

Regulatory Affairs Department

Office of the Director

June 30, 2006

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street
Washington, D.C. 20554

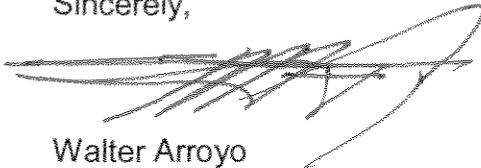
RE: *Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1966, CC Docket No. 96-128*

Dear Ms. Dortch:

Attached please find the Independent Accounts Report by KPMG LLP as of June 29, 2006, for Telecomunicaciones de Puerto Rico (TELPRI), the parent company of two wholly owned carrier subsidiaries, PRT Larga Distancia, Inc. and Puerto Rico Telephone Company, Inc., as required by the Commission's October 3, 2003 Order in CC Docket No. 96-128.

Should you have any question regarding this information, do not hesitate to contact us at (787) 782-9046.

Sincerely,



Walter Arroyo

Attachment



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Accountants' Report

The Board of Directors
Telecomunicaciones de Puerto Rico, Inc.:

We have examined management's assertion, included in the accompanying *Report of Management on Compliance with Applicable Requirements of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications Commission's Rules and Regulations*, that Telecomunicaciones de Puerto Rico, Inc. ("TELPRI" or "the Company") complied with 47 C.F.R. Sections 64.1310(a)(1), 64.1320(c), and 64.1320(d) of the Federal Communications Commission's ("FCC's") Rules and Regulations and related requirements contained in CC Docket No. 96-128 as of June 29, 2006. Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertion that the Company complied with the aforementioned requirements as of June 29, 2006, is fairly stated in all material respects.

This report is intended solely for the information and use of the Company, the FCC, and applicable Facilities-Based Long Distance Carriers and Payphone Service Providers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 29, 2006

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

Management of Telecomunicaciones de Puerto Rico ("TELPRI" or the "Company") is responsible for establishing and maintaining the internal controls over its pay telephone call tracking system necessary for compliance with 47 C.F.R. Sections 64.1310(a)(1), 64.1320(c) and 64.1320(d) of the Federal Communications Commission's ("FCC") Rules and Regulations and related requirements contained in CC Docket No. 96-128, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management has evaluated the Company's compliance with the applicable requirements of 47 C.F.R. Section 64.1310(a)(1), using the criteria in 47 C.F.R. Section 64.1320(c) of the FCC's Rules and Regulations as the framework for the evaluation. Based on this evaluation, we assert that as of June 29, 2006, the Company complies with the applicable requirements of 47 C.F.R. Section 64.1310(a)(1) in all material respects as described below. TELPRI has disclosed all material changes since June 30, 2005 to the auditors concerning the call tracking system that must be disclosed in accordance with Section 64.1320(f) of the FCC Rules and Regulations. The material changes do not affect TELPRI's compliance with Section 64.1310(a)(1).

TELPRI provides the following information regarding its compliance. TELPRI is the parent company of two wholly owned carrier subsidiaries, PRT Larga Distancia, Inc. ("PRT LD") and Puerto Rico Telephone Company, Inc. ("PRTC"). PRT LD's compensation environment consists of interLATA toll services. PRTC's compensation environment consists of local exchange and intraLATA toll services. The assertions associated with each environment are described separately below.

I. PRT LD

PRT LD acts as the Completing Carrier¹ in the following call scenarios:

1. Prepaid calling card interLATA calls
2. Operator Services interLATA calls

PRT LD uses Billing Concepts, Inc (BCI) to perform payphone compensation settlement. Certain assertions included in this report depend in whole or in part upon BCI performance. In support of these assertions, PRT LD relies upon a contractual agreement between TELPRI and BCI (BCI Contract), which requires BCI compliance with CC Docket No. 96-128. In addition, BCI has provided TELPRI an independent third-party audit report to verify that effective controls and procedures relating to these assertions have been established and will be maintained by BCI. PRT LD has not conducted an independent evaluation and makes these assertions based solely on the BCI Contract and third-party audit report of BCI's operations.

