board and President
Grupo Libra, S.A. de C.V.

Jaime Pérez Bonilla
Advisor
Teléfonos de México, S.A. de C.V.

Jaime Alberto Rivero Santos
President
Banco Regional de Monterrey S.A.

Federico Terrazas Torres
President
Grupo Cementos de Chihuahua, S.A. de C.V.

Eduardo Tricio Haro
Chairman
Grupo Lala S.A. de C.V.

Julio César Villarreal Guajardo
Chairman of the Board and President
Grupo Villacero

Roberto Zambrano Villarreal
President
Desarrollo Integrado S.A. de C.V.

Center - West Region

Carlos Álvarez Bermejillo
Executive President
Laboratorios Pisa S.A. de C.V.

Luis Aranguren Treviño
Director of Operations
Arancia Corn Products, S.A. de C.V.

Alfonso Barba González
President
Industrias Jo Bau, S. de R.L. de C.V.

José Berrondo Mir
Director
Mabe México, S. de R.L. de C.V.

Luis Germán Cárcoba García
President
Promotora Tortacasa S.A. de C.V.

Salvador Martínez Garza
President
Grupo Industrial Martínez Garza S.A. de C.V.

José Martínez Ramírez
President
Loma Textil S.A. de C.V.

Francisco Medina Chávez
Executive President
Grupo Frame, S.A. de C.V.

Salvador Oñate Ascencio
President
Banco del Bajío, S.A.

Roberto Ruiz Rubio
President
Fomento Queretano S.A. de C.V.

South Region

Sergio Abraham Mafud
Chief Executive Officer
Super San Francisco de Asís, S.A. de C.V.

José Cernicchiaro Malmone
President
La Italiana, S.A. de C.V.

Antonio Chedraui Obeso
President
Grupo Comercial Chedraui, S.A. de C.V.

Juan Manuel Díaz Francos
President
Grupo Díaz-Fénix, S.A. de C.V.

Rómulo Farrera Escudero
Chairman of the Board and President
Grupo Farrera, S.A. de C.V.

Juan José Gutiérrez Ruiz
President
Grupo Gutiérrez Embotelladores, S.A. de C.V.

Nicolás Madahuar Cámara
Chief Executive Officer
Operadora de Tiendas Voluntarias, S.A. de C.V.

Armando Millet Molina
President
Operadora Real Maya S.A. de C.V.

Enrique Montoto Arámburo
Chief Executive Officer
C. Montoto, S.A. de C.V.

Miguel Quintana Pali
Chairman of the Board and President
Promotora XCaret, S.A. de C.V.

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 Aboumrad
Wireless and Affiliates

Javier Mondragón Alarcón
Legal Affairs

Héctor Slim Seade
Operational Support

Andrés Vázquez del Mercado Benshimol
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
Telnor

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

Shareholder Information

Headquarters
Parque Vía 190
Colonia Cuauhtémoc
México, D.F.
C.P. 06599

Investor Relations
Parque Vía 198, Oficina 701
Colonia Cuauhtémoc
México, D.F.
C.P. 06599
Tel. 52(5) 703 3990 / 52(5) 222 5462
Fax: 52(5) 545 5550
E-Mail: ri@telmex.net

Shareholder Services
Tel. 52(5) 222 1126 / 52(5) 222 5534 /
52(5) 222 6159
Fax: 52(5) 254 5955
E-Mail: valores@telmex.net

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: TFONY
One ADR represents one "A" share

Transfer and Depository Agent in the U.S.
JP Morgan
Morgan Guaranty Trust Company
60 Wall Street
New York, NY 10260-0060
Tel. 1 (212) 648 6801
Fax: 1 (212) 648 5104

Independent Auditors
Mancera, S.C. Ernst&Young

NYSE

w w w . t e l m e x . c o m . m x

CERTIFICATION OF FINANCIAL STATEMENTS

OATH

STATE OF CALIFORNIA

COUNTY OF SAN DIEGO

Personally appeared before the undersigned, an officer duly authorized to administer oaths, Alfonso Lara who first being duly sworn, deposes and says that he is Chief Financial Officer of Telmex USA, L.L.C, applicant in this application, that he has read the financial statements enclosed herein as Attachment K and knows the contents thereof, and that the statements made herein are true to the best of his knowledge and belief.

(Signature of Affiant)

Subscribed and sworn before me, this 14th day of DECEMBER 2000.

(Notary Public)

PAULETTE S. BOHRER
Commission # 1257222
Notary Public - California
San Diego County
My Comm. Expires Mar 18, 2004

(Seal)

My Commission Expires MARCH 18, 2004.

PAULETTE S. BOHRER
Commission # 1257222
Notary Public - California
San Diego County
My Comm. Expires Mar 18, 2004

ATTACHMENT B

MANAGERIAL CAPABILITY

ALFONSO LARA, CHIEF FINANCIAL OFFICER

Mr. Lara worked in Mexico City for "Grupo Condumex" before coming to the Telecommunications Industry. He started as Financial Manager and was Financial Director and Commercial Director there. Mr. Lara was transferred to Telefonos de Mexico, S.A. de C.V. as Chief Financial Officer of International Investments. Later, Mr. Lara was assigned as Chief Financial Officer of Telmex/Sprint Communications, L.L.C.., a U.S. joint venture between Telefonos de Mexico and Sprint. After dissolution of the joint venture, Mr. Lara continued his assignment as CFO of Telmex USA, L.L.C.. Mr. Lara has a Masters in Business Direction with a minor in Finance from the "Instituto Panamericano de Alta Direccion de Empressa" (IPADE) in Mexico. After obtaining his Masters degree, he went on to complete a post graduate study in Project Financing at the "Universidad Panamericana de Mexico".

JAVIER ROSADO, VP MARKETING

Mr. Rosado received his Bachelor in Business Administration from the Instituto Tecnologico Autonomo de Mexico in 1989. In 1993, he received a Certificate of Special Studies in Business and Management from Harvard University. In 1994, Mr. Rosado, graduated with honors from the Arthur D. Little Management Education Institute, and was his class salutatorian. Mr. Rosado was an Assistant Brand Manager for Procter & Gamble-Mexico- from 1989-1991, where he developed and implemented strategic marketing plans for various consumer goods including Oil of Olay and VapoRUb. From 1991-1992, Mr. Rosado worked to obtain startup capital for the creation of Autopartes Macros, an automobile parts company for which he served as General Manager. Mr. Rosado joined Telefonos de Mexico S.A. de C.V. in 1994 and managed the introduction of a variety of new services to Mexico, including the Telcard telephone card, Digital Services, advanced residential services and 1-800 service. As Marketing Coordinator for Telmex/Sprint Communications he was responsible for overseeing all marketing functions of the joint venture. His duties included the initial evaluation, development and execution of market research planning. He was also responsible for the company's present and future marketing strategies and techniques.

ORLANDO A. KLEEN, ACCOUNTING AND TAX MANAGER

Mr. Kleen received a Bachelor of Accountancy degree from the University of Houston in 1978 and currently holds a Certified Public Accountant license in Texas. He started his career in Houston, Texas with Brown & Root, Inc. (a Halliburton Company) in the Corporate Financial Reporting Division. He eventually was assigned to the Mexico City office as Controller of the engineering services division from 1981 to 1984. Upon returning to Houston, during the oil depression, Mr. Kleen entered into public accounting and provided audit, tax planning and compliance, and management consulting with local and national firms. In 1989, he joined a ten million-dollar distribution and export company as Vice President and Controller. Since 1997, he has been with Telmex USA, L.L.C.. as Controller. As a member of the Houston Chapter of Texas Society of CPAs, in 1997 he was selected as one of the candidates to participate in the first Leadership Program. Before re-locating to California, Mr. Kleen was actively involved in the International Committee and also served as Vice-Chair of the Management of Accounting Practices Committee.

LINDA L. LAGATTA, GENERAL COUNSEL

Ms. LaGatta graduated from Florida State University in 1974 with a BS in Finance/Accounting and from St. Mary's University, San Antonio, TX in 1977 with a Juris Doctorate degree. Ms. LaGatta served as Chief of the Fraud Section of the U.S. Attorney's Office, Southern District of Texas, for a number of years where she tried many high-profile cases, and garnered the "Federal Younger Lawyer Award" from the Federal Bar Association. After leaving the Justice Department, she entered civil practice with areas of concentration in litigation, international and mergers and acquisition work. She later managed international litigation matters at First City Bank Corporation traveling extensively to Spain on the bank's largest workout. As General Counsel for Mosbacher Energy Company prior to accepting the position of General Counsel of Telmex USA., Ms. LaGatta negotiated contracts in South America and Europe and was responsible for the legal affairs of 22 affiliate companies.

ATTACHMENT C

TECHNICAL CAPABILITY

Telmex USA, L.L.C is a switch based reseller. All transmission facilities are provided by the Florida certified underlying carrier.

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 switch based reseller.

ATTACHMENT D

PROPOSED TARIFF

TELMEX USA, L.L.C.

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of long distance telecommunications services provided by Telmex USA, L. L. C. with principal offices at 9444 Farnham St., Suite 200, San Diego, California 92123. This Tariff applies to services furnished within the State of Florida. This Tariff is on file with the Florida Public Service Commission and copies may be inspected during normal business hours at the Company's principal place of business

CHECK SHEET

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

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*New or Revised Sheets

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9444 Farnham St., Suite 200, San Diego, California 92123

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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

TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the sheet. Sheets are numbered sequentially. However, new sheets are added to the Tariff from time to time. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each sheet. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised sheet 14 cancels the 3rd revised sheet 14.

C. Paragraph Numbering Sequence - There are seven levels of paragraph coding. Each level of coding is subservient to its next higher level:

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2.1.1 (A)
2.1.1 (A).1
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D. Check Sheets - When a Tariff filing is made with the Commission, an updated check sheet accompanies the Tariff filing. The check sheet lists the sheets contained in the Tariff with a cross-reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision.

SECTION 1 - DEFINITIONS AND ABBREVIATIONS

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.

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

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 Florida Public Service Commission.

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

SECTION 1 - DEFINITIONS AND ABBREVIATIONS

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.

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.

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.

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.

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 Florida.

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.

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.

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. In case of refusal to establish service, the Company shall notify the applicant in writing of the reason for such refusal.

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.

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

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations On Service (continued)

2.2.4 (continued)

(A) Any order or decision of a court or other governmental authority which prohibits the Company from offering such Service; or

(B) Customer's or End User's use of the Service which constitutes a violation of either the provisions of this Tariff or of any laws, government rules, regulations, or policies or if such actions are reasonably appropriate to avoid violation of applicable law; or

(C) The Company deems termination necessary to protect the Company or third parties against unauthorized, fraudulent, or unlawful use of any Company Services, or to otherwise protect the Company's personnel, agents, or Service; or

(D) Customer's or End User's misuse or use for any fraudulent or unlawful purpose of the long distance network or Company-provided facilities or equipment; or

(E) Emergency, threatened, or actual disruption of Service to other Customers; or

(F) Unauthorized or fraudulent procurement of Service, including a misrepresentation of fact relevant to the conditions under which the applicant or Customer obtains or continues to receive Service; or

(G) Abandonment of the Customer's Premises served; or insufficient or fraudulent billing information; or invalid or unauthorized telephone numbers; or

(H) Customer's check or draft is returned unpaid for any reason, after one attempt at collection; or

(I) 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.

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.

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) Any calls placed by means of illegal equipment, service, or device.

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations On Service (continued)

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.

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.

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.

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.

SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

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.

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

2.3 Limitation of Liability (continued)

2.3.10 (continued)

(D) National emergencies, insurrections, riots, rebellions, wars, strikes, lockouts, work stoppages, supplier failures, shortages, breaches or delays, or other labor difficulties; or

(E) Notwithstanding anything in this Tariff to the contrary, the unlawful acts of individuals, including acts of the Company's agents and employees if committed beyond the scope of their employment.

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.

SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

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.

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 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.

2.3.19 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.

2.3.20 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.

SECTION 2 - RULES AND REGULATIONS

2.3 Limitation of Liability (continued)

2.3.20 (continued)

(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.

(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.

2.4 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. The Service offered herein may be used for any lawful purpose. The Customer is liable for all obligations under this Tariff not withstanding 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.

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.

2.4.4 Service furnished by the Company may not be arranged for joint use or authorized use.

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,

SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

2.5.1 (continued)

(C) (continued)

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.

(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 by the Customer or third parties that Prepaid Services have been fraudulently used.

SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

2.5.1 (continued)

(K) 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).

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.

SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

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.

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).

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.

SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

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.

2.5.14 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.

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.

SECTION 2 - RULES AND REGULATIONS

2.5 Obligations of the Customer (continued)

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.

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.

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.

SECTION 2 - RULES AND REGULATIONS

2.6 Obligations of a Reseller (continued)

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.

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.

SECTION 2 - RULES AND REGULATIONS

I.2.7 Obtaining Services (continued)

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 and check the references of any Customer at any time.

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.

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.

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;

SECTION 2 - RULES AND REGULATIONS

2.8 Customer Deposits / Advance Payments (continued)

2.8.2 Advance Payments (continued)

(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.

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.

SECTION 2 - RULES AND REGULATIONS

2.9 Rendering Bill (continued)

2.9.1 (continued)

(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.

(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.

(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.

SECTION 2 - RULES AND REGULATIONS

2.9 Rendering Bill (continued)

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.

(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.

SECTION 2 - RULES AND REGULATIONS

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

(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.

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.

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.

2.12 Timing of Calls

Timing of calls begins when the called party answers the call (i.e. when two way communications are established.) Answer detection is based on standard industry answer detection methods including hardware answer supervision provided by the DUC and software answer detection. Chargeable time ends when one of the parties disconnects from the call. There will be no charge for an incomplete call.

2.13 Initial and Additional Period

Calls are billed in various increments depending on the service subscribed to by the Customer. For all services, fractions of an increment are rounded up to the next highest increment. Initial period and additional period are shown for each service in the rate tables. 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.

2.16 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.

2.17 Taxes, Surcharges, and Fees

In addition to the charges specifically pertaining to services, certain federal, state, and local surcharges, taxes, and fees apply to services. These taxes, surcharges, and fees are calculated based upon the point of origination of the call, the point of termination of the call, the length of each call, and the taxing jurisdiction's rules and regulations.

All federal, state, and local taxes, surcharges, and fees (i.e., sales tax, gross receipts tax, municipal utilities tax, universal service fund assessments, etc.) are listed on the Customer's invoices, and unless otherwise specified herein, are not included in the rates listed in Subsection 4 of this Tariff.

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.

SECTION 2 - RULES AND REGULATIONS

2.18 Interruption of Service (continued)

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.

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 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 in a separate mailing 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.

2.22 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.

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.

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. Prepaid Long Distance Service is available to Residential Customers and Business Customers. 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. 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 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. Prepaid Calling Cards are available to Residential Customers and Business Customers. Prepaid Calling Card service is offered via TFANs and is available to a Cardholder from a touch tone 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 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.

3.2.3 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.

SECTION 4 - RATES AND CHARGES

4.1 Prepaid Long Distance Service

4.1.1 Rate Plans

	Rate per Minute or Fraction Thereof	
	1st Minute	Addt'l Minute
Option 1	0.25	.25
Option 2	1.07	.07
Option 3	0.15	.15
Option 4	1.07	.07

4.2 Prepaid Calling Card Service

4.2.1 Usage Charges

	Rate per Minute or Fraction Thereof	
	1st Minute	Addt'l Minute
Option 1	0.25	.25
Option 2	1.07	.07
Option 3	0.15	.15
Option 4	1.07	.07

4.3 Prepaid Promotional Services

	Rate per Minute or Fraction Thereof	
	1st Minute	Addt'l Minute
Prepaid Long Distance	1.00	1.00
Prepaid Calling Card	1.00	1.00

SECTION 4 - RATES AND CHARGES

4.4 Miscellaneous Charges

4.4.1 Return Check Charge

A return check charge of $20.00, if the face value of the check does not exceed $50.00; $30.00, if the face value is more than $50.00 but does not exceed $300.00; $40.00, if the face value is more than $300.00, will be assessed for checks returned for having insufficient funds.

4.4.2 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. For Prepaid Services, the Customer shall pay the Company a per call surcharge of $0.50 per call for all such traffic.

4.5 Exemptions and Special Rates

4.5.1 Discounts for Hearing Impaired Customers

Pursuant to Section 25-4.079 (4) of the IXC Rules For Special Rates For Handicapped Customers, a telephone toll message which is communicated using a telecommunications devise for the deaf (TDD) by properly certified hearing or speech impaired persons or properly certified business establishments or individuals equipped with TDDs for communicating with hearing or speech impaired persons will receive, upon request, credit on charges for certain intrastate toll charges placed between TDDs. The credit to be given on a subsequent bill for such calls placed between TDDs will be equal to a 5% discount on dialed calls using Services which have no time-of-day pricing element. Those dialed calls using a Service which have a time-of-day pricing element will receive a credit on a subsequent bill equal to applying the evening rate for calls placed during the daytime rate period and the night rates for evening and night calls.

Pursuant to Section 25-4.160 (1) of the IXC Rules For Special Rates For Handicapped Customers, a telephone toll message placed via the relay service will receive a discount of fifty (50) percent of the time-sensitive element of the call. If either party is both hearing and visually impaired, the discount will be sixty (60) percent of the time-sensitive element of the call. The discounts do not apply to per call charges such as calling card surcharges.

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.