

KELLEY DRYE & WARREN LLP

A LIMITED LIABILITY PARTNERSHIP

1200 19TH STREET, N.W.

SUITE 500

WASHINGTON, D.C. 20036

(202) 955-9600

ORIGINAL

(202) 955-9792

www.kelleydrye.com

DIRECT LINE (202) 887-1228

E-MAIL: lbaheri@KelleyDrye.com

NEW YORK, NY
TYSONS CORNER, VA
LOS ANGELES, CA
CHICAGO, IL
STAMFORD, CT
PARSIPPANY, NJ
BRUSSELS, BELGIUM
HONG KONG

AFFILIATE OFFICES
BANGKOK, THAILAND
JAKARTA, INDONESIA
MANILA, THE PHILIPPINES
MUMBAI, INDIA
TOKYO, JAPAN

March 18, 2002

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

020257 - TP

Re: Application for Approval of the Transfer of Control of XO
Communications, Inc., Sole Shareholder of XO Long Distance Services,
Inc., XO Florida, Inc., Pursuant to a Corporate Restructuring
Transactions Involving the Issuance and Sale of New Common Stock

Dear Ms. Bayo:

Enclosed please find for filing with the Florida Public Service Commission
("Commission") an original and fifteen (15) copies of the above referenced Application.

Please date stamp the enclosed duplicate copy of this filing and return in the
enclosed self-addressed postage prepaid envelop. If you have any questions, please feel free to
contact us.

Sincerely,

Leila Baheri
Leila M. Baheri

Encls.

DC01/BAHEL/177850.1

RECEIVED & FILED
mas
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

03137 MAR 19 8

FPSC-COMMISSION CLERK

**Before the
STATE OF FLORIDA
PUBLIC SERVICE COMMISSION**

Application for Approval of the Transfer of Control)
of XO Communications, Inc., Sole Shareholder of)
XO Long Distance Services, Inc., XO Florida, Inc.,)
Pursuant to a Corporate Restructuring Involving the)
Issuance and Sale of New Common Stock)

APPLICATION

XO Long Distance Services, Inc. (“XO Long Distance”), XO Florida, Inc., and their common parent, XO Communications, Inc. (“XO” and collectively with its subsidiaries, the “Company”), by their attorneys, hereby respectfully request authority from the Florida Public Service Commission (“Commission”), pursuant to Fl. Stat. § 364.33, to transfer ownership and control of XO, and thus its operating subsidiaries, from Craig O. McCaw¹ and the existing shareholders of XO to the shareholders of the restructured and recapitalized XO, including Forstmann Little & Co. Equity Partnership-VII, L.P., Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. (together “Forstmann Little”) and an indirect, wholly owned subsidiary of Telefonos de Mexico, S.A. de C.V.² (“Telmex” and together with Forstmann Little, the “Investors”).³ Upon completion of the transfer of control,

¹ Craig O. McCaw currently controls, primarily through control of Eagle River Investments, L.L.C., or has rights to vote shares of common stock that in the aggregate represent more than 50% of the voting power of XO common stock.

² Through intermediate holding companies, Telmex owns 100% of the capital stock of Teninver, S.A. de C.V., the Mexican entity through which Telmex proposes to make its investment in XO.

³ Applications related to this transaction were filed with the Federal Communications Commission on February 21, 2002.

each Investor is expected to hold approximately 40%⁴ of XO's voting power and have corresponding representation on XO's Board of Directors. It is not anticipated that any other shareholder will hold more than a 10% interest in XO. This transfer of control will result from XO's planned restructuring involving the modification of XO's existing credit facility, the elimination of all equity, outstanding notes, and the purchase of new common stock in XO by the Investors for \$800 million.⁵ Importantly, no new party will be able to unilaterally control XO after the transfer of control. The Investors will hold their interests independently of one another and have no agreement to act in concert with respect to the future operations of XO and its subsidiaries, except with respect to the election of Directors, as set forth below.

This Application is required because XO Long Distance and XO Florida, Inc., currently are authorized to provide local exchange services and interexchange services in Florida.⁶ This Application does not seek to transfer any operating authority. Throughout the restructuring process and after the consummation of the transactions described herein, the Company will continue to provide the same high quality services as it always has in an uninterrupted manner. Upon completion of the proposed transfer of control, the Company will continue to provide intrastate telecommunications services in Florida under its same name and pursuant to its existing authorizations and tariffs. Accordingly, the contemplated transaction will be transparent

⁴ Although negotiations in connection with the restructuring of XO are ongoing, the respective interests of Forstmann Little and Telmex are not expected to exceed 40%.

⁵ It is anticipated that additional new stock also will be issued to management of XO.

⁶ XO Florida, Inc. was authorized on June 13, 1998 to provide local exchange service in Docket No. 980470-TX, and interexchange service in Docket No. 980472-TI. XO Long Distance Services, Inc. was authorized to provide interexchange service in Docket PSC-99-2449-PAA-TI.

to customers in Florida. In support of this Application, the parties provide the following information:

I. THE PARTIES TO THE TRANSACTION

The Company. XO Long Distance and XO Florida, Inc., are 100% wholly owned subsidiaries of XO Communications, Inc., a Delaware corporation (XOXO on the OTC-Bulletin Board). All are headquartered at 11111 Sunset Hills Road, Reston, Virginia 20190. Through its operating subsidiaries, XO provides bundled local and long distance as well as dedicated voice and data telecommunications services primarily to business customers. It has metro broadband fiber optic networks in more than 60 cities in the United States, including in the top 30 cities, and serves 25 of the largest metropolitan areas in the United States. The Company also is one of the nation's largest holders of fixed wireless spectrum, covering 95% of the population of the 30 largest U.S. cities, and has deployed fixed wireless technology in 27 of its markets.

XO is authorized, through its subsidiaries, to provide intrastate interexchange services virtually nationwide, including in Florida, and is authorized to provide local exchange services in approximately 30 states, including Florida. The Company also offers domestic and international telecommunications services pursuant to FCC Section 214 authorizations. The Company's international offering is incidental to its core domestic business.

XO currently is controlled by Craig O. McCaw through his ownership interest in Eagle River Investments, L.L.C., through other direct and indirect holdings of XO securities and pursuant to various voting arrangements, the primary one being with shareholder Wendy P. McCaw, his former spouse.⁷ Following the consummation of the contemplated transactions, it is

⁷ Mr. McCaw holds a proxy to vote the number of shares of XO stock held by Mrs. McCaw necessary for Mr. McCaw to hold 51% of the voting power of XO.

expected that, to the extent Mr. McCaw holds any equity interest in XO, such interest will represent a very small percentage of its voting power (less than 10%), and Mr. McCaw will have neither control of XO's Board of Directors, nor the right to elect any of its Directors.

Forstmann Little. Forstmann Little & Co. is a private equity firm formed in 1978. Since its formation, Forstmann Little & Co., through several limited partnerships ultimately controlled by individual general partners,⁸ has made 29 acquisitions and significant equity investments, focusing on high growth, high quality companies.⁹ The address for Forstmann Little & Co. and its affiliates is c/o 767 Fifth Avenue, New York, New York 10153.

Included in these investments are existing investments in XO. Funds affiliated with Forstmann Little & Co. have made equity investments in XO of \$850 million in January 2000, \$400 million in July 2000, and \$250 million in the spring of 2001, which investments give the funds the right to designate two directors. Currently, these Forstmann Little & Co. funds in the aggregate hold an approximate 8.54% voting interest in XO. Under the contemplated restructuring, these investments would be treated similarly to the other existing equity holders in XO.

In the instant transaction, Forstmann Little proposes to invest an additional \$400 million in the restructured XO. The two Forstmann Little & Co. affiliates making the new investment in XO are also limited partnerships. Forstmann Little & Co. Equity Partnership-VII, L.P. is a

⁸ Over time, the individual general partners have changed to some degree.

⁹ These companies include McLeodUSA, Incorporated (NASDAQ:MCLD) ("McLeod"), a facilities-based competitive local exchange carrier providing integrated communications services in approximately 28 states. An investor in McLeod since September 1999, Forstmann Little funds recently agreed to invest \$175 million in the Company in conjunction with a financial restructuring. Upon consummation of that proposed transaction, Forstmann Little funds would become McLeod's largest shareholder with a 58% share of McLeod's voting stock.

Delaware limited partnership, and its general partner is FLC XXXII Partnership, L.P., a New York limited partnership. Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. also is a Delaware limited partnership, and its general partner is FLC XXXIII Partnership, L.P., a New York limited partnership. The general partners of both of those general partner entities are: Theodore J. Forstmann, Sandra J. Horbach, Winston W. Hutchins, Thomas H. Lister, Jamie C. Nicholls, and Gordon A. Holmes. The limited partners of Forstmann Little & Co. Equity Partnership-VII, L.P. are comprised primarily of institutional investors, with some individual investors, while the limited partners of Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. are comprised of various institutional investors.

Telmex. Telefonos de Mexico, S.A. de C.V. (NYSE:TMX; NASDAQ:TFONY), a Mexican corporation, provides telecommunications services in Mexico. Telmex has more than 13 million telephone lines in service, 1.43 million line equivalents for data transmission and more than 845,000 Internet accounts.¹⁰ Telmex and its subsidiaries offer a wide range of advanced telecommunications, data and video services, Internet as well as integrated telecommunications solutions for corporate customers through an extensive fiber optic digital network. Telmex's address is Parque Via 190, Colonia Cuauhtemoc, 06599 Mexico, D.F. Privatized in 1990, Telmex has no state ownership. Telmex is controlled by Carso Global

¹⁰ Telmex owns Controladora de Servicios de Telecomunicaciones, S.A. de C.V., which, in turn, owns Teninver, the Mexican entity through which Telmex proposes to make its investment in XO.

Telecom, S.A. de C.V., a Mexican holding company. For additional information about Telmex, please see its website at www.telmex.com.¹¹

II. DESIGNATED CONTACTS

The designated contacts for questions concerning this Application are:

For XO:
Leila M. Baheri
Melissa S. Conway
KELLEY, DRYE & WARREN,
LLP
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
Telephone: (202) 887-1228
Fax: (202) 955-9792

Copies of any correspondence relating to the Company also should be sent to its following designated representative:

Cathleen A. Massey
Vice President – External Affairs/Assistant General Counsel
XO COMMUNICATIONS, INC.
1730 Rhode Island Avenue, NW, Suite 1000
Washington, D.C. 20036
Telephone: (202) 721-0983
Fax: (202) 721-0995
Email: cathy.massey@xo.com

¹¹ Telmex has an indirect, wholly owned subsidiary, Telmex USA, L.L.C., that is authorized to provide international switched resale services in the United States. Telmex USA, L.L.C. currently is authorized as a long distance reseller in approximately 16 states, including Florida. *See* Docket No. 010093-TI, Order No. PSC-01-1668-CO-TI. America Movil, S.A. de C.V., a Mexican corporation under common ownership and control with Telmex, indirectly holds an approximate 25% (up to 45% if certain outstanding warrants are exercised) ownership interest in ARBROS Communications, Inc. and ARBROS's utility subsidiaries, including Comm South Companies, Inc., a prepaid local wireline service provider that is certificated in various states. Other subsidiaries of ARBROS provide voice, data and enhanced services to small and medium-sized business customers primarily in the eastern U.S.

III. DESCRIPTION OF THE TRANSACTION

XO, Forstmann Little and Telmex entered into a Stock Purchase Agreement dated January 15, 2002 (“Stock Purchase Agreement”) by which XO will, among other things, issue new common shares to the Investors, each of whom will pay \$400 million in cash for the shares, for a total aggregate investment in XO of \$800 million.¹² Specifically, the Stock Purchase Agreement contemplates that Forstmann Little will purchase 79,999,998 shares of Class A Common Stock, par value \$0.01 per share, of XO and two (2) shares of a newly created class of Class D Common Stock, par value \$0.01 per share of XO.¹³ The Forstmann Little shares in the aggregate will equal approximately 40% of the total outstanding equity securities of XO.¹⁴ Telmex is purchasing 80,000,000 shares of a newly created class of Class C Common Stock, par value \$0.01 per share, of XO. The Telmex shares in the aggregate will equal approximately 40% of the total outstanding equity securities of XO.¹⁵ Although negotiations in connection with the

¹² A synopsis of the Stock Purchase Agreement and related documents from the SEC Form 13D/A filed by Forstmann Little on January 22, 2002 is attached as *Exhibit 1* hereto. A copy of the complete Stock Purchase Agreement is attached to the same SEC form or may be obtained from undersigned counsel.

¹³ Forstmann Little & Co. Equity Partnership-VII, L.P. is purchasing 49,999,999 shares of Class A Common Stock and one (1) share of Class D Common Stock, for an aggregate of \$250 million, which is expected to equal approximately 25% of the total outstanding equity securities of XO. Forstmann Little & Co. Subordinated Debt & Equity Management Buyout Partnership-VIII, L.P. is purchasing 29,999,999 shares of Class A Common Stock and one (1) share of Class D Common Stock, for an aggregate of \$150 million, which is expected to equal approximately 15% of the total outstanding equity securities of XO. Final percentages may differ slightly after negotiations with certain creditors.

¹⁴ Under the contemplated restructuring, Forstmann Little’s existing investments in XO would be treated similarly to the other existing equity holders in XO.

¹⁵ *Exhibit 2* is a diagram of the ownership of XO before and after the transaction described herein.

restructuring of XO are ongoing, the respective interests of Forstmann Little and Telmex are not expected to exceed 40%. The purchase by and issuance of the new shares to the Investors will occur at the closing of the contemplated transactions. Closing is subject to the satisfaction or waiver of certain conditions set forth in the Stock Purchase Agreement, including the restructuring of XO as discussed below and the receipt of certain regulatory approvals.

The Stock Purchase Agreement contemplates a restructuring that would result in XO having total debt outstanding of no more than \$1 billion of senior secured debt in addition to other existing capital lease and secured obligations, and equity consisting of each Investor's 40% common stock interest with the remaining 20% divided between management (approximately 2%) and other holders (18%).

The restructuring contemplates the completion of transactions that would result in XO having total debt outstanding of no more than \$1 billion of senior secured debt in addition to other existing capital lease and secured obligations. As contemplated by the Stock Purchase Agreement, the \$1 billion of principal amount owed to the lending institutions will not be modified, but the scheduled maturity dates will be extended by three years. In addition, pursuant to the term sheet, modifications will be made to certain financial and negative covenants to which XO is subject and certain other amendments to the credit facility will be made. The process of restructuring may include a reorganization of XO's finances through a Chapter 11 proceeding.

In addition to the Investors' acquisition of a stock interest in XO, upon the closing of the transactions contemplated by the Stock Purchase Agreement, pursuant to the amended and restated certificate of incorporation, restated bylaws and the Stockholders Agreement, Forstmann Little and Telmex also will be able to designate persons to the XO Board of Directors

proportionate to their equity interests so long as they hold more than 10% of XO's common stock.¹⁶ However, other than with respect to the election of each other's Directors as described below, there is no agreement between the Investors to vote their shares together, and neither Investor has the right to unilaterally control the day-to-day operations of the Company.

It is expected that there will be a twelve (12) person Board which will include the CEO of XO, an independent director acceptable to both Investors,¹⁷ and five (5) individuals designated by each Investor. Until Telmex determines that certain events have occurred, the Telmex designees will be individuals who are independent of, and not affiliated with, either Telmex or XO. In future elections, Forstmann Little and Telmex will be able to designate directors proportionate to their then-current equity interests. Certain actions coming before the Board will require the approval of at least one director appointed by each of Forstmann Little and Telmex. These proposed actions include amending the certificate of incorporation or bylaws of XO,

¹⁶ The holders of both Class C and Class D common stock, voting as separate classes, must approve any merger, consolidation, reorganization or recapitalization of XO or any sale of all or a substantial portion of the assets of XO and its subsidiaries. In addition, until Telmex elects to name affiliated persons to the Board, as discussed below the Class C Common Stock will vote as a separate class to authorize the Company to: acquire, by merger, purchase or otherwise, any equity interest in or assets of any other person with a value greater than 20% of XO's net assets; authorize for issuance or issue any equity securities or derivative securities with a value in excess of \$100 million; incur indebtedness for borrowed money in excess of \$100 million in aggregate principal amount; or amend its certificate of incorporation or bylaws. The Class C and Class D Common Stock automatically convert into Class A Common (resulting in the termination of these special class rights) on the earlier of the date when the Class C common stock represents less than 10% of the total common shares or the fourth anniversary of the closing of the proposed transaction.

¹⁷ After completion of their terms on the initial Board, the seats held by the CEO and independent director will be selected by majority vote.

transactions with other than wholly owned affiliates or “insiders,” filing for bankruptcy, adopting anti-takeover provisions or issuing preferred stock.

It is expected that the Board will have a five (5) member Executive Committee having the responsibility for the strategic direction of the Company, which shall be comprised of XO’s CEO and four board members appointed by the Investors. Initially, the approval of three-fifths of the Executive Committee members will be required for the Company to undertake certain significant actions.¹⁸ If an action requiring a super-majority is not approved, however, any member of the Executive Committee may take the matter before the entire Board of Directors where it would be decided by majority vote. As the ultimate power to approve these actions resides in the Board of Directors, the Executive Committee cannot itself block XO from taking these actions. Even actions approved by the Executive Committee, moreover, may also be subject to any approval normally required by the full Board of Directors.

Neither Investor will be directly involved in the day-to-day operations of XO. XO currently plans to retain its current management team and will continue to rely on its experienced

¹⁸ The following actions will require a super-majority vote:

Adopt or modify the business plan; acquire any equity interest in or assets of any other person with a value greater than \$100 million; issue any equity securities with a value in excess of \$100 million; purchase any shares of its capital stock; pay any dividends or distributions in respect of its capital stock; retire or change any material term of outstanding long-term debt; incur indebtedness in excess of \$100 million; make any material change in its accounting principles or change XO’s outside auditors; and appoint or terminate or modify the terms of the employment of any member of XO’s senior management.

Initially, three of the Forstmann Little Directors and one independent Telmex directors shall serve on the Executive Committee along with XO’s CEO. But when Telmex elects to designate persons affiliated with it to serve as Directors, the Executive Committee will be comprised of XO’s CEO and two Board members designated by each of Telmex and Forstmann Little. At that time, these actions will be by a two-thirds rather than three-fifths vote.

professionals. It is thus not contemplated that there will be significant changes in XO's current management occasioned by this investment or the restructuring, and the current senior management is expected to continue to oversee the day-to-day operations of its operating subsidiaries. Of course, over time there may be management changes as deemed appropriate by the Board of Directors.

IV. PUBLIC INTEREST ANALYSIS

Approving the transfer of control of XO is in the public interest. After the consummation of the transaction described herein, the Company will continue to operate under its same names and operating authorities as at present. This transaction does not involve any transfer of authorizations or change in carriers providing service to customers or any change in the rates, terms or conditions of service. The Company's management and the contact for customer and Commission inquiries will remain the same for the operating subsidiaries of XO after the transfer of control:

Cathleen A. Massey
Vice President – External Affairs/Assistant General Counsel
XO COMMUNICATIONS, INC.
1730 Rhode Island Avenue NW, Suite 1000
Washington, D.C. 20036
Telephone: (202) 721-0983
Fax: (202) 721-0995
Email: cathy.massey@xo.com

Thus, the transfer of control of XO will be transparent to customers and will not have any adverse impact on them. The only change is in the ultimate ownership of the Company.

In brief, the proposed investment is necessary for XO to survive in the telecommunications market. XO and other emerging telecommunications companies have suffered over the past year amid the downturn in the technology and communications markets, slowing demand, and a marked tightening of capital markets as investors shied away from

funding enterprises that were not generating net profits or had unfunded business plans. XO's results of operations have remained relatively strong. However, XO has not had access to the capital markets to address its funding needs, because XO's business plan is not fully funded and its operations do not yet generate positive cash flow as of the date of this Application. Without the new investment and balance sheet restructuring, XO's financial stability could be significantly compromised. At that point, services to consumers in Florida would be adversely affected.

The proposed infusion of capital by Forstmann Little and Telmex will allow XO to build upon its solid foundation with a strengthened balance sheet and is projected to result in a fully funded business plan. Specifically, XO expects to have sufficient funds and cash generated in operations to pay for its capital expenditures and operating expenses through the time at which the business is cash-flow positive.

Thus, the proposed investment serves the public interest, because it will strengthen XO and is expected to enable it to meet its contractual and service obligations over the longer term. The simple fact is that, without additional funding, XO may be forced to decrease services and investment, and perhaps cease operations altogether. By contrast, the proposed transaction should enable XO to provide high quality local, long distance, and broadband services to its customer base.

WHEREFORE, XO Long Distance Services, Inc., XO Florida, Inc., their parent, XO Communications, Inc., respectfully request that the Commission approve the transfer of control of XO and its subsidiaries as described herein, and grant such other and further relief as it deems necessary to carry out the transactions described above. Because the continued operation and success of XO depends on the consummation of the investment described herein and the related restructuring, it is respectfully requested that the Commission act on this application as expeditiously as possible.

Respectfully submitted,

XO LONG DISTANCE SERVICES,
INC., XO FLORIDA, INC., AND
XO COMMUNICATIONS, INC.

By: *Leila Baheri*

Brad E. Mutschelknaus, Esq.

James J. Freeman, Esq.

Melissa S. Conway, Esq.

Leila M. Baheri

KELLEY DRYE & WARREN, LLP

1200 19th Street, N.W.

Suite 500

Washington, D.C. 20036

(202) 955-9600

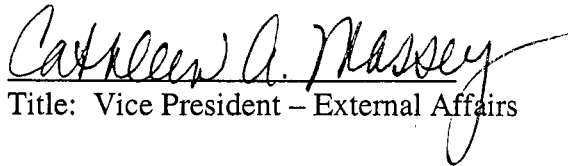
Its Attorneys

Dated: March 18, 2002

VERIFICATION


I, Cathleen A. Massey, am Vice President – External Affairs and Assistant General Counsel of XO Communications, Inc. and am authorized to represent it and its subsidiaries, and to make this verification on their behalf. The statements in the foregoing document relating to this company and its affiliates, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.


Title: Vice President – External Affairs

District of Columbia: SS

Subscribed and sworn to before me this 6th day of March, 2002.


Notary Public, Maria J. Davis
Washington, DC

My Commission expires: Oct. 31, 2002

VERIFICATION

I, Winston W. Hutchins, am a general partner of FLC XXXII Partnership, L.P., the general partner of Forstmann Little & Co. Equity Partnership VII, L.P., and FLC XXXIII Partnership, L.P., the general partner of Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership VIII, L.P. (collectively "Forstmann Little"), and am authorized to represent Forstmann Little, and to make this verification on their behalf. The statements in the foregoing document relating to Forstmann Little, except as otherwise specifically attributed, are true and correct to the best of my own knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.

Winston W. Hutchins
Title: General Partner

Subscribed and sworn to before me this 5th day of March, 2002.

Laurie DeVal
Notary Public


My Commission expires: June 30, 2002

Laurie DeVal
Notary Public, State of New York
No. 30-4816665
Qualified in N.Y. County
Commission Expires June 30, 2002

VERIFICATION

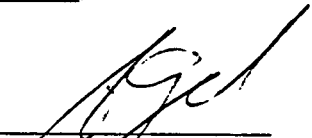
I, Sergio Rodriguez Molleda, am Assistant General Counsel of Telefonos de Mexico, S.A. de C.V. and am authorized to represent it and its subsidiaries, including Teninver, S.A. de C.V., and to make this verification on their behalf. The statements in the foregoing document relating to this company and its affiliates, except as otherwise specifically attributed, are true and correct to the best of my own knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.

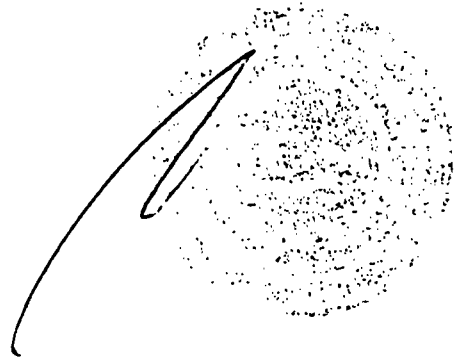


Title: Assistant General Counsel

Subscribed and sworn to before me this 5th day of
March, 2002.



Notary Public Number 103, in and for
Mexico, Distrito Federal
Estados Unidos Mexicanos
ARMANDO GALVEZ PEREZ ARAGON
My Commission expires: Indefinitely





GOBIERNO DEL DISTRITO FEDERAL
 Dirección General Jurídica
 y de Estudios Legislativos
 Subdirección Consultiva y de
 Contratos



GOBIERNO DEL DISTRITO FEDERAL
 Dirección General Jurídica
 y de Estudios Legislativos
 Subdirección Consultiva y de
 Contratos



México

D. F.

Apostille

(Convention de la Haye du 5 octobre 1961)

Derechos \$ 44.00

No. Orden **01952**

En México el presente documento público ha sido firmado

por ARMANDO GALVEZ PEREZ ARAGON

quien actúa en calidad de NOTARIO PUBLICO # 103

está revestido del sello correspondiente a NOTARIA PUBLICA # 103

certificado en MEXICO, D.F. por OSCAR LOPEZ ROSAS,
SUBDIRECTOR CONSULTIVO Y DE CONTRATOS.

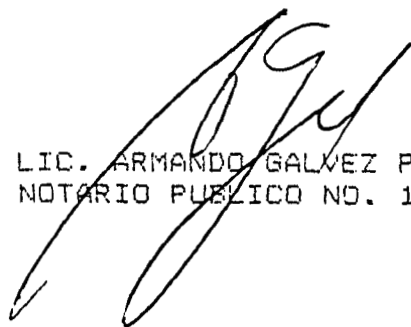
MEXICO, D.F. el 6 de MARZO de 2002.

GOBIERNO DEL DISTRITO FEDERAL
 Dirección General Jurídica
 y de Estudios Legislativos
 Subdirección Consultiva y de
 Contratos

pb.


 Firma

- - - LICENCIADO ARMANDO GALVEZ PEREZ ARAGON, Titular de la Notaría Pública Número Ciento Tres del Distrito Federal, CERTIFICO: Que por acta número noventa mil novecientos cincuenta y seis, de fecha cinco de marzo del año dos mil dos, otorgada ante mí, el señor Licenciado SERGIO RODRIGUEZ MOLLEDA, en representación de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, a quien conozco personalmente, en mi presencia firmó y reconoció como suya la firma que calza el documento que antecede, por haber sido puesta de su puño y letra y ser la misma que usa en todos y cada uno de sus actos jurídicos y ratificó en todas y cada una de sus partes el contenido del mismo. El citado señor Licenciado SERGIO RODRIGUEZ MOLLEDA, me acreditó su personalidad con el documento que quedó agregado al apéndice del acta mencionada con la letra "B", del que otro ejemplar se anexa al presente. México, Distrito Federal, a seis de marzo del año dos mil dos.- Doy fe. - - - - -



LIC. ARMANDO GALVEZ PEREZ ARAGON.
NOTARIO PUBLICO NO. 103 DEL D.F.





- DOCUMENTO MARCADO CON LA LETRA "B", DEL APENDICE DE ESTA ESCRITURA. - - - - -

- Licenciado ARMANDO GALVEZ PEREZ ARAGON, Titular de la Notaría Pública Número Ciento Tres del Distrito Federal, CERTIFICO: Que el señor Licenciado SERGIO RODRIGUEZ MOLLEJA, me acredita la legal existencia de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, y su carácter de Apoderado de la misma, con los siguientes documentos: - - - -

- - - - PRIMERO.- Por escritura número treinta y cuatro mil setecientos veintiséis, de fecha veintitrés de diciembre de mil novecientos cuarenta y siete, otorgada ante el Licenciado Graciano Contreras Saavedra, en aque entonces Titular de la Notaría Pública Número Cincuenta y Cuatro del Distrito Federal, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, bajo el número cuatro, a fojas tres, del volumen doscientos treinta y ocho, libro tercero, de la Sección de Comercio, previo permiso otorgado por la Secretaría de Comunicaciones y Transportes, se constituyó "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA, de nacionalidad mexicana, duración de noventa y nueve años, con el objeto debidamente especificado en dicha escritura. - - - -

- - - - SEGUNDO.- ADOPCION DEL REGIMEN DE CAPITAL VARIABLE.- Después de diversas modificaciones, en escritura pública número setenta y nueve mil cuatrocientos treinta y seis, de fecha diez de abril de mil novecientos ochenta y cuatro, otorgada ante el mismo Notario que la anterior, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, en el folio mercantil número cinco mil doscientos veintinueve, se hizo constar la protocolización del acta de la Asamblea General Ordinaria y Extraordinaria de Accionistas de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA, celebrada el día quince de marzo de mil novecientos ochenta y cuatro, en que se acordó adoptar el régimen de CAPITAL VARIABLE y modificar diversas cláusulas de los estatutos sociales, habiéndose compulsado en el mismo instrumento público los estatutos sociales vigentes. - - - -

- - - - TERCERO.- Por escritura pública número ochenta mil setecientos ochenta y ocho, de fecha veintiuno de diciembre de mil novecientos ochenta y cuatro, otorgada ante el mismo Notario que las anteriores, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, en el folio mercantil número cinco mil doscientos veintinueve, se hicieron constar las protocolización de las declaraciones de los delegados especiales de la Asamblea General Extraordinaria de Accionistas de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA, celebrada el día quince de marzo de mil novecientos ochenta y cuatro, que acordó la adopción del régimen de capital variable, para acreditar, en los términos del artículo doscientos veinticuatro de la Ley General de Sociedades Mercantiles, que hasta esa fecha y cumplido en exceso el plazo de tres meses a partir de la inscripción del acuerdo de la mencionada asamblea en el Registro Público de Comercio del Distrito Federal, ningún acreedor de la sociedad se opuso ni judicial ni extrajudicialmente a que la misma sociedad adoptara el régimen de capital variable. - - - -

- - - - CUARTO.- Por escritura pública número ochenta y siete mil ochocientos setenta y cuatro, de fecha diecisiete de

junio de mil novecientos ochenta y ocho, otorgada ante el mismo Notario que las anteriores, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, en el folio mercantil número cinco mil doscientos veintinueve, se hizo constar la protocolización del acta de Asamblea General Ordinaria y Extraordinaria de accionistas de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, celebrada el día veinticuatro de marzo de mil novecientos ochenta y ocho, en la que se tomó entre otros acuerdos, el de modificar las cláusulas cuarta y quinta de sus Estatutos Sociales. - - - - -

- - - QUINTO.- Por escritura pública número noventa y un mil seiscientos sesenta y dos, de fecha once de diciembre de mil novecientos ochenta y nueve, otorgada ante el mismo Notario que las anteriores, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, en el folio mercantil número cinco mil doscientos veintinueve, se hizo constar la protocolización del acta de Asamblea General Extraordinaria de accionistas de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, celebrada el día veintisiete de octubre de mil novecientos ochenta y nueve, en la que se hizo constar la modificación de las cláusulas novena y décima primera de sus Estatutos Sociales. - - - - -

- - - SEXTO.- Por diversas escrituras la sociedad de referencia, aumentó su capital social, siendo la última mediante escritura pública número noventa y cuatro mil trescientos treinta y tres, de fecha once de diciembre de mil novecientos noventa, otorgada ante el mismo Notario que las anteriores, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, en el folio mercantil número cinco mil doscientos veintinueve, se hizo constar la protocolización del acta de Asamblea General Extraordinaria de Accionistas de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, celebrada el día quince de junio de mil novecientos noventa, en la que se acordó, entre otros asuntos, aumentó su capital social total a la suma de UN BILLON SESENTA MIL TRESCIENTOS CATORCE MILLONES DE PESOS, MONEDA NACIONAL, dividido en DOS MIL CIENTO SESENTA Y TRES MILLONES CUARENTA MIL NOVECIENTAS SETENTA Y DOS acciones comunes de la serie "AA", DOS MIL SETENTA Y OCHO MILLONES DOSCIENTAS QUINCE MIL OCHOCIENTAS TREINTA Y CINCO acciones comunes de la serie "A", y SEIS MIL TRESCIENTOS SESENTA Y UN MILLONES OCHOCIENTAS OCHENTA Y CINCO MIL DOSCIENTAS ONCE acciones de la serie "L", de voto limitado, siendo todas las acciones nominativas, liberadas y sin expresión de valor nominal, y la modificación íntegra de sus estatutos sociales. - - - - -

- - - SEPTIMO.- Por escritura pública número noventa y cuatro mil seiscientos sesenta y nueve, de fecha once de febrero de mil novecientos noventa y uno, otorgada ante el mismo Notario que las anteriores, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, en el folio mercantil número cinco mil doscientos veintinueve, se hizo constar la protocolización de las actas de las Asambleas Especial de la serie "AA" y General Extraordinaria de Accionistas de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, celebrada el día nueve de enero de mil novecientos noventa y uno, en la que se acordaron diversas modificaciones a las cláusulas, tercera, sexta, vigésimo



trigésimo primera, trigésimo tercera y cuadragésima de los Estatutos Sociales, así como la compulsión de los estatutos sociales vigentes. - - - - -

- De los Estatutos Sociales que se compulsaron dicha sociedad quedó con la misma denominación, domicilio social en la Ciudad de México, Distrito Federal, duración de cien años, con cláusula de admisión de extranjeros, capital social de UN BILLON SESENTA MIL TRESCIENTOS CATORCE MILLONES DOSCIENTOS UN MIL OCHOCIENTOS PESOS, Moneda Nacional, y teniendo por objeto el siguiente: - - - - -

- a).- Construir, intalar, mantener, operar y explotar una red pública telefónica y de telecomunicaciones para prestar el servicio público de conducción de señales de voz, sonidos, datos, textos e imágenes, a nivel local y de larga distancia nacional e internacional y el servicio público de telefonía básica. - - - - -
- b).- Adquirir el dominio directo sobre bienes inmuebles, siempre que los mismos no se encuentren en una faja de cien kilómetros a lo largo de las fronteras y de cincuenta kilómetros en las playas. - - - - -
- c).- Arrendar toda clase de bienes inmuebles y celebrar toda clase de actos jurídicos por lo que se obtenga o se conceda el uso o el goce de bienes inmuebles. - - - - -
- d).- Adquirir, enajenar y celebrar cualesquiera otros actos jurídicos que tengan por objeto bienes muebles, maquinaria, equipo y herramientas que sean necesarios o convenientes para alcanzar los objetos sociales. - - - - -
- e).- Adquirir, enajenar y celebrar cualesquiera otros actos jurídicos respecto de toda clase de acciones, partes sociales y participaciones sociales en sociedades mexicanas o extranjeras. - - - - -
- f).- Celebrar cualesquiera actos jurídicos que tengan por objeto créditos o derechos. - - - - -
- g).- Celebrar cualesquiera actos jurídicos relacionados con patentes, marcas y nombres comerciales. - - - - -
- h).- Prestar y recibir toda clase de servicios de asesoría y asistencia técnica, científica y administrativa. - - - - -
- i).- Emitir bonos y obligaciones. - - - - -
- j).- Establecer sucursales, agencias y oficinas en la República Mexicana o en el extranjero. - - - - -
- k).- Obrar como agente, representante o comisionista de personas o empresas, ya sean mexicanas o extranjeras. - - - - -
- l).- Dar o tomar dinero a título de préstamo. - - - - -
- m).- Aceptar, suscribir, avalar y endosar toda clase de títulos de crédito. - - - - -
- n).- Otorgar toda clase de garantías, incluyendo la constitución de derechos reales y afectaciones fiduciarias que sean necesarias o convenientes para alcanzar los objetos sociales. - - - - -
- ñ).- Garantizar, por cualquier medio legal, incluyendo la constitución de derechos reales y afectaciones fiduciarias, el cumplimiento de obligaciones de terceras personas, físicas o morales, nacionales o extranjeras y constituirse como deudor solidario de terceras personas físicas o morales, nacionales o extranjeras. - - - - -
- o).- Celebrar cualquier acto o contrato que se relacione con los objetos sociales y que sea lícito para una sociedad anónima. - - - - -

- - - p).- La sociedad no podrá llevar a cabo, ni podrá directa o indirectamente participar en el capital social de ninguna otra sociedad, organización o entidad que lleve a cabo los siguientes actos o actividades: - - - - -

- - - 1.- Explotar, distribuir o fabricar para distribuir equipo de telecomunicaciones que se destinen a ser utilizados en los países comprendidos en el Plan de Numeración de América del Norte, lo cual no incluye el territorio de México. - - - - -

- - - 2.- Prestar servicios de información para ser utilizados o consumidos en los países a que se refiere el punto uno anterior, sin incluir México. - - - - -

- - - 3.- Tener en propiedad y/o operar equipo o instalaciones de telecomunicaciones internacionales distintas de cables submarinos o sistemas de satélite, en el territorio de los Estados Unidos de América o prestar servicios de interconexión telefónicas de servicios de larga distancia en los Estados Unidos de América. No obstante lo anterior, la sociedad sí podrá proporcionar los servicios de la terminal mexicana de telecomunicaciones entre México y dicho país, siempre y cuando: a) No exista discriminación entre empresas de nacionalidad estadounidense que proporcionen el servicio entre los Estados Unidos de América y México; b) Se distribuya o asigne el tráfico a empresas estadounidenses que estén proporcionando servicios de telecomunicaciones de México a los Estados Unidos de América en proporción al tráfico recibido, salvo que la Secretaría de Comunicaciones y Transportes determine otras proporciones; y c) Existan términos uniformes de liquidación de pagos entre las empresas estadounidenses que proporcionen o reciban los servicios de telecomunicaciones. De conformidad con lo previsto en el cuarto párrafo del artículo veintiocho de la Constitución Política de los Estados Unidos Mexicanos, la sociedad no podrá tener en propiedad y/u operar sistemas de satélites de comunicación. - - - - -

- - - De dicha escritura copio en su parte conducente lo que es del tenor literal siguiente: - - - - -

- - - "..... DE LAS ASAMBLEAS GENERALES DE ACCIONISTAS.- DECIMOQUINTA.- La Asamblea General de Accionistas es el órgano supremo de la sociedad, estando subordinados a él todos lo demás..... TRIGESIMOSEXTA.- El Consejo de administración de tendrá las más amplias facultades para la buena administración de los negocios de la Sociedad, con poder general amplísimo para pleitos y cobranzas, para administrar bienes y para ejercer actos de dominio, sin limitación alguna, o sea con todas las facultades generales y las especiales que requieran cláusula especial conforme a la ley, en los términos de los tres primeros párrafos del artículo dos mil quinientos cincuenta y cuatro del Código Civil para el Distrito Federal, incluidas las facultades que enumera el Artículo dos mil quinientos ochenta y siete del mismo ordenamiento. De una manera enunciativa y no limitativa, se le fijan de una manera expresa las siguientes facultades: I.- Representar a la sociedad ante toda clase de autoridades, sean estas Federales, Estatales o Municipales; - representar a la Sociedad ante toda clase de personas físicas o morales, nacionales o extranjeras; representa a la sociedad ante Juntas de Conciliación y ante Juntas de



Conciliación y Arbitraje, sean éstas Federales o Locales, con facultades expresas para todos los efectos previstos en las fracciones II y III del Artículo 692 de la Ley Federal del Trabajo, en concordancia con los Artículos 786 y 876 del mismo ordenamiento normativo, por lo que queda expresamente facultado para absolver y articular posiciones a nombre y en representación de la sociedad, conciliar, transigir, formular convenios, presentar denuncias y querellas, presentar y desistirse de toda clase de juicios y recursos, aún el de amparo, y representar a la sociedad ante toda clase de autoridades, ya sean judiciales, administrativas y -- cualesquiera otras que se avoquen al conocimiento de conflictos laborales; presentar demandas de amparo y, en su caso, desistirse de las mismas; presentar querellas y, en su caso, conceder el perdón; presentar denuncias y constituirse en coadyuvante del Ministerio Público; desistirse; - - - - - transigir; comprometer en árbitros; absolver y articular posiciones; recusar y recibir pagos.- II.- Otorgar, suscribir, endosar y avalar toda clase de títulos de crédito. III.- Designar a los funcionarios, empleados, gerentes y apoderados de la sociedad, a quienes deberá señalar sus deberes, obligaciones y remuneración.- IV.- Establecer o clausurar oficinas, sucursales o agencias.- V.- Adquirir acciones, participaciones sociales y valores emitidos por terceros y ejercitar el derecho de voto sobre tales acciones o participaciones sociales de otras empresas.- VI.- Celebrar, modificar, terminar y rescindir contratos.- VII.- Aceptar a nombre de la sociedad mandatos de personas físicas y morales, Mexicanas o Extranjeras.- VIII.- Establecer cuentas bancarias y retirar depósitos de las mismas y designar las personas autorizadas para uso de la firma social, para depositar en las referidas cuentas bancarias y retirar depósitos de éstas, con las limitaciones que el Consejo tuviere a bien establecer.- IX.- Constituir garantías reales y personales y afectaciones fiduciarias para garantizar obligaciones de la sociedad y constituirse en deudor solidario, fiador y, en general, obligado al cumplimiento de obligaciones de terceras personas y establecer las garantías reales y afectaciones fiduciarias para asegurar el cumplimiento de estas obligaciones.- X.- Conferir, substituir y delegar poderes generales y especiales para actos de dominio, que deberán ser otorgados para que sean ejercitados conjuntamente por cuando menos dos personas y conferir, substituir y delegar poderes generales y especiales para actos de administración y para pleitos y cobranzas, siempre que con ello no se substituya totalmente al Consejo en sus funciones y revocar poderes.- XI.- Conferir facultades para otorgar, suscribir, endosar y avalar toda clase de títulos de crédito, en el entendido de que la facultad para avalar títulos de crédito, deberán ser siempre conferida para que sea ejercitada conjuntamente por cuando menos dos personas.- XII.- Convocar a Asambleas de Accionistas y ejecutar las resoluciones que se adopten en las mismas.- XIII.- Celebrar cualesquiera actos jurídicos y adoptar cualesquiera determinaciones que sean necesarias o convenientes para lograr los objetos sociales.....". - - - - - OCTAVO.- Por escritura pública número noventa y seis mil ciento sesenta y cuatro, de fecha veintitrés de agosto de mil novecientos noventa y uno, otorgada ante el Licenciado

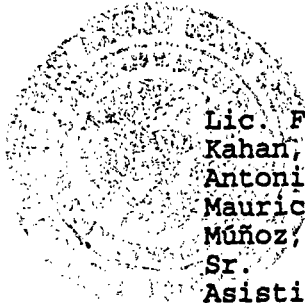
Homero Díaz Rodríguez, en aquel entonces Titular de la Notaría Pública Número Cuatro del Distrito Federal, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, en el folio mercantil número cinco mil doscientos veintinueve, se hizo constar la protocolización del Acta de Asamblea General Anual Ordinaria de Accionistas de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, de fecha doce de abril de mil novecientos noventa y dos, mediante la cual entre otros acuerdos se nombraron miembros del Consejo de Administración en favor de las siguientes personas: - - - - -

- - - - - CONSEJO DE ADMINISTRACION. - - - - -
- - - PROPIETARIOS: - - - - - SUPLENTES: - - - - -
- ANDRES CASO LOMBARDO. - - - - - CARLOS MIER Y TERAN. - - - - -
- JAIME CORREDOR ESNAOLA. - - - - - JUAN DIEZ CANEDO. - - - - -
- ANTONIO COSIO ARIÑO. - - - - - MOISES COSIO ARIÑO. - - - - -
- MANUEL ESPINOSA YGLESIAS. - - - - - JAIME CHICO PARDO. - - - - -
- ELMER FRANCO MACIAS. - - - - - ANTONIO DEL VALLE RUIZ. - - - - -
- CLAUDIO X. GONZALEZ L. - - - - - AMPARO ESPINOSA RUGARCIA. - - - - -
- ANGEL LOSADA MORENO. - - - - - JORGE ESTEVE CAMPERA. - - - - -
- ROMULO O'FARRILL N. - - - - - AGUSTIN FRANCO MACIAS. - - - - -
- JUAN ANTONIO PEREZ SIMON. - - - - - DAVID IBARRA MUÑOZ. - - - - -
- BERNARDO QUINTANA ISAAC. - - - - - JORGE MARTINEZ GUITRON. - - - - -
- JACQUES ROGOZINSKY. - - - - - MARIO J. MONTEMAYOR GARCIA. - - - - -
- CARLOS SLIM HELU. - - - - - RAUL SOLIS W. - - - - -
- JOHN H. ATTERBURY III. - - - - - FEDERICO LAFFAN FANO. - - - - -
- GERALD D. BLATHERWICK. - - - - - WAYNE D. MASTERS. - - - - -
- ROYCE S. CALDWELL. - - - - - JAMES S. KAHAN. - - - - -
- CHRISTIAN CHAUVIN. - - - - - YVES-ANDRE LEROUX. - - - - -
- MICHEL HIRSCH. - - - - - MAURICE BORDAS. - - - - -
- DONALD E. KIERNAN. - - - - - CARLOS BERNAL VEREA. - - - - -
- ALAIN PROFIT. - - - - - JACQUES PONTVIANNE. - - - - -

- - - - - NOVENO.- Por escritura pública número noventa y siete mil ciento veinte, de fecha diecinueve de diciembre de mil novecientos noventa y uno, torgada ante el mismo Notario que la anterior, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, en el folio mercantil número cinco mil doscientos veintinueve, celebró una Junta del Consejo de Administración, mediante la cual se otorgan facultades al señor Licenciado FRANCISCO SANCHEZ Y GARCIA, COORDINADOR GENERAL DE RECURSOS HUMANOS Y RELACIONES LABORALES. - - - - -

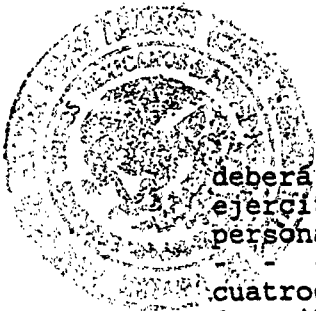
- - - - - De dicha acta copio en su parate conducente lo que es del tenor literal siguiente: - - - - -

- - - - - "ACTA DE LA JUNTA DEL CONSEJO DE ADMINISTRACION DE TELEFONOS DE MEXICO", S.A. DE C.V.- CELEBRADA EL DIA 11 DE SEPTIEMBRE DE 1991.- En la ciudad de México, Distrito Federal, siendo las 12:00 horas del día 11 de septiembre de 1991 se reunieron en las oficinas de Teléfonos de México, S.A. de C.V. los señores Ing. Carlos Slim Helú, Sr. John H. Atterbury III, Sr. Gerald D. Blatherwick, Sr. Royce S. Caldwell, Ing. Antonio Cosío Ariño, Sr. Christian Chauvin, Sr. Manuel Espinosa Iglesias, (así) Ing. Elmer Franco Macías, Ing. Claudio X. González Laporte, Sr. Donald Kiernan, Lic. Angel Losada Moreno, Sr. Rómulo O'Farrill N., C.P. Juan Antonio Pérez Simón, Ing. Bernardo Quintana Isaac, Consejeros Propietarios y los señores Jorge Esteve C., Ing. Carlos Mier y Terán, Dr. Juan Diez Canedo, Lic. Raúl Solís Wolfowitz,



Lic. Federico Laffan Fano, Sr. Wayne D. Masters, Sr. James S. Kahan, Sr. Moisés Cosío Ariño, Sr. Yves André Leroux, C.P. Antonio del Valle Ruíz, Mtra. Amparo Espinosa Rugarcía, Sr. Maurice Bordas, Lic. Carlos Bernal Vereá, Lic. David Ibarra Muñoz, Ing. Jorge Martínez Guitrón, Sr. Jacques Pontvianne y Sr. Mario J. Montemayor García, Consejeros Suplentes.- Asistieron también los señores C.P. Gabriel Mancera Aguayo, Comisario Propietario, el Arq. Emilio Carrera Cortés y C.P. - Rogerio Casas Alatríste, Comisarios Suplentes, el Lic. - - - Octavio Igartúa Araiza, Secretario del Consejo y Lic. Sergio Medina Noriega, Prosecretario.- Presidió la sesión el Ing. Carlos Slim Helú y actuó como Secretario el Lic. Octavio Igartúa Araiza, quienes ocuparon los cargos de Presidente y Secretario respectivamente del propio Consejo.... ORDEN DEL DIA..... IV. Varios.- a) Otorgamiento de poderes.....V.- OTORGAMIENTO.- Expuesto lo anterior, el compareciente, en su carácter de delegado especial del Consejo de Administración de la sociedad, otorga las siguientes:- CLAUSULAS.- PRIMERA.- PROTOCOLIZACION.- Protocoliza y ratifica para todos los efectos legales a que haya lugar, el acta de junta del Consejo de Administración de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, celebrada el día once de septiembre de mil novecientos noventa y uno, así como sus acuerdos, que se transcriben en lo conducente....SEGUNDA.- PODER.- "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, representada por el señor licenciado OCTAVIO IGARTUA ARAIZA, en su carácter de delegado especial y en cumplimiento de los acuerdos del Consejo de Administración de la sociedad, tomados en su sesión de fecha once de septiembre de mil novecientos noventa y uno, OTORGA AL SEÑOR LICENCIADO FRANCISCO SANCHEZ Y GARCIA, COORDINADOR GENERAL DE RECURSOS HUMANOS Y RELACIONES LABORALES DE LA SOCIEDAD, para que lo ejercite en su nombre y representación, PODER GENERAL PARA PLEITOS Y COBRANZAS, PARA ACTOS DE ADMINISTRACION Y PARA ACTOS DE DOMINIO, en los términos de los tres primeros párrafos del artículo dos mil quinientos cincuenta y cuatro del Código Civil del Distrito Federal y de su correlativo del lugar en donde se ejercite el poder, con todas las facultades generales y aún con las especiales que conforme a la ley requieran de poder o cláusula especial, en los términos del artículo dos mil quinientos ochenta y siete del ordenamiento jurídico primeramente citado y de su correlativo del segundo, así como PODER PARA SUSCRIBIR POR CUALQUIER CONCEPTO TODA CLASE DE TITULOS DE CREDITO, en los términos del artículo noveno de la Ley General de Títulos y Operaciones de Crédito.- De manera enunciativa y no limitativa, el apoderado podrá:- a) Comparecer ante particulares y ante toda clase de autoridades judiciales o administrativas, ya fueren federales, estatales o municipales, aún tratándose de Juntas de Conciliación y de Conciliación y Arbitraje, representando a la mandante en todos los negocios que se le ofrezcan. - b) Promover y contestar toda clase de demandas o de asuntos y seguirlos por todos sus trámites, instancias e incidentes hasta su final decisión.c) Recusar.- d) Transigir.- e) Articular y absolver posiciones. - f) Conformarse con las resoluciones de las autoridades o interponer contra ellas, según lo estime conveniente, los recursos legales procedentes.- g) Promover el juicio de amparo. - h) Presentar

denuncias y querellas penales de toda especie. - i) Constituirse parte civil en cualquier proceso, coadyuvando a la acción del Ministerio Público en los términos que las leyes permitan.- j) otorgar el perdón cuando proceda. - k) Desistirse de los asuntos, juicios y recursos, aún tratándose del juicio de amparo.- l) Comparecer ante autoridades fiscales.- m) Hacer y recibir pagos.- n) Hacer pujas y presentar posturas y mejoras en remate.- ñ) Hacer cesión de bienes.- o) Someter los asuntos contenciosos de la sociedad a la decisión de árbitros de derecho y arbitradores, estableciendo el procedimiento que se seguira ante los mismos.- p) Administrar las relaciones laborales de la sociedad, celebrar, rescindir, modificar y terminar contratos individuales y colectivos de trabajo, establecer y modificar condiciones de trabajo, emitir reglamentos interiores de trabajo, y en general, comparecer ante particulares y ante todas las autoridades en materia de trabajo, de manera especial ante las relacionadas en el artículo quinientos veintitrés de la Ley Federal del Trabajo, así como ante el Instituto del Fondo Nacional de la Vivienda para los Trabajadores (INFONAVIT), Instituto Mexicano del Seguro Social (IMSS) y Fondo de Fomento y Garantía para el Consumo de los Trabajadores (FONACOT), a realizar todas las gestiones y trámites necesarios para la solución de los asuntos que se le ofrezcan a la sociedad, a los que comparecerá en el carácter de representante en términos del artículo once de la Ley Federal del Trabajo, que determina: "Los directores, administradores, gerentes y demás personas que ejerzan funciones de dirección o administración en las empresas o establecimientos, serán considerados representantes del patrón y en tal concepto lo obligan en sus relaciones con los trabajadores". En consecuencia, en relación con esos asuntos, podrá ejercitar las mencionadas facultades, o sea, comparecer en carácter de administrador y por lo tanto, de representante de la sociedad, en los términos de los artículos once, seiscientos noventa y dos, fracción segunda, setecientos ochenta y seis y ochocientos setenta y seis de la Ley Federal del Trabajo, así como comparecer a las audiencias de conciliación en que sea citada la sociedad por las Juntas de Conciliación y de Conciliación y Arbitraje, con todas las facultades generales y aún las especiales que conforme a la ley requieran de poder o cláusula especial.- q) Suscribir, emitir, girar, endosar avalar toda clase de títulos de crédito. r) Sustituir en todo o en parte este poder, reservándose en todo caso su ejercicio, así como para otorgar Poderes generales o especiales con las facultades que estime convenientes o necesarias y para revocar los poderes y sustituciones otorgados por él, o por cualquier otro de los órganos y apoderados de la sociedad.- LIMITACIONES:- a) Para suscribir títulos de crédito, el apoderado deberá ejercer el mandato mancomunadamente con cualquier otro apoderado con facultades suficientes para ello.- b) En materia de actos de dominio y para avalar títulos de crédito, así como para el otorgamiento de poderes para actos de dominio y para suscribir y avalar títulos de crédito, el apoderado deberá actuar conjuntamente con el Director General de la sociedad.- En los poderes o facultades para actos de dominio o para avalar títulos de crédito que sustituya, otorgue o delegue,



deberá establecer a su vez la limitación de que deberán ser ejercitadas conjuntamente por cuando menos dos personas.....".

- DECIMO.- Por escritura pública número ciento dos mil cuatrocientos setenta y ocho, de fecha treinta de noviembre de mil novecientos noventa y tres, torgada ante el mismo Notario que las anteriores, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, en el folio mercantil número cinco mil doscientos veintinueve, se hizo constar el poder otorgado al señor Licenciado ALEJANDRO MENDOZA ROMERO, y la personalidad como Subdirector Jurídico y de Filiales y Apoderado General de "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE.-

- De dicha escritura copio en su parte conducente lo que es del tenor literal siguiente:

"hago consta el PODER GENERAL PARA PLEITOS Y COBRANZAS Y PARA ACTOS DE ADMINISTRACION que otorga "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, representada por el señor licenciado FRANCISCO SANCHEZ Y GARCIA, Coordinador General de Recursos Humanos y Relaciones Laborales y Apoderado General, al señor licenciado ALEJANDRO MENDOZA ROMERO, Subdirector Jurídico y de Filiales de la misma sociedad, a quien confiere y delega, para que los ejercite en su nombre y representación, los poderes y facultades que se contienen en las siguientes:- CLAUSULAS: -- PRIMERA.- PODER GENERAL PARA PLEITOS Y COBRANZAS Y PARA ACTOS DE ADMINISTRACION, en los términos de los dos primeros párrafos del artículo dos mil quinientos cincuenta y cuatro del Código Civil del Distrito Federal y de su correlativo del lugar en donde se ejercite el poder, con todas las facultades generales y aún con las especiales que conforme a la ley requieran de poder o cláusula especial, con excepción de la de hacer cesión de bienes, en los términos del artículo dos mil quinientos ochenta y siete del ordenamiento jurídico primeramente citado y de su correlativo del segundo. --

SEGUNDA.- De manera enunciativa y no limitativa, el apoderado podrá:- a).- Comparecer ante particulares y ante toda clase de autoridades judiciales o administrativas, ya fueren federales, estatales o municipales, aún tratándose de Juntas de Conciliación y de Conciliación y Arbitraje, representando a la mandante en todos los negocios que se le ofrezcan.- b) Promover y contestar toda clase de demandas o de asuntos y seguirlos por todos sus trámites, instancias e incidentes hasta su final decisión.- c) Recusar - d) Transigir.- e). - - Articular y absolver posiciones.- f).- Conformarse con las resoluciones de las autoridades o interponer contra ellas, según lo estime conveniente, los recursos legales procedentes.- g) Promover el juicio de amparo.- h) Presentar denuncias y querellas penales de toda especie.- i). - - - - Constituirse parte civil en cualquier proceso, coadyuvando a la acción del Ministerio Público en los términos que las leyes permitan. - j) otorgar el perdón cuando proceda.- k) Desistirse de los asuntos, juicios y recursos, aún tratándose del juicio de amparo.- l).- Comparecer ante autoridades fiscales.- m).- Hacer y recibir pagos.- n).- Hacer pujas y presentar posturas y mejoras en remate.- n) Someter los asuntos contenciosos de la sociedad la decisión de árbitros de derecho y arbitradores, estableciendo el procedimiento que

se seguirá ante los mismos.- o).- Administrar las relaciones laborales de la sociedad, celebrar, rescindir, modificar y terminar contratos individuales y colectivos de trabajo, establecer y modificar condiciones de trabajo, emitir reglamentos interiores de trabajo, y en general comparecer ante particulares y ante todas las autoridades en materia de trabajo, de manera especial ante las relacionadas en el artículo quinientos veintitrés de la Ley Federal del Trabajo, así como ante el Instituto del Fondo Nacional de la Vivienda para los Trabajadores (INFONAVIT), Instituto Mexicano del Seguro Social (IMSS) y Fondo de Fomento y Garantía para el Consumo de los Trabajadores (FONACOT), a realizar todas las gestiones y trámites necesarios para la solución de los asuntos que se le ofrezcan a la sociedad, a los que comparecerá en el carácter de representante en términos del artículo once de la Ley Federal del Trabajo, que determina: - "Los directores, administradores, gerentes y demás personas que ejerzan funciones de dirección o administración en las empresas o establecimientos, serán considerados -- representantes del patrón y en tal concepto lo obligan en sus relaciones con los trabajadores". En consecuencia, en relación con esos asuntos, podrá ejercitar las mencionadas facultades, o sea, comparecer en carácter de administrador y, por lo tanto, de representante de la sociedad, en los términos de los artículos once, seiscientos noventa y dos, fracción segunda, setecientos ochenta y seis y ochocientos setenta y seis de la Ley Federal del Trabajo, así como comparecer a las audiencias de conciliación en que sea citada la sociedad por las Juntas de Conciliación y de Conciliación y Arbitraje, con todas las facultades generales y aún las especiales que conforme a la ley requieran de poder o cláusula especial.- p).- Sustituir en todo o en parte este poder, reservándose en todo caso su ejercicio, así como para otorgar poderes generales o especiales con las facultades que estime convenientes o necesarias y para revocar los poderes y sustituciones otorgados por él, o por cualquier otro de los órganos y apoderados de la sociedad.....". - - - - -

- - - - - DECIMO PRIMERO.- Por escritura pública número ciento seis mil ciento setenta, de fecha cuatro de julio de mil novecientos noventa y cinco, otorgada ante el mismo Notario que la anterior, cuyo primer testimonio quedó inscrito en el Registro Público de Comercio del Distrito Federal, en el folio mercantil número cinco mil doscientos veintinueve, se hizo constar el poder otorgado por "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, en favor del señor Licenciado SERGIO RODRIGUEZ MOLLEDA. - - - - -

- - - De dicha escritura copio en su parte conducente lo que es del tenor literal siguiente: - - - - -

- - - "hago constar el PODER GENERAL PARA PLEITOS Y COBRANZAS Y PARA ACTOS DE ADMINISTRACION que otorga "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, representada por el señor licenciado ALEJANDRO MENDOZA ROMERO, Subdirector Jurídico y de Filiarles y Apoderado General de la sociedad, a los señores ...SERGIO RODRIGUEZ MOLLEDA,.... a quienes confiere, para que las ejerciten en su nombre y representación y actuando conjunta o separadamente, las facultades que se contienen en las siguientes:- CLAUSULAS: -- PRIMERA.- PODER GENERAL PARA PLEITOS Y COBRANZAS Y PARA ACTOS



DE ADMINISTRACION, en los términos de los dos primeros párrafos del artículo dos mil quinientos cincuenta y cuatro del Código Civil del Distrito Federal y de su correlativo del lugar en donde se ejercite el poder, con todas las facultades generales y aún con las especiales que conforme a la ley requieran de poder o cláusula especial, con excepción de la de hacer cesión de derechos (así), en los términos del artículo dos mil quinientos ochenta y siete del ordenamiento jurídico primeramente citado y de su correlativo del segundo.

SEGUNDA.- De manera enunciativa y no limitativa, los apoderados podrán:- a).- Comparecer ante particulares y ante toda clase de autoridades judiciales o administrativas, ya fueren federales, estatales o municipales, aún tratándose de Juntas de Conciliación y de Conciliación y Arbitraje, representado a la mandante en todos los negocios que se le ofrezcan.- b) Promover y contestar toda clase de demandas o de asuntos y seguirlos por todos sus trámites, instancias e incidentes hasta su final decisión.- c) Recusar.- d) Transigir.- e).- Articular y absolver posiciones.- f) -- Conformarse con las resoluciones de las autoridades o interponer contra ellas, según lo estime conveniente, los recursos legales procedentes.- g) Promover el juicio de amparo.- h) Presentar denuncias y querrelas penales de toda especie.- i).- Constituirse parte civil en cualquier proceso, coadyuvando a la acción del Ministerio Público en los términos que las leyes permitan.- j).- otorgar el perdón cuando proceda.- k) Desistirse de los asuntos, juicios y recursos, aún tratándose del juicio de amparo.- l). - - - - - Comparecer ante autoridades fiscales.- m).- Hacer y recibir pagos.- n).- Hacer pujas y presentar posturas y mejoras en remate.- ñ) Someter los asuntos contenciosos de la sociedad a la decisión de árbitros de derecho y arbitradores, estableciendo el procedimiento que se seguirá ante los mismos.- o).- Administrar las relaciones laborales de la sociedad, celebrar, rescindir, modificar y terminar contratos individuales y colectivos de trabajo, establecer y modificar condiciones de trabajo, emitir reglamentos interiores de trabajo, y en general, comparecer ante particulares y ante todas las autoridades en materia de trabajo, de manera especial ante las relacionadas en el artículo quinientos veintitrés de la Ley Federal del Trabajo, así como ante el Instituto del Fondo Nacional de la Vivienda para los Trabajadores (INFONAVIT), Instituto Mexicano del Seguro Social (IMSS) y Fondo de Fomento y Garantía para el Consumo de los Trabajadores (FONACOT), a realizar todas las gestiones y trámites necesarios para la solución de los asuntos que se le ofrezcan a la sociedad, a los que comparecerán en el carácter de representantes en términos del artículo once de la Ley Federal del Trabajo, que determina: - - - - -

"Los directores, administradores, gerentes y demás personas que ejerzan funciones de dirección o administración en las empresas o establecimientos, serán considerados -- representantes del patrón y en tal concepto lo obligan en sus relaciones con los trabajadores". En consecuencia, en relación con esos asuntos, podrán ejercitar las mencionadas facultades, o sea, comparecer en carácter de administradores y, por lo tanto, de representantes de la sociedad, en los términos de los artículos once, seiscientos noventa y dos,

fracción segunda, setecientos ochenta y seis y ochocientos setenta y seis de la Ley Federal del Trabajo, así como comparecer a las audiencias de conciliación en que sea citada la sociedad por las Juntas de Conciliación y de Conciliación y Arbitraje, con todas las facultades generales y aún las especiales que conforme a la ley requieran de poder o cláusula especial.- TERCERA.- Los apoderados no podrán substituir este poder, otorgar otros, contratar créditos o financiamientos ni suscribir títulos de crédito...". - - - - -
- - - Y PARA ACREDITAR LA LEGAL EXISTENCIA DE "TELEFONOS DE MEXICO", SOCIEDAD ANONIMA DE CAPITAL VARIABLE, Y LA PERSONALIDAD DEL SEÑOR LICENCIADO SERGIO RODRIGUEZ MOLLEDA, COMO APODERADO DE LA MISMA, EXPIDO LA PRESENTE CERTIFICACION SELLADA, FIRMADA POR MI Y COTEJADA.- DOY FE. - - - - -

AVE/isi**
[Handwritten signature]



EXHIBIT 1
Synopsis of Stock Purchase Agreement
And related Documents from SEC Form 13D/A

Stock Purchase Agreement

On January 15, 2002, the Investors and XO entered into the Stock Purchase Agreement, a copy of which is attached hereto as Exhibit 22.

If the transactions contemplated by the Stock Purchase Agreement are consummated, the FL Investors, which are under common control with the Reporting Persons, will, following the Restructuring, collectively become the beneficial owners of 40.00% of the then-outstanding shares of XO common stock. This will occur through their purchase from XO for \$400,000,000 in cash of the New Forstmann Little Shares. The Class D Common Stock will be identical to the Class A Common Stock in all respects other than certain special voting rights described more fully below and in the Amended and Restated Certificate of Incorporation. Each share of Class D Common Stock to be purchased by the FL Investors will automatically convert into one share of Class A Common Stock under certain circumstances described more fully below and in the Amended and Restated Certificate of Incorporation.

The Stock Purchase Agreement also provides that following the Restructuring, Telmax shall purchase from XO the New Telmax Shares for \$400,000,000 in cash, which shares will represent or be convertible into 40.00% of the then-outstanding shares of XO common stock. Each share of Class C Common Stock will be convertible into one share of Class A Common Stock under certain circumstances described more fully below and in the Amended and Restated Certificate of Incorporation. The Class C Common Stock will be identical to the Class A Common Stock in all respects other than certain special voting rights more fully described below and in the Amended and Restated Certificate of Incorporation.

Restructuring. The Stock Purchase Agreement provides that it is a condition precedent to the obligations of the Investors to consummate the transactions contemplated by the Stock Purchase Agreement that the Company shall have effected the Restructuring, as described more completely in the Stock Purchase Agreement. The Stock Purchase Agreement also provides that the Restructuring must result in the new capitalization. Under the new capitalization, XO will have no more than \$1.034 billion in aggregate indebtedness and a capital structure with the following outstanding equity: the New Forstmann Little Shares, the New Telmax Shares, with the remaining 20% of the Company's outstanding common stock being held by the Company's management and other equity holders, which are expected to include current holders of the Company's outstanding debt securities. The Stock Purchase Agreement further provides that it is a condition precedent to the obligations of the Investors to consummate the transactions contemplated by the Stock Purchase Agreement that the Company's current bank credit facility or a replacement bank credit facility be in form and substance reasonably acceptable to the Investors. The percentage of the outstanding equity securities of the Company to be held by the FL Investors, Telmax and other equity holders is subject to adjustment based on the terms and amount of the shares to be purchased by and any grants of options made to the management of the Company. No shares of the Company's existing Class B Common Stock may be outstanding as of the Closing.

The Company may effect the Restructuring by means of an exchange offer for the Company's currently outstanding public debt securities and preferred stock, by commencing a bankruptcy case in a bankruptcy court of competent jurisdiction, by some combination of such actions or by any other actions reasonably likely to effect the new capitalization which are acceptable to each Investor in its reasonable discretion. If a case is commenced in bankruptcy court, the orders of the bankruptcy court must be final and non-appealable and reasonably acceptable to the Investors as a condition precedent to the Closing. The Company may commit up to \$200,000,000 in connection with the Restructuring.

If a bankruptcy case is commenced to effect the new capitalization, the Stock Purchase Agreement provides that the Company shall use its reasonable best efforts to ensure that the confirmation order granted in connection therewith shall release the Investors and their respective affiliates and representatives from any litigation related to the Company, its business, its governance, its securities disclosure practices, the purchase of any of its securities and the investment and Restructuring transactions contemplated by the Stock Purchase Agreement.

Representations and Warranties. The Stock Purchase Agreement contains several representations and warranties of the Company to the Investors. These representations and warranties, most of which are made at the time of execution of the agreement and at Closing, address, among other things, the following matters: (i) the Company's capitalization; (ii) the Company's filings with the United States Securities and Exchange Commission; (iii) the Company's financial statements; (iv) the absence of certain undisclosed material changes; (v) litigation relating to the Company, its assets and the transactions contemplated by the Stock Purchase Agreement; (vi) the Company's network facilities; (vii) the Company's regulatory compliance; (viii) fee commitments; and (ix) several other matters relating to the Company's business, operations and compliance with laws and agreements.

Closing Conditions. The Stock Purchase Agreement provides that

transactions contemplated by the agreement are subject to the satisfaction or waiver by such party of several conditions. These conditions include, without limitation, the following: (i) that the representations and warranties of the Company shall be true and correct as of the time each is made; (ii) that the Company and the Investors have executed, filed or adopted the Stockholders Agreement, a registration rights agreement substantially in the form attached hereto as Exhibit 24 (the "Registration Rights Agreement"), the proposed Amended and Restated Certificate of Incorporation and the Restated Bylaws; (iii) that after giving effect to the issuance of the New Common Shares pursuant to the terms of the Stock Purchase Agreement, the complete capital structure of the Company shall be the new capitalization effected by the Restructuring; (iv) the absence of litigation instituted against the Company or for which the Company would have obligations to indemnify any person which would be reasonably likely to result in a material adverse effect on the business, operations, assets, financial condition, prospects, or results of operations of the Company and its subsidiaries i.e. taken as a whole (a "Material Adverse Effect"); (v) that certain senior management positions at the Company shall be held either by the person who held such position on the date of the Stock Purchase Agreement or another person acceptable to each Investor; (vi) that there shall not have occurred any event, circumstance, condition, fact, effect or other matter since the execution of the Stock Purchase Agreement which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect or a material adverse effect upon the ability of the Company to perform any material obligation under the agreement or to consummate the transactions contemplated by the agreement; (vii) that the Company and the Investors have obtained all material regulatory approvals, including without limitation, the consent of the United States Federal Communications Commission, and competition approvals; and (viii) that any and all litigation pending or threatened against the Company, the Investors or their representatives or affiliates related to the Company, its business, its governance, its securities regulatory disclosure practices, the purchase or sale of any of the Company's equity or debt securities, the investment or the Restructuring, shall have been resolved in a manner that is satisfactory to each Investor in its sole discretion (other than Ordinary Course Litigation (as defined therein)).

Covenants. The Stock Purchase Agreement provides that during the interim period between the execution of the Stock Purchase Agreement and the Closing, the Company will conduct its business in the ordinary course and will not take certain specified actions without the prior written consent of the Investors, except as contemplated by the Stock Purchase Agreement. Such prohibited actions include, without limitation: (i) the incurrence of additional indebtedness (subject to certain exceptions); (ii) changes to any of the Company's methods of accounting or accounting practices; (iii) the repurchase or redemption of the Company's equity securities (subject to certain exceptions); (iv) the issuance of additional equity securities (subject to certain exceptions); (v) the declaration of any dividends; (vi) the redemption or defeasance of any of the Company's outstanding publicly-traded debt securities or other indebtedness; (vii) the amendment of the Company's certificate of incorporation or bylaws; (viii) any actions reasonably likely to result in the breach of any of the Company's representations and warranties made in the Stock Purchase Agreement or the failure to satisfy any of the conditions precedent to Closing; (ix) actions adversely affecting the Company's insurance coverage; (x) material increases in the compensation or benefits of the Company's employees (except for certain permitted payments under certain bonus and retention bonus plans); and (xi) the sale, lease or other disposition any of the Company's material assets (subject to certain exceptions).

The Stock Purchase Agreement provides that the Company must keep the Investors informed regarding the receipt of certain proposals or offers for significant transactions or the negotiations in connection therewith. The Stock Purchase Agreement provides that the Company must cause each of its executive officers and directors, and use its reasonable best efforts to cause each holder of five percent or more of its common stock, not to sell any of their equity securities for six months and one year, respectively, from the Closing. The Stock Purchase Agreement also provides that the Company and the Investors will cooperate in several respects and use their reasonable best efforts to satisfy the conditions precedent to the consummation of the purchase of the New Forstmann Little Shares and the New Telmex Shares.

The Stock Purchase Agreement further provides that the Company

and the Investors will use their reasonable best efforts to revise the existing documentation and agreements, including the Stock Purchase Agreement and the exhibits thereto: (i) to the extent necessary to consummate the transactions contemplated by the Stock Purchase Agreement if Telmax's current investment would be unlikely to result in regulatory approval of the transaction; (ii) if either Investor shall have assumed the rights of the other Investor under the Stock Purchase Agreement; and (iii) to define the relative rights and preferences of a to-be-determined class of the Company's common stock that may be issued to certain members of the management of the Company.

Termination. The Stock Purchase Agreement provides that each Investor has the right to terminate the agreement upon certain events, including without limitation: (i) if the parties are unable to obtain the necessary regulatory consents and other approvals by certain deadlines; (ii) if the Company has breached any of its representations or warranties and such breach shall have a Material Adverse Effect; (iii) if any fact, circumstance or other matter has occurred or exists which would or would reasonably be likely to give rise to the failure of any of the conditions precedent to the obligations of each Investor to consummate the transactions contemplated by the Stock Purchase Agreement and such fact, circumstance or other matter cannot be cured within twenty days; (iv) if the Company has not taken certain actions in the bankruptcy court to have certain fees, expenses and payments approved by the bankruptcy court; and (v) if the other Investor has terminated the Stock Purchase Agreement. In most instances, if either Investor shall terminate the Stock Purchase Agreement in accordance with its rights of termination thereunder, the non-terminating Investor may assume the rights and obligations of the terminating Investor.

The Stock Purchase Agreement provides that the Company has the right to terminate the agreement upon certain events, including without limitation: (i) if the board of directors deems it necessary to accept an alternative proposal received by the Company; (ii) if either Investor terminates the agreement and the non-terminating Investor does not assume such terminating Investor's rights and obligations under the Stock Purchase Agreement; (iii) if the Closing shall not have occurred by certain deadlines; (iv) if either Investor has breached any of its representations or warranties in any material respect; and (v) if any fact, circumstance or other matter has occurred or exists which would or would reasonably be likely to give rise to the failure of any of the conditions precedent to the obligations of the Company to consummate the transactions contemplated by the Stock Purchase Agreement and such fact, circumstance or other matter cannot be cured within twenty days.

Break-Up Payment. If the Company proposes to terminate the Stock Purchase Agreement to accept an alternative proposal received by the Company, each Investor will be entitled to receive a break-up payment from the Company equal to one percent of the implied, pre-money enterprise value of the Company, which shall be determined using accounting methods and principles and valuation methodology set forth in a schedule to the Stock Purchase Agreement.

Expense Reimbursement. The Stock Purchase Agreement provides that the Company will reimburse the Investors for their reasonable, out-of-pocket, documented costs and expenses incurred in connection with the Stock Purchase Agreement and the transactions contemplated thereby up to \$14,000,000. Any and all expenses (including, without limitation, legal fees) incurred by the Investors in enforcing any provision of the Stock Purchase Agreement or any other transaction document contemplated thereby shall not be subject to such maximum reimbursement amount.

As described above, the obligation of each Investor to complete the transactions contemplated by the Stock Purchase Agreement are subject to the satisfaction or waiver by such Investor, at or prior to the Closing, of a number of conditions including, without limitation, the execution and delivery by the Company and each of the Investors of the Stockholders Agreement, the filing by the Company with the Secretary of State of the State of Delaware of the Amended and Restated Certificate of Incorporation, and the adoption by the board of directors of the Company of the Restated Bylaws.

Stockholders Agreement, Restated Bylaws and
Amended and Restated Certificate of Incorporation

Election of Directors. The Stockholders Agreement, a form of which is attached hereto as Exhibit 23, and the Restated Bylaws, a form of which is attached hereto as Exhibit 26, provide that, following the Closing and prior to the Board Representation Date (defined below), the number of directors on the board of directors of the Company shall be fixed at twelve and, at and after the Board Representation Date, the board of directors may be expanded to include such number of directors as are required by any stock exchange or quotation system on which the Company's common stock is quoted or listed. The Stockholders Agreement contemplates that the initial board of directors will include those designees appointed or nominated by the Investors as described below, the Chief Executive Officer of the Company and such number of other independent directors as shall be required by any stock exchange or quotation system on which the Company's common stock is quoted or listed and which independent directors shall be approved by each of the Investors. The term "Board Representation Date" means the earlier of: (i) the first date on which the board of directors has received written notice from Telmex that Telmex desires to designate directors to the board pursuant to the Stockholders Agreement, and Telmex has determined in good faith, after consultation with its legal counsel, which counsel shall be an outside law firm of national reputation, that one or more directors, officers or employees of Telmex or a subsidiary of Telmex can become directors without violating Section 8 of the Clayton Antitrust Act of 1914, as amended; and (ii) the first date upon which any director, officer or employee of Telmex or a subsidiary of Telmex is elected or appointed as a director of the Company.

The Stockholders Agreement and Restated Bylaws provide that, following the Closing and prior to the Board Representation Date, so long as the FL Investors beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, the FL Investors shall have the right to appoint or nominate to the board of directors of the Company the number of directors equal to the sum of (A) (i) a fraction in which the numerator is the total number of outstanding shares of Company common stock beneficially owned by the FL Investors, and the denominator is the total number of shares of Company common stock outstanding, multiplied by (ii) the total number of directors on the board of directors, rounded up to the nearest whole number, plus (B) (i) a fraction in which the numerator is the total number of outstanding shares of Company common stock beneficially owned by Telmex, and the denominator is the total number of shares of Company common stock outstanding multiplied by (ii) the total number of directors on the board of directors, rounded up to the nearest whole number. Notwithstanding the foregoing, the Stockholders Agreement provides that the FL Investors shall, in connection with such appointment or nomination, include among its appointees or nominees, if so requested by Telmex by written notification, up to that number, rounded up to the next whole number, of individuals nominated by Telmex (the "Telmex Independent Designees"), who are independent of, and not affiliated with, either Telmex or the Company, equal to the product of (i) the total number of directors on the board multiplied by (ii) a fraction in which the numerator is the total number of outstanding shares of Company common stock beneficially owned by Telmex, and the denominator is the total number of shares of Company common stock outstanding; provided that the total number of Telmex Independent Designees may at no time exceed the number of directors on the board of directors appointed or nominated by the FL Investors (excluding Telmex Independent Designees). At the Board Representation Date, the Telmex Independent Designees shall resign from the board of directors and shall be replaced by directors nominated or appointed by Telmex pursuant to the following paragraph.

The Stockholders Agreement and Restated Bylaws provide that at and after the Board Representation Date, so long as an Investor beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, such Investor shall have the right to appoint or nominate to the board of directors such number of directors, rounded up to the next whole number, equal to the product of (i) a fraction in which the numerator is the total number of outstanding shares of Company common stock owned by such Investor, and the denominator is the total number of shares of Company common stock outstanding, multiplied by (ii) the total number of directors on the board of directors. The Stockholders Agreement further provides that, both before and after the Board Representation Date, the FL Investors and Telmex will vote their respective shares of Company common stock for the election of the nominees

of the other Investor to the board of directors of the Company.

Quorum Requirements. The Stockholders Agreement and the Amended and Restated Certificate of Incorporation further provide that, during such time as the FL Investors beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, the board of directors may not take any action unless a quorum consisting of at least one designee of the FL Investors is present, and during such time as Telmax beneficially owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, the board of directors may not take any action unless a quorum consisting of at least one Telmax designee (which, prior to the Board Representation Date, shall be a Telmax Independent Designee, to the extent a Telmax Independent Designee has been designated pursuant to the Stockholders Agreement) is present.

Non-Voting Observer and Consultation Rights. In addition to its right to designate directors (or prior to the Board Representation Date, Telmax Independent Designees) to the board of directors of the Company, the Stockholders Agreement provides that, prior to the Board Representation Date and so long as Telmax beneficially owns shares of Company common stock representing 10% or more of the outstanding shares of Company common stock, Telmax shall have the right to designate up to two non-voting observers to the board of directors which observers shall have access to certain information concerning the business and operations of the Company and shall be entitled to attend all regular and special meetings of the board of directors, and any meeting of any committee thereof, but shall not have any right to vote at such meetings. Moreover, prior to the Board Representation Date, the FL Investors shall consult with representatives of Telmax at least monthly and, to the extent consistent with applicable law, shall share information with Telmax regarding the business, finances and prospects of the Company.

Committees. The Stockholders Agreement and the Restated Bylaws provide that, subject to certain conditions and exceptions, so long as an Investor beneficially owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, each Investor shall have the right to have at least one of its director designees (which, in the case of Telmax, prior to the Board Representation Date, shall be a Telmax Independent Designee, to the extent a Telmax Independent Designee has been designated pursuant to the Stockholders Agreement) sit on each committee of the board of directors. The Stockholders Agreement and the Amended and Restated Certificate of Incorporation further provide for the creation of a five-member executive committee (the "Executive Committee"), which shall include the Chief Executive Officer of the Company. Prior to the Board Representation Date, the FL Investors shall have the right to have (i) three of their director designees on the Executive Committee so long as the FL Investors beneficially own shares of Company common stock representing 15% or more of the outstanding shares of Company common stock and (ii) two of their director designees on the Executive Committee so long as the FL Investors beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock but less than 15% of the outstanding shares of Company common stock. Prior to the Board Representation Date, Telmax shall have the right to have one Telmax Independent Designee on the Executive Committee so long as Telmax beneficially owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock. After the Board Representation Date, each Investor shall have the right to have (i) two of its director designees on the Executive Committee so long as such Investor beneficially owns shares of Company common stock representing 15% or more of the outstanding shares of Company common stock or (ii) one of its director designees on the Executive Committee so long as such Investor owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock but less than 15% of the outstanding shares of Company common stock. The Stockholders Agreement contemplates that the initial Executive Committee will consist of the Chief Executive Officer of the Company, three designees of the FL Investors and one Telmax Independent Designee.

The Stockholders Agreement and Amended and Restated Certificate of Incorporation provides that the Company shall not, without the approval of (x) prior to the Board Representation Date, at least three-fifths of the members of the Executive Committee, or (y) at and after the Board Representation Date, at least two-thirds of the members of the Executive Committee: (i) adopt a new business plan, materially modify the business

plan or take any action that would constitute a material deviation from the business plan; (ii) approve or recommend a merger (other than a merger of a wholly-owned subsidiary of the Company with and into the Company), consolidation, reorganization or recapitalization of the Company or any sale of all or a substantial portion of the assets of the Company and its subsidiaries, taken as a whole (a "Major Event"); (iii) acquire, by purchase, merger or otherwise, in one transaction or a series of related transactions, any equity or other ownership interest in, or assets of, any person in exchange for consideration with a fair market value greater than \$100 million; (iv) with certain limited exceptions, authorize for issuance or issue any equity securities or equity derivative securities in one transaction or a series of related transactions with a fair market value at the time of issuance in excess of \$100 million; (v) purchase, redeem, prepay, acquire or retire for value any shares of its capital stock or securities exercisable for or convertible into shares of its capital stock other than as required under the terms of such capital stock or securities; (vi) declare, incur any liability to declare, or pay any dividends, or make any distributions in respect of, any shares of its capital stock other than as required under the terms of such capital stock; (vii) redeem, retire, defease, offer to purchase or change any material term, condition or covenant in respect of outstanding long-term indebtedness other than as required under the terms of such indebtedness; (viii) with certain limited exceptions, incur indebtedness in one transaction or a series of related transactions in excess of \$100 million in aggregate principal amount; (ix) make any material change in its accounting principles or practices (other than as required by GAAP or recommended by the Company's outside auditors), or remove the Company's outside auditors or appoint new auditors; or (x) appoint, or terminate or modify the terms of the employment of, any member of the Company's senior management as described in the Stockholders Agreement, and any of their successors or replacements, and any other persons of a similar level of authority and responsibility in the organizational structure who are appointed after the date of the Stockholders Agreement.

Notwithstanding the foregoing, the Stockholders Agreement and Amended and Restated Certificate of Incorporation further provide that if any of such significant corporate actions are proposed but not approved by the Executive Committee by the requisite three-fifths majority (or, at and after the Board Representation Date, the requisite two-thirds majority) of the Executive Committee, then the Investor designees on the Executive Committee shall attempt in good faith to resolve any objections any such Investor designee may have to the proposal and, if the Investor designees on the Executive Committee are unable to resolve in good faith the disagreement within 30 days after the Executive Committee meeting at which the matter was not approved, any member of the Executive Committee shall be entitled to present such issue to the board of directors where the issue may be adopted or rejected by a majority vote of the board of directors.

Veto Rights. The Stockholders Agreement and Amended and Restated Certificate of Incorporation also provide that so long as (i) an Investor owns shares of Class A Common Stock representing at least 20% of the outstanding Company common stock and (ii) no Major Event nor any acquisition by any "person" or any "group" of persons (as such terms are used for purposes of Rules 13d-1 and 13d-5 under the Securities Exchange Act of 1934) of more than 50% of the total number of outstanding shares of Company common stock shall have occurred, the approval of at least one director designee of such Investor shall be required before the Company may take any of the following actions: (i) amend, alter or repeal its certificate of incorporation or bylaws, or any part thereof, or amend, alter or repeal any constituent instruments of any the Company subsidiary, or any part thereof; (ii) enter into any transaction with any affiliate (other than a wholly owned subsidiary of the Company), officer, director or stockholder of the Company, except for compensation and benefits paid to directors and officers in the ordinary course of business and other than those entered into concurrently with or prior to the Closing; (iii) file any voluntary petition for bankruptcy or for receivership (including a voluntary petition for the liquidation, dissolution or winding up of the Company or any of its subsidiaries other than a liquidation of a subsidiary in which all the assets of the liquidating subsidiary are distributed to the Company or another subsidiary of the Company) or make any assignment for the benefit of creditors; (iv) adopt any stockholder rights plan or other anti-takeover provisions in any document or instrument; or (v) issue or agree to issue any Company preferred stock.

Voting Rights. In addition to the corporate governance rights of

the Investors arising out of their participation on the board of directors of the Company or on the Executive Committee described above, the Amended and Restated Certificate of Incorporation also provides that the Investors shall have certain additional governance rights through their ownership of Class C Common Stock and Class D Common Stock.

Pursuant to the Amended and Restated Certificate of Incorporation, at any time at which there remain outstanding any shares of Class C Common Stock or Class D Common Stock, the affirmative vote of the holders of a majority of the outstanding shares of Class C Common Stock, voting as a separate class, and the affirmative vote of the holders of a majority of the outstanding shares of Class D Common Stock, voting as a separate class, shall be required before the Company may consummate a Major Event. In addition, if, at any time prior to the Board Representation Date there are any outstanding shares of Class C Common Stock, the affirmative vote of the holders of a majority of the outstanding shares of Class C Common Stock, voting as a separate class, shall be required before the Company may (i) acquire, by purchase, merger or otherwise, in one transaction or a series of related transactions, any equity or other ownership interest in, or assets of, any person in exchange for consideration with a fair market value greater than 20% of the Company's consolidated net assets determined in accordance with GAAP; (ii) with certain limited exceptions, authorize for issuance or issue any equity securities or equity derivative securities in one transaction or a series of related transactions with a fair market value at the time of issuance in excess of \$100 million; (iii) with certain limited exceptions, incur indebtedness in one transaction or a series of related transactions in excess of \$100 million in aggregate principal amount; (iv) amend the Company's certificate of incorporation or bylaws; or (v) issue or agree to issue any Company preferred stock.

Standstill Provisions. The Stockholders Agreement provides that, except for certain limited exceptions, each Investor agrees that, so long as the other Investor beneficially owns shares of Company common stock representing 20% or more of the outstanding shares of the Company common stock, it shall not, and will cause each of its affiliates not to, either alone or as part of a "group" (as such term is used in Section 13d-5 of the Securities Exchange Act of 1934), and such Investor will not, and will cause each of its affiliates not to, advise, assist or encourage others to, directly or indirectly, without the prior written consent of the other Investor: (i) acquire, or offer or agree to acquire, or become the beneficial owner of or obtain rights in respect of any shares of Company common stock, other equity securities of the Company or other securities convertible or exchangeable into equity securities of the Company; (ii) solicit proxies or consents or become a "participant" in a "solicitation" (as such terms are defined or used in Regulation 14A under the Securities Exchange Act of 1934) of proxies or consents with respect to any voting securities of the Company or initiate or become a participant in any stockholder proposal or "election contest" with respect to the Company or induce others to initiate the same, or otherwise seek to advise or influence any person with respect to the voting of any voting securities of the Company in connection with the election of directors or with respect to an amendment to the Company's certificate of incorporation or bylaws that would increase or decrease the number of directors on the board of directors; (iii) form, encourage or participate in a "person" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 for the purpose of taking any actions described in this paragraph; (iv) initiate any stockholder proposals for submission to a vote of stockholders, with respect to the Company; or (v) offer, seek, or propose to enter into any merger, acquisition, tender offer, sale transaction involving a substantial portion of the Company's assets or other business combination involving the Company.

Transfer Restrictions. In addition to the foregoing provisions, the Stockholders Agreement contains certain restrictions on the sale or transfer, by the Investors and their permitted transferees, of Company common stock. Generally, except for certain limited exceptions or with the prior written approval of the other Investor, no Investor may, prior to the fourth anniversary of the Closing, directly or indirectly, sell, assign, transfer or otherwise dispose of, by merger, consolidation or otherwise (including by operation of law), or pledge or otherwise encumber, any the Company common stock acquired by such Investor pursuant to the Stock Purchase Agreement and any securities issued or issuable with respect to such shares of common stock by way of a stock split, stock dividend or stock combination, or any shares of common stock issued in connection with

a recapitalization, merger, consolidation or other reorganization.

Preemptive Rights. The Stockholders Agreement provides that, except for certain excluded issuances, the Company shall not issue, or agree to issue: (i) any equity securities of the Company or any of its subsidiaries; (ii) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any equity securities of the Company or any of its subsidiaries; or (iii) any other securities of the Company or any of its subsidiaries that are convertible into or exchangeable for any equity securities of the Company or any of its subsidiaries unless, in each case, the Company shall have first offered to each Investor the opportunity to purchase its pro rata percentage of any such issuance. The number of securities (or principal amount of debt securities) to be offered to each Investor in connection with the exercise of its preemptive rights shall be an amount equal to the product of (i) the total number of securities (or total principal amount of debt securities) to be issued in the issuance multiplied by (ii) a fraction in which the numerator is the number of shares of Company common stock beneficially owned by such Investor and the denominator is the aggregate number of shares of Company common stock beneficially owned by all Investors exercising preemptive rights, in each case immediately prior to such issuance. So long as there remain outstanding any shares of Class C Common Stock, and subject to certain limitations, Telmex shall have the right to purchase shares of Class C Common Stock in the exercise of its preemptive rights and the FL Investors shall have the right to purchase shares of Class D Common Stock in the exercise of its pre-emptive rights.

Right of First Refusal. The Stockholders Agreement further provides that, from and after the fourth anniversary of the Closing, if the Company receives a bona fide proposal from any person for a Major Event (a "Major Event Proposal"), the Company shall notify the Investors of the Major Event Proposal and provide them with certain information. Promptly upon receipt of notice of a Major Event Proposal, the Investors shall engage in good faith discussions regarding the desirability and timing of the proposed Major Event and shall endeavor, within a specified period of time, to agree with respect to whether to support or reject the Major Event Proposal. If the Investors agree to support or reject the Major Event Proposal, then the Major Event Proposal shall be submitted to the Executive Committee for approval or rejection in accordance with the provisions described above. If the Investors are unable to agree on whether to support or reject the Major Event Proposal, then the Investor which objects to approval of the Major Event Proposal shall be entitled, for a specified period of time, and subject to certain conditions and restrictions, to solicit a bona-fide proposal for an alternative Major Event (a "Competing Proposal") and negotiate or otherwise engage in discussions with any person with respect to such Competing Proposal.

Following this solicitation period, a meeting of the board of directors shall be held at which the board of directors shall consider both the Competing Proposal and the Major Event Proposal. The board of directors shall adopt the Competing Proposal if the board of directors determines, by majority vote, that the Competing Proposal is at least as favorable to the Company's stockholders in all material respects, and is as likely or more likely to be consummated, as the Major Event Proposal. If the board of directors approves the Competing Proposal, such Competing Proposal shall be recommended by the board of directors to the stockholders of the Company. If the board of directors approves the Major Event Proposal, the Company may enter into a definitive agreement with respect to, and consummate, a transaction substantially on the terms set forth in such Major Event Proposal.

Registration Rights Agreement

The Stock Purchase Agreement provides that concurrently with the Closing, the Investors and XO shall enter into the Registration Rights Agreement, the form of which is attached hereto as Exhibit 24. The Registration Rights Agreement provides that the Investors and their permitted transferees shall each be entitled, subject to certain terms and conditions, to require the Company to register shares of Class A Common Stock acquired pursuant to the Stock Purchase Agreement or into which shares acquired pursuant to the Stock Purchase Agreement are convertible or have been converted. The Registration Rights Agreement contains customary terms, conditions and rights, including, without limitation, rights to incidental registration.

The foregoing description of the Stock Purchase Agreement, including all exhibits thereto, is not intended to be complete and is qualified in its entirety by the complete text of the Stock Purchase Agreement, including all exhibits thereto, which is incorporated herein by reference. The Stock Purchase Agreement is filed as Exhibit 22 hereto.

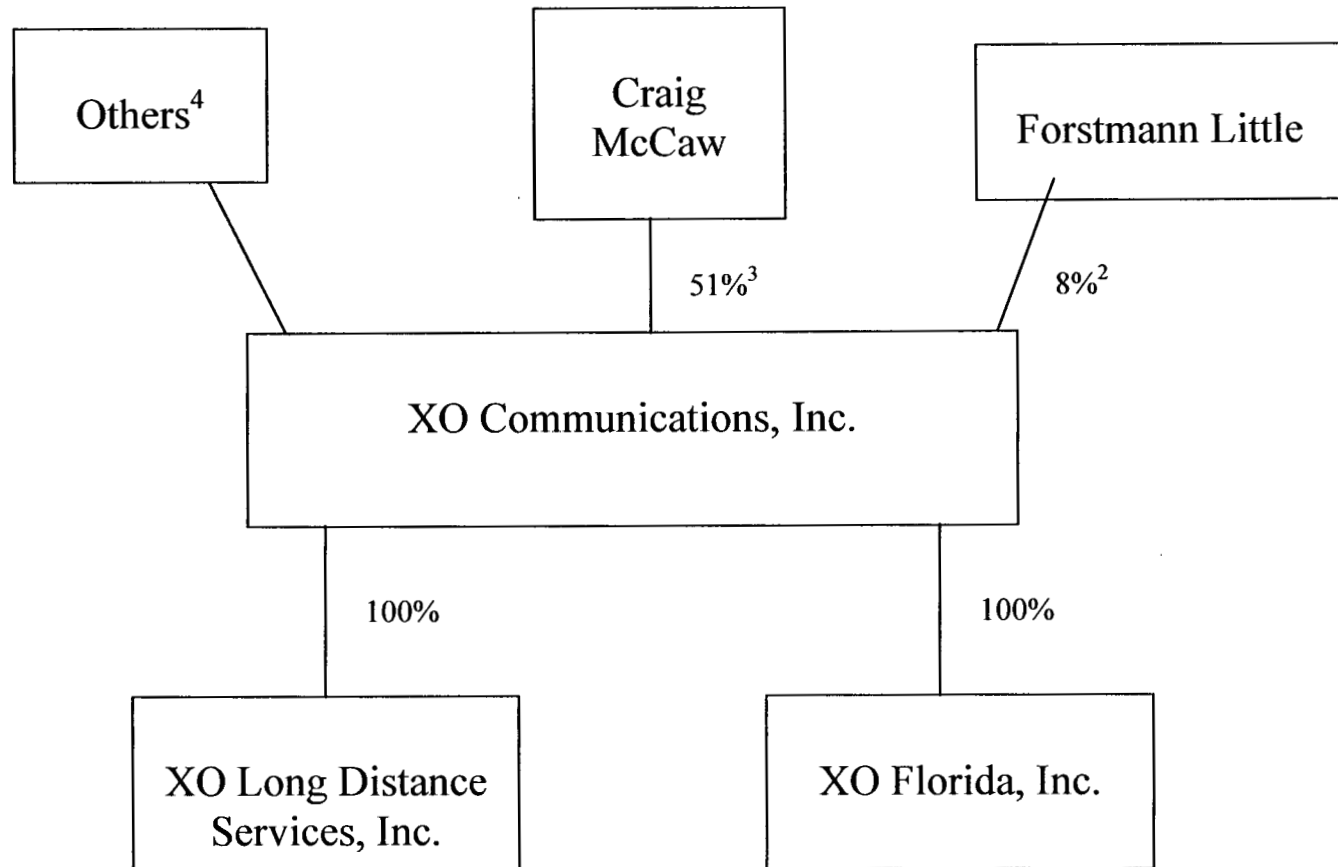
ITEM 7. Material to be Filed as Exhibits

Item 7 is hereby amended as follows:

1. Stock Purchase Agreement, dated December 7, 1999, among XO (f/k/a NEXTLINK), MBO-VII and Equity-VI.*
2. Registration Rights Agreement, dated as of January 20, 2000, among XO (f/k/a NEXTLINK), MBO-VII and Equity-VI.*
3. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series C Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
4. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series D Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
5. Assignment and Assumption Agreement, dated January 19, 2000, between Equity-VI and FL Fund.*
6. Joint Filing Agreement.*
7. Stock Purchase Agreement, dated as of June 14, 2000, among XO (f/k/a NEXTLINK), MBO-VII and Equity-VI.*
8. Amended and Restated Registration Rights Agreement, dated as of July 6, 2000, between XO (f/k/a NEXTLINK) and the FL Partnerships.*
9. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series G Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
10. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series G Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
11. Agreement and Waiver, dated as of June 14, 2000, among XO (f/k/a NEXTLINK), MBO-VII, Equity-VI and FL Fund.*
12. Amendment and Stock Purchase Agreement, dated as of April 25, 2001, by and between XO and the FL Partnerships.*
13. Form of Second Amended and Restated Registration Rights Agreement, dated as of _____, 2001, to be entered into by and between XO and the FL Partnerships.*
14. Form of Amended and Restated Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series C Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
15. Form of Amended and Restated Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series C Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
16. Form of Amended and Restated Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series G Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
17. Form of Amended and Restated Certificate of Designation of the Powers,

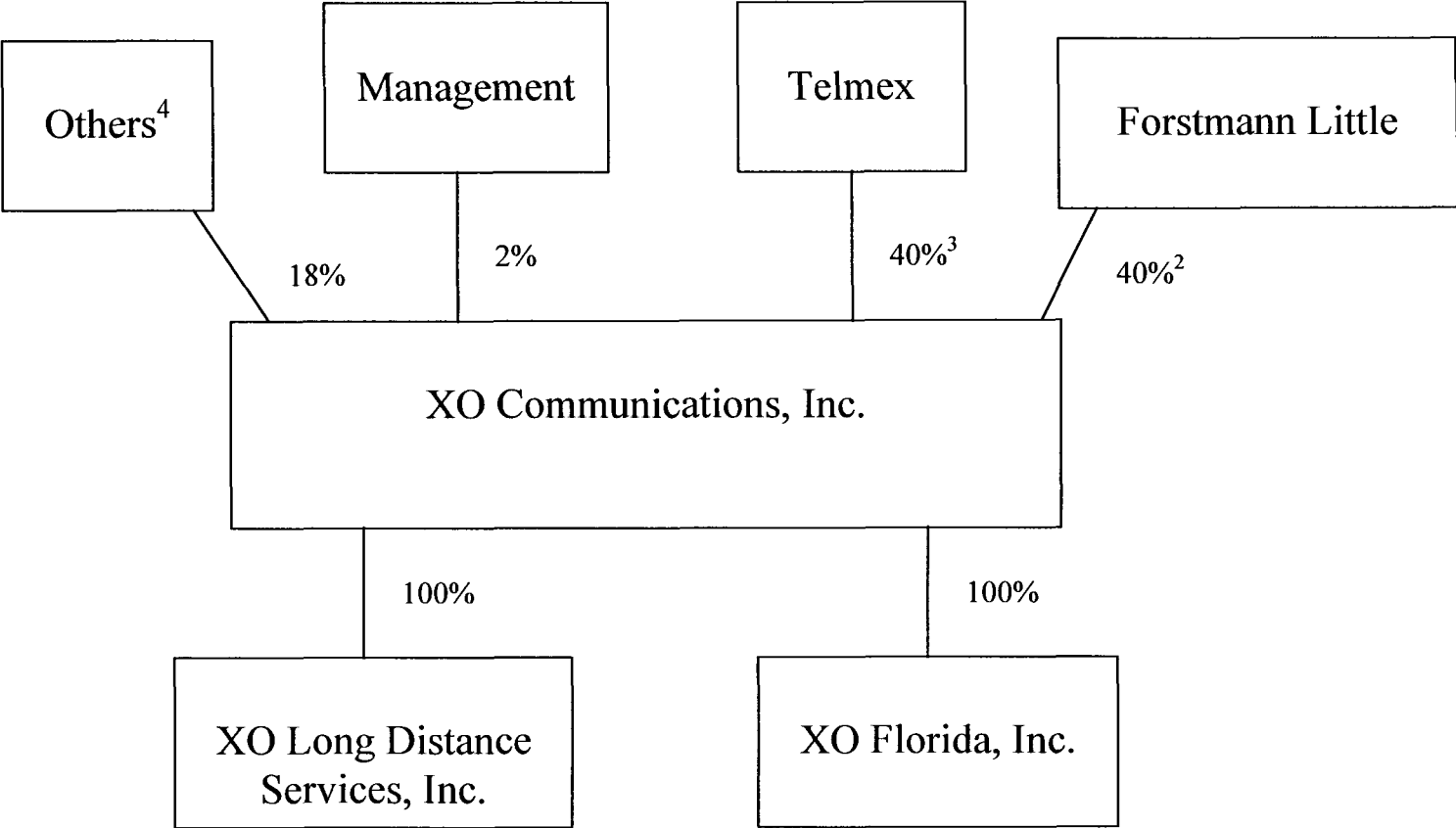
EXHIBIT 2
Ownership Diagrams of XO Pre- and Post-
Transfer of Control

Current¹



1. These diagrams show ownership as approximate percentages of the voting interests in XO.
2. Forstmann Little & Co.'s current interest is held primarily by Forstmann Little & Co. Equity Partnership-VI, L.P. and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P. Minor interests held by persons affiliated with Forstmann Little & Co. also are included.
3. Craig McCaw currently controls XO through his ownership interest in Eagle River Investments, L.L.C., through other holdings of XO securities and pursuant to various voting arrangements, the primary one with shareholder Wendy P. McCaw, his former wife. Mr. McCaw holds a proxy to vote the number of shares of XO stock held by Mrs. McCaw necessary for Mr. McCaw to hold 51% of the interest in XO.
4. No individual shareholder holds a voting interest greater than 10%.

Post-Transfer of Control¹



1. Although negotiations in connection with the restructuring of XO are ongoing, each Investor’s interest is not expected to exceed 40%.
2. Forstmann Little & Co. Equity Partnership-VII, L.P. will hold approximately 25%, and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P. will hold approximately 15%.
3. Telmex’s investment is through its wholly owned subsidiary, Controladora de Servicios de Telecomunicaciones, S.A. de C.V., which owns Teninver, S.A. de C.V., which will own approximately 40% of XO.
4. It is not anticipated that any individual shareholder will hold a voting interest greater than 10%.

EXHIBIT 1
Synopsis of Stock Purchase Agreement
And related Documents from SEC Form 13D/A

Stock Purchase Agreement

On January 15, 2002, the Investors and XO entered into the Stock Purchase Agreement, a copy of which is attached hereto as Exhibit 22.

If the transactions contemplated by the Stock Purchase Agreement are consummated, the FL Investors, which are under common control with the Reporting Persons, will, following the Restructuring, collectively become the beneficial owners of 40.00% of the then-outstanding shares of XO common stock. This will occur through their purchase from XO for \$400,000,000 in cash of the New Forstmann Little Shares. The Class D Common Stock will be identical to the Class A Common Stock in all respects other than certain special voting rights described more fully below and in the Amended and Restated Certificate of Incorporation. Each share of Class D Common Stock to be purchased by the FL Investors will automatically convert into one share of Class A Common Stock under certain circumstances described more fully below and in the Amended and Restated Certificate of Incorporation.

The Stock Purchase Agreement also provides that following the Restructuring, Telmex shall purchase from XO the New Telmex Shares for \$400,000,000 in cash, which shares will represent or be convertible into 40.00% of the then-outstanding shares of XO common stock. Each share of Class C Common Stock will be convertible into one share of Class A Common Stock under certain circumstances described more fully below and in the Amended and Restated Certificate of Incorporation. The Class C Common Stock will be identical to the Class A Common Stock in all respects other than certain special voting rights more fully described below and in the Amended and Restated Certificate of Incorporation.

Restructuring. The Stock Purchase Agreement provides that it is a condition precedent to the obligations of the Investors to consummate the transactions contemplated by the Stock Purchase Agreement that the Company shall have effected the Restructuring, as described more completely in the Stock Purchase Agreement. The Stock Purchase Agreement also provides that the Restructuring must result in the new capitalization. Under the new capitalization, XO will have no more than \$1.034 billion in aggregate indebtedness and a capital structure with the following outstanding equity: the New Forstmann Little Shares, the New Telmex Shares, with the remaining 20% of the Company's outstanding common stock being held by the Company's management and other equity holders, which are expected to include current holders of the Company's outstanding debt securities. The Stock Purchase Agreement further provides that it is a condition precedent to the obligations of the Investors to consummate the transactions contemplated by the Stock Purchase Agreement that the Company's current bank credit facility or a replacement bank credit facility be in form and substance reasonably acceptable to the Investors. The percentage of the outstanding equity securities of the Company to be held by the FL Investors, Telmex and other equity holders is subject to adjustment based on the terms and amount of the shares to be purchased by and any grants of options made to the management of the Company. No shares of the Company's existing Class B Common Stock may be outstanding as of the Closing.

The Company may effect the Restructuring by means of an exchange offer for the Company's currently outstanding public debt securities and preferred stock, by commencing a bankruptcy case in a bankruptcy court of competent jurisdiction, by some combination of such actions or by any other actions reasonably likely to effect the new capitalization which are acceptable to each Investor in its reasonable discretion. If a case is commenced in bankruptcy court, the orders of the bankruptcy court must be final and non-appealable and reasonably acceptable to the Investors as a condition precedent to the Closing. The Company may commit up to \$200,000,000 in connection with the Restructuring.

If a bankruptcy case is commenced to effect the new capitalization, the Stock Purchase Agreement provides that the Company shall use its reasonable best efforts to ensure that the confirmation order granted in connection therewith shall release the Investors and their respective affiliates and representatives from any litigation related to the Company, its business, its governance, its securities disclosure practices, the purchase of any of its securities and the investment and Restructuring transactions contemplated by the Stock Purchase Agreement.

Representations and Warranties. The Stock Purchase Agreement contains several representations and warranties of the Company to the Investors. These representations and warranties, most of which are made at the time of execution of the agreement and at Closing, address, among other things, the following matters: (i) the Company's capitalization; (ii) the Company's filings with the United States Securities and Exchange Commission; (iii) the Company's financial statements; (iv) the absence of certain undisclosed material changes; (v) litigation relating to the Company, its assets and the transactions contemplated by the Stock Purchase Agreement; (vi) the Company's network facilities; (vii) the Company's regulatory compliance; (viii) fee commitments; and (ix) several other matters relating to the Company's business, operations and compliance with laws and agreements.

Closing Conditions. The Stock Purchase Agreement provides that

transactions contemplated by the agreement are subject to the satisfaction or waiver by such party of several conditions. These conditions include, without limitation, the following: (i) that the representations and warranties of the Company shall be true and correct as of the time each is made; (ii) that the Company and the Investors have executed, filed or adopted the Stockholders Agreement, a registration rights agreement substantially in the form attached hereto as Exhibit 24 (the "Registration Rights Agreement"), the proposed Amended and Restated Certificate of Incorporation and the Restated Bylaws; (iii) that after giving effect to the issuance of the New Common Shares pursuant to the terms of the Stock Purchase Agreement, the complete capital structure of the Company shall be the new capitalization effected by the Restructuring; (iv) the absence of litigation instituted against the Company or for which the Company would have obligations to indemnify any person which would be reasonably likely to result in a material adverse effect on the business, operations, assets, financial condition, prospects, or results of operations of the Company and its subsidiaries i.e. taken as a whole (a "Material Adverse Effect"); (v) that certain senior management positions at the Company shall be held either by the person who held such position on the date of the Stock Purchase Agreement or another person acceptable to each Investor; (vi) that there shall not have occurred any event, circumstance, condition, fact, effect or other matter since the execution of the Stock Purchase Agreement which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect or a material adverse effect upon the ability of the Company to perform any material obligation under the agreement or to consummate the transactions contemplated by the agreement; (vii) that the Company and the Investors have obtained all material regulatory approvals, including without limitation, the consent of the United States Federal Communications Commission, and competition approvals; and (viii) that any and all litigation pending or threatened against the Company, the Investors or their representatives or affiliates related to the Company, its business, its governance, its securities regulatory disclosure practices, the purchase or sale of any of the Company's equity or debt securities, the investment or the Restructuring, shall have been resolved in a manner that is satisfactory to each Investor in its sole discretion (other than Ordinary Course Litigation (as defined therein)).

Covenants. The Stock Purchase Agreement provides that during the interim period between the execution of the Stock Purchase Agreement and the Closing, the Company will conduct its business in the ordinary course and will not take certain specified actions without the prior written consent of the Investors, except as contemplated by the Stock Purchase Agreement. Such prohibited actions include, without limitation: (i) the incurrence of additional indebtedness (subject to certain exceptions); (ii) changes to any of the Company's methods of accounting or accounting practices; (iii) the repurchase or redemption of the Company's equity securities (subject to certain exceptions); (iv) the issuance of additional equity securities (subject to certain exceptions); (v) the declaration of any dividends; (vi) the redemption or defeasance of any of the Company's outstanding publicly-traded debt securities or other indebtedness; (vii) the amendment of the Company's certificate of incorporation or bylaws; (viii) any actions reasonably likely to result in the breach of any of the Company's representations and warranties made in the Stock Purchase Agreement or the failure to satisfy any of the conditions precedent to Closing; (ix) actions adversely affecting the Company's insurance coverage; (x) material increases in the compensation or benefits of the Company's employees (except for certain permitted payments under certain bonus and retention bonus plans); and (xi) the sale, lease or other disposition any of the Company's material assets (subject to certain exceptions).

The Stock Purchase Agreement provides that the Company must keep the Investors informed regarding the receipt of certain proposals or offers for significant transactions or the negotiations in connection therewith. The Stock Purchase Agreement provides that the Company must cause each of its executive officers and directors, and use its reasonable best efforts to cause each holder of five percent or more of its common stock, not to sell any of their equity securities for six months and one year, respectively, from the Closing. The Stock Purchase Agreement also provides that the Company and the Investors will cooperate in several respects and use their reasonable best efforts to satisfy the conditions precedent to the consummation of the purchase of the New Forstmann Little Shares and the New Telmex Shares.

The Stock Purchase Agreement further provides that the Company

and the Investors will use their reasonable best efforts to revise the existing documentation and agreements, including the Stock Purchase Agreement and the exhibits thereto: (i) to the extent necessary to consummate the transactions contemplated by the Stock Purchase Agreement if Telmex's current investment would be unlikely to result in regulatory approval of the transaction; (ii) if either Investor shall have assumed the rights of the other Investor under the Stock Purchase Agreement; and (iii) to define the relative rights and preferences of a to-be-determined class of the Company's common stock that may be issued to certain members of the management of the Company.

Termination. The Stock Purchase Agreement provides that each Investor has the right to terminate the agreement upon certain events, including without limitation: (i) if the parties are unable to obtain the necessary regulatory consents and other approvals by certain deadlines; (ii) if the Company has breached any of its representations or warranties and such breach shall have a Material Adverse Effect; (iii) if any fact, circumstance or other matter has occurred or exists which would or would reasonably be likely to give rise to the failure of any of the conditions precedent to the obligations of each Investor to consummate the transactions contemplated by the Stock Purchase Agreement and such fact, circumstance or other matter cannot be cured within twenty days; (iv) if the Company has not taken certain actions in the bankruptcy court to have certain fees, expenses and payments approved by the bankruptcy court; and (v) if the other Investor has terminated the Stock Purchase Agreement. In most instances, if either Investor shall terminate the Stock Purchase Agreement in accordance with its rights of termination thereunder, the non-terminating Investor may assume the rights and obligations of the terminating Investor.

The Stock Purchase Agreement provides that the Company has the right to terminate the agreement upon certain events, including without limitation: (i) if the board of directors deems it necessary to accept an alternative proposal received by the Company; (ii) if either Investor terminates the agreement and the non-terminating Investor does not assume such terminating Investor's rights and obligations under the Stock Purchase Agreement; (iii) if the Closing shall not have occurred by certain deadlines; (iv) if either Investor has breached any of its representations or warranties in any material respect; and (v) if any fact, circumstance or other matter has occurred or exists which would or would reasonably be likely to give rise to the failure of any of the conditions precedent to the obligations of the Company to consummate the transactions contemplated by the Stock Purchase Agreement and such fact, circumstance or other matter cannot be cured within twenty days.

Break-Up Payment. If the Company proposes to terminate the Stock Purchase Agreement to accept an alternative proposal received by the Company, each Investor will be entitled to receive a break-up payment from the Company equal to one percent of the implied, pre-money enterprise value of the Company, which shall be determined using accounting methods and principles and valuation methodology set forth in a schedule to the Stock Purchase Agreement.

Expense Reimbursement. The Stock Purchase Agreement provides that the Company will reimburse the Investors for their reasonable, out-of-pocket, documented costs and expenses incurred in connection with the Stock Purchase Agreement and the transactions contemplated thereby up to \$14,000,000. Any and all expenses (including, without limitation, legal fees) incurred by the Investors in enforcing any provision of the Stock Purchase Agreement or any other transaction document contemplated thereby shall not be subject to such maximum reimbursement amount.

As described above, the obligation of each Investor to complete the transactions contemplated by the Stock Purchase Agreement are subject to the satisfaction or waiver by such Investor, at or prior to the Closing, of a number of conditions including, without limitation, the execution and delivery by the Company and each of the Investors of the Stockholders Agreement, the filing by the Company with the Secretary of State of the State of Delaware of the Amended and Restated Certificate of Incorporation, and the adoption by the board of directors of the Company of the Restated Bylaws.

Stockholders Agreement, Restated Bylaws and
Amended and Restated Certificate of Incorporation

Election of Directors. The Stockholders Agreement, a form of which is attached hereto as Exhibit 23, and the Restated Bylaws, a form of which is attached hereto as Exhibit 26, provide that, following the Closing and prior to the Board Representation Date (defined below), the number of directors on the board of directors of the Company shall be fixed at twelve and, at and after the Board Representation Date, the board of directors may be expanded to include such number of directors as are required by any stock exchange or quotation system on which the Company's common stock is quoted or listed. The Stockholders Agreement contemplates that the initial board of directors will include those designees appointed or nominated by the Investors as described below, the Chief Executive Officer of the Company and such number of other independent directors as shall be required by any stock exchange or quotation system on which the Company's common stock is quoted or listed and which independent directors shall be approved by each of the Investors. The term "Board Representation Date" means the earlier of: (i) the first date on which the board of directors has received written notice from Telmex that Telmex desires to designate directors to the board pursuant to the Stockholders Agreement, and Telmex has determined in good faith, after consultation with its legal counsel, which counsel shall be an outside law firm of national reputation, that one or more directors, officers or employees of Telmex or a subsidiary of Telmex can become directors without violating Section 8 of the Clayton Antitrust Act of 1914, as amended; and (ii) the first date upon which any director, officer or employee of Telmex or a subsidiary of Telmex is elected or appointed as a director of the Company.

The Stockholders Agreement and Restated Bylaws provide that, following the Closing and prior to the Board Representation Date, so long as the FL Investors beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, the FL Investors shall have the right to appoint or nominate to the board of directors of the Company the number of directors equal to the sum of (A) (i) a fraction in which the numerator is the total number of outstanding shares of Company common stock beneficially owned by the FL Investors, and the denominator is the total number of shares of Company common stock outstanding, multiplied by (ii) the total number of directors on the board of directors, rounded up to the nearest whole number, plus (B) (i) a fraction in which the numerator is the total number of outstanding shares of Company common stock beneficially owned by Telmex, and the denominator is the total number of shares of Company common stock outstanding multiplied by (ii) the total number of directors on the board of directors, rounded up to the nearest whole number. Notwithstanding the foregoing, the Stockholders Agreement provides that the FL Investors shall, in connection with such appointment or nomination, include among its appointees or nominees, if so requested by Telmex by written notification, up to that number, rounded up to the next whole number, of individuals nominated by Telmex (the "Telmex Independent Designees"), who are independent of, and not affiliated with, either Telmex or the Company, equal to the product of (i) the total number of directors on the board multiplied by (ii) a fraction in which the numerator is the total number of outstanding shares of Company common stock beneficially owned by Telmex, and the denominator is the total number of shares of Company common stock outstanding; provided that the total number of Telmex Independent Designees may at no time exceed the number of directors on the board of directors appointed or nominated by the FL Investors (excluding Telmex Independent Designees). At the Board Representation Date, the Telmex Independent Designees shall resign from the board of directors and shall be replaced by directors nominated or appointed by Telmex pursuant to the following paragraph.

The Stockholders Agreement and Restated Bylaws provide that at and after the Board Representation Date, so long as an Investor beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, such Investor shall have the right to appoint or nominate to the board of directors such number of directors, rounded up to the next whole number, equal to the product of (i) a fraction in which the numerator is the total number of outstanding shares of Company common stock owned by such Investor, and the denominator is the total number of shares of Company common stock outstanding, multiplied by (ii) the total number of directors on the board of directors. The Stockholders Agreement further provides that, both before and after the Board Representation Date, the FL Investors and Telmex will vote their respective shares of Company common stock for the election of the nominees

of the other Investor to the board of directors of the Company.

Quorum Requirements. The Stockholders Agreement and the Amended and Restated Certificate of Incorporation further provide that, during such time as the FL Investors beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, the board of directors may not take any action unless a quorum consisting of at least one designee of the FL Investors is present, and during such time as Telmex beneficially owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, the board of directors may not take any action unless a quorum consisting of at least one Telmex designee (which, prior to the Board Representation Date, shall be a Telmex Independent Designee, to the extent a Telmex Independent Designee has been designated pursuant to the Stockholders Agreement) is present.

Non-Voting Observer and Consultation Rights. In addition to its right to designate directors (or prior to the Board Representation Date, Telmex Independent Designees) to the board of directors of the Company, the Stockholders Agreement provides that, prior to the Board Representation Date and so long as Telmex beneficially owns shares of Company common stock representing 10% or more of the outstanding shares of Company common stock, Telmex shall have the right to designate up to two non-voting observers to the board of directors which observers shall have access to certain information concerning the business and operations of the Company and shall be entitled to attend all regular and special meetings of the board of directors, and any meeting of any committee thereof, but shall not have any right to vote at such meetings. Moreover, prior to the Board Representation Date, the FL Investors shall consult with representatives of Telmex at least monthly and, to the extent consistent with applicable law, shall share information with Telmex regarding the business, finances and prospects of the Company.

Committees. The Stockholders Agreement and the Restated Bylaws provide that, subject to certain conditions and exceptions, so long as an Investor beneficially owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock, each Investor shall have the right to have at least one of its director designees (which, in the case of Telmex, prior to the Board Representation Date, shall be a Telmex Independent Designee, to the extent a Telmex Independent Designee has been designated pursuant to the Stockholders Agreement) sit on each committee of the board of directors. The Stockholders Agreement and the Amended and Restated Certificate of Incorporation further provide for the creation of a five-member executive committee (the "Executive Committee"), which shall include the Chief Executive Officer of the Company. Prior to the Board Representation Date, the FL Investors shall have the right to have (i) three of their director designees on the Executive Committee so long as the FL Investors beneficially own shares of Company common stock representing 15% or more of the outstanding shares of Company common stock and (ii) two of their director designees on the Executive Committee so long as the FL Investors beneficially own shares of Company common stock representing at least 10% of the outstanding shares of Company common stock but less than 15% of the outstanding shares of Company common stock. Prior to the Board Representation Date, Telmex shall have the right to have one Telmex Independent Designee on the Executive Committee so long as Telmex beneficially owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock. After the Board Representation Date, each Investor shall have the right to have (i) two of its director designees on the Executive Committee so long as such Investor beneficially owns shares of Company common stock representing 15% or more of the outstanding shares of Company common stock or (ii) one of its director designees on the Executive Committee so long as such Investor owns shares of Company common stock representing at least 10% of the outstanding shares of Company common stock but less than 15% of the outstanding shares of Company common stock. The Stockholders Agreement contemplates that the initial Executive Committee will consist of the Chief Executive Officer of the Company, three designees of the FL Investors and one Telmex Independent Designee.

The Stockholders Agreement and Amended and Restated Certificate of Incorporation provide that the Company shall not, without the approval of (x) prior to the Board Representation Date, at least three-fifths of the members of the Executive Committee, or (y) at and after the Board Representation Date, at least two-thirds of the members of the Executive Committee: (i) adopt a new business plan, materially modify the business

plan or take any action that would constitute a material deviation from the business plan; (ii) approve or recommend a merger (other than a merger of a wholly-owned subsidiary of the Company with and into the Company), consolidation, reorganization or recapitalization of the Company or any sale of all or a substantial portion of the assets of the Company and its subsidiaries, taken as a whole (a "Major Event"); (iii) acquire, by purchase, merger or otherwise, in one transaction or a series of related transactions, any equity or other ownership interest in, or assets of, any person in exchange for consideration with a fair market value greater than \$100 million; (iv) with certain limited exceptions, authorize for issuance or issue any equity securities or equity derivative securities in one transaction or a series of related transactions with a fair market value at the time of issuance in excess of \$100 million; (v) purchase, redeem, prepay, acquire or retire for value any shares of its capital stock or securities exercisable for or convertible into shares of its capital stock other than as required under the terms of such capital stock or securities; (vi) declare, incur any liability to declare, or pay any dividends, or make any distributions in respect of, any shares of its capital stock other than as required under the terms of such capital stock; (vii) redeem, retire, defease, offer to purchase or change any material term, condition or covenant in respect of outstanding long-term indebtedness other than as required under the terms of such indebtedness; (viii) with certain limited exceptions, incur indebtedness in one transaction or a series of related transactions in excess of \$100 million in aggregate principal amount; (ix) make any material change in its accounting principles or practices (other than as required by GAAP or recommended by the Company's outside auditors), or remove the Company's outside auditors or appoint new auditors; or (x) appoint, or terminate or modify the terms of the employment of, any member of the Company's senior management as described in the Stockholders Agreement, and any of their successors or replacements, and any other persons of a similar level of authority and responsibility in the organizational structure who are appointed after the date of the Stockholders Agreement.

Notwithstanding the foregoing, the Stockholders Agreement and Amended and Restated Certificate of Incorporation further provide that if any of such significant corporate actions are proposed but not approved by the Executive Committee by the requisite three-fifths majority (or, at and after the Board Representation Date, the requisite two-thirds majority) of the Executive Committee, then the Investor designees on the Executive Committee shall attempt in good faith to resolve any objections any such Investor designee may have to the proposal and, if the Investor designees on the Executive Committee are unable to resolve in good faith the disagreement within 30 days after the Executive Committee meeting at which the matter was not approved, any member of the Executive Committee shall be entitled to present such issue to the board of directors where the issue may be adopted or rejected by a majority vote of the board of directors.

Veto Rights. The Stockholders Agreement and Amended and Restated Certificate of Incorporation also provide that so long as (i) an Investor owns shares of Class A Common Stock representing at least 20% of the outstanding Company common stock and (ii) no Major Event nor any acquisition by any "person" or any "group" of persons (as such terms are used for purposes of Rules 13d-1 and 13d-5 under the Securities Exchange Act of 1934) of more than 50% of the total number of outstanding shares of Company common stock shall have occurred, the approval of at least one director designee of such Investor shall be required before the Company may take any of the following actions: (i) amend, alter or repeal its certificate of incorporation or bylaws, or any part thereof, or amend, alter or repeal any constituent instruments of any the Company subsidiary, or any part thereof; (ii) enter into any transaction with any affiliate (other than a wholly owned subsidiary of the Company), officer, director or stockholder of the Company, except for compensation and benefits paid to directors and officers in the ordinary course of business and other than those entered into concurrently with or prior to the Closing; (iii) file any voluntary petition for bankruptcy or for receivership (including a voluntary petition for the liquidation, dissolution or winding up of the Company or any of its subsidiaries other than a liquidation of a subsidiary in which all the assets of the liquidating subsidiary are distributed to the Company or another subsidiary of the Company) or make any assignment for the benefit of creditors; (iv) adopt any stockholder rights plan or other anti-takeover provisions in any document or instrument; or (v) issue or agree to issue any Company preferred stock.

Voting Rights. In addition to the corporate governance rights of

the Investors arising out of their participation on the board of directors of the Company or on the Executive Committee described above, the Amended and Restated Certificate of Incorporation also provides that the Investors shall have certain additional governance rights through their ownership of Class C Common Stock and Class D Common Stock.

Pursuant to the Amended and Restated Certificate of Incorporation, at any time at which there remain outstanding any shares of Class C Common Stock or Class D Common Stock, the affirmative vote of the holders of a majority of the outstanding shares of Class C Common Stock, voting as a separate class, and the affirmative vote of the holders of a majority of the outstanding shares of Class D Common Stock, voting as a separate class, shall be required before the Company may consummate a Major Event. In addition, if, at any time prior to the Board Representation Date there are any outstanding shares of Class C Common Stock, the affirmative vote of the holders of a majority of the outstanding shares of Class C Common Stock, voting as a separate class, shall be required before the Company may (i) acquire, by purchase, merger or otherwise, in one transaction or a series of related transactions, any equity or other ownership interest in, or assets of, any person in exchange for consideration with a fair market value greater than 20% of the Company's consolidated net assets determined in accordance with GAAP; (ii) with certain limited exceptions, authorize for issuance or issue any equity securities or equity derivative securities in one transaction or a series of related transactions with a fair market value at the time of issuance in excess of \$100 million; (iii) with certain limited exceptions, incur indebtedness in one transaction or a series of related transactions in excess of \$100 million in aggregate principal amount; (iv) amend the Company's certificate of incorporation or bylaws; or (v) issue or agree to issue any Company preferred stock.

Standstill Provisions. The Stockholders Agreement provides that, except for certain limited exceptions, each Investor agrees that, so long as the other Investor beneficially owns shares of Company common stock representing 20% or more of the outstanding shares of the Company common stock, it shall not, and will cause each of its affiliates not to, either alone or as part of a "group" (as such term is used in Section 13d-5 of the Securities Exchange Act of 1934), and such Investor will not, and will cause each of its affiliates not to, advise, assist or encourage others to, directly or indirectly, without the prior written consent of the other Investor: (i) acquire, or offer or agree to acquire, or become the beneficial owner of or obtain rights in respect of any shares of Company common stock, other equity securities of the Company or other securities convertible or exchangeable into equity securities of the Company; (ii) solicit proxies or consents or become a "participant" in a "solicitation" (as such terms are defined or used in Regulation 14A under the Securities Exchange Act of 1934) of proxies or consents with respect to any voting securities of the Company or initiate or become a participant in any stockholder proposal or "election contest" with respect to the Company or induce others to initiate the same, or otherwise seek to advise or influence any person with respect to the voting of any voting securities of the Company in connection with the election of directors or with respect to an amendment to the Company's certificate of incorporation or bylaws that would increase or decrease the number of directors on the board of directors; (iii) form, encourage or participate in a "person" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 for the purpose of taking any actions described in this paragraph; (iv) initiate any stockholder proposals for submission to a vote of stockholders, with respect to the Company; or (v) offer, seek, or propose to enter into any merger, acquisition, tender offer, sale transaction involving a substantial portion of the Company's assets or other business combination involving the Company.

Transfer Restrictions. In addition to the foregoing provisions, the Stockholders Agreement contains certain restrictions on the sale or transfer, by the Investors and their permitted transferees, of Company common stock. Generally, except for certain limited exceptions or with the prior written approval of the other Investor, no Investor may, prior to the fourth anniversary of the Closing, directly or indirectly, sell, assign, transfer or otherwise dispose of, by merger, consolidation or otherwise (including by operation of law), or pledge or otherwise encumber, any the Company common stock acquired by such Investor pursuant to the Stock Purchase Agreement and any securities issued or issuable with respect to such shares of common stock by way of a stock split, stock dividend or stock combination, or any shares of common stock issued in connection with

a recapitalization, merger, consolidation or other reorganization.

Preemptive Rights. The Stockholders Agreement provides that, except for certain excluded issuances, the Company shall not issue, or agree to issue: (i) any equity securities of the Company or any of its subsidiaries; (ii) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any equity securities of the Company or any of its subsidiaries; or (iii) any other securities of the Company or any of its subsidiaries that are convertible into or exchangeable for any equity securities of the Company or any of its subsidiaries unless, in each case, the Company shall have first offered to each Investor the opportunity to purchase its pro rata percentage of any such issuance. The number of securities (or principal amount of debt securities) to be offered to each Investor in connection with the exercise of its preemptive rights shall be an amount equal to the product of (i) the total number of securities (or total principal amount of debt securities) to be issued in the issuance multiplied by (ii) a fraction in which the numerator is the number of shares of Company common stock beneficially owned by such Investor and the denominator is the aggregate number of shares of Company common stock beneficially owned by all Investors exercising preemptive rights, in each case immediately prior to such issuance. So long as there remain outstanding any shares of Class C Common Stock, and subject to certain limitations, Telmex shall have the right to purchase shares of Class C Common Stock in the exercise of its preemptive rights and the FL Investors shall have the right to purchase shares of Class D Common Stock in the exercise of its pre-emptive rights.

Right of First Refusal. The Stockholders Agreement further provides that, from and after the fourth anniversary of the Closing, if the Company receives a bona fide proposal from any person for a Major Event (a "Major Event Proposal"), the Company shall notify the Investors of the Major Event Proposal and provide them with certain information. Promptly upon receipt of notice of a Major Event Proposal, the Investors shall engage in good faith discussions regarding the desirability and timing of the proposed Major Event and shall endeavor, within a specified period of time, to agree with respect to whether to support or reject the Major Event Proposal. If the Investors agree to support or reject the Major Event Proposal, then the Major Event Proposal shall be submitted to the Executive Committee for approval or rejection in accordance with the provisions described above. If the Investors are unable to agree on whether to support or reject the Major Event Proposal, then the Investor which objects to approval of the Major Event Proposal shall be entitled, for a specified period of time, and subject to certain conditions and restrictions, to solicit a bona-fide proposal for an alternative Major Event (a "Competing Proposal") and negotiate or otherwise engage in discussions with any person with respect to such Competing Proposal.

Following this solicitation period, a meeting of the board of directors shall be held at which the board of directors shall consider both the Competing Proposal and the Major Event Proposal. The board of directors shall adopt the Competing Proposal if the board of directors determines, by majority vote, that the Competing Proposal is at least as favorable to the Company's stockholders in all material respects, and is as likely or more likely to be consummated, as the Major Event Proposal. If the board of directors approves the Competing Proposal, such Competing Proposal shall be recommended by the board of directors to the stockholders of the Company. If the board of directors approves the Major Event Proposal, the Company may enter into a definitive agreement with respect to, and consummate, a transaction substantially on the terms set forth in such Major Event Proposal.

Registration Rights Agreement

The Stock Purchase Agreement provides that concurrently with the Closing, the Investors and XO shall enter into the Registration Rights Agreement, the form of which is attached hereto as Exhibit 24. The Registration Rights Agreement provides that the Investors and their permitted transferees shall each be entitled, subject to certain terms and conditions, to require the Company to register shares of Class A Common Stock acquired pursuant to the Stock Purchase Agreement or into which shares acquired pursuant to the Stock Purchase Agreement are convertible or have been converted. The Registration Rights Agreement contains customary terms, conditions and rights, including, without limitation, rights to incidental registration.

The foregoing description of the Stock Purchase Agreement, including all exhibits thereto, is not intended to be complete and is qualified in its entirety by the complete text of the Stock Purchase Agreement, including all exhibits thereto, which is incorporated herein by reference. The Stock Purchase Agreement is filed as Exhibit 22 hereto.

ITEM 7. Material to be Filed as Exhibits

Item 7 is hereby amended as follows:

1. Stock Purchase Agreement, dated December 7, 1999, among XO (f/k/a NEXTLINK), MBO-VII and Equity-VI.*
2. Registration Rights Agreement, dated as of January 20, 2000, among XO (f/k/a NEXTLINK), MBO-VII and Equity-VI.*
3. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series C Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
4. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series D Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
5. Assignment and Assumption Agreement, dated January 19, 2000, between Equity-VI and FL Fund.*
6. Joint Filing Agreement.*
7. Stock Purchase Agreement, dated as of June 14, 2000, among XO (f/k/a NEXTLINK), MBO-VII and Equity-VI.*
8. Amended and Restated Registration Rights Agreement, dated as of July 6, 2000, between XO (f/k/a NEXTLINK) and the FL Partnerships.*
9. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series G Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
10. Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Series G Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
11. Agreement and Waiver, dated as of June 14, 2000, among XO (f/k/a NEXTLINK), MBO-VII, Equity-VI and FL Fund.*
12. Amendment and Stock Purchase Agreement, dated as of April 25, 2001, by and between XO and the FL Partnerships.*
13. Form of Second Amended and Restated Registration Rights Agreement, dated as of _____, 2001, to be entered into by and between XO and the FL Partnerships.*
14. Form of Amended and Restated Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series C Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
15. Form of Amended and Restated Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series C Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
16. Form of Amended and Restated Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of the Series G Cumulative Convertible Participating Preferred Stock and Qualifications, Limitations and Restrictions Thereof.*
17. Form of Amended and Restated Certificate of Designation of the Powers,