¹ As defined in the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, paragraph 64.1300 (a), a Completing Carrier is a long distance carrier or switch-based long distance reseller that completes a coinless access code or subscriber toll-free payphone call or a local exchange carrier that completes a local, coinless access code or subscriber toll-free payphone call.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

The assertions for PRT LD are made starting with the initial point in call record processing at which PRT LD has visibility to the call tracking data. PRT LD represents the following facts regarding its role as the Completing Carrier, which are in fulfillment of the obligation of PRT LD as described at 47 C.F.R. Section 64.1320(c):

A. PRT LD's procedures accurately track calls to completion, as follows:

1. PRT LD's systems track completed calls, which are calls answered by a third-party.
2. PRT LD's systems are able to generate the following reports on a quarterly basis, and the third-party audit report of BCI verified that BCI's systems are able to generate the reports and report data for which BCI is responsible, as follows:
 - a) A list of the toll-free and access numbers dialed and completed from each Payphone Service Provider's (PSP's) payphones along with the ANI (Automatic Number Identification) digits for each payphone.
 - b) The volume of calls for each toll-free and access number that was completed by PRT LD.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling PRT LD's payphone compensation.
 - d) The Carrier Identification Code (CIC) or trunk routing group of all facilities-based long distance carriers that routed calls to PRT LD, categorized according to toll-free and access code numbers.
3. PRT LD stores for 27 months all of the data required for the reports described in paragraph 2 above, and the time and date of every call identified in its quarterly reports to PSPs, and the third-party audit report of BCI verified that BCI also stores this data for 27 months.
4. PRT LD's procedures for identifying PSPs are complete and accurate, and the third-party audit report of BCI processes verified that BCI procedures for identifying PSPs are also complete and accurate.
5. PRT LD's procedures for validating payphone ANIs are complete and accurate, subject to provision of the relevant information by BCI, the completeness and accuracy of which the third-party audit report of BCI processes verified.
6. PRT LD's definition of a "Compensable Call" is in compliance with FCC rules.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

B. PRT LD has identified persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls, as follows:

1. PRT LD has identified personnel responsible for drafting and maintaining the business requirements associated with call tracking, payphone compensation and resolving disputes concerning payphone-completed calls.
2. PRT LD has identified personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data, and the third-party audit report of BCI verified that BCI has designated personnel responsible for the development and maintenance of the systems under their control used in the collection and reporting of payphone call data.
3. PRT LD has identified personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets, and the third-party audit report of BCI verified that BCI has designated personnel responsible for the implementation and maintenance of procedures under their control that are utilized in creating final compensation data sets.
4. PRT LD has identified personnel who are responsible for developing compensation-tracking reports, and the third-party audit report of BCI verified that BCI has designated personnel who are responsible for developing compensation-tracking reports under their control.
5. PRT LD has identified personnel who are responsible for payphone compensation dispute resolution, and the third-party audit report of BCI verified that BCI has designated personnel who are responsible for the payphone compensation dispute resolution under their control.
6. PRT LD has identified personnel responsible for managing coordination with the payphone clearinghouse services provider, BCI.

C. PRT LD has effective data monitoring procedures, as follows:

1. PRT LD has the ability to prepare quarterly reports on payphone call counts, PSP identities and numbers dialed and completed, and the third-party audit report of BCI verified that BCI has the ability to prepare the quarterly reports on payphone call counts, PSP identities and numbers dialed and completed under their control.
2. PRT LD performs data monitoring procedures on call record volumes entering the payphone compensation systems.
3. PRT LD performs fraud-monitoring procedures to identify potentially illegitimate payphone calls.
4. PRT LD has the ability to investigate and resolve PSP disputes.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

D. PRT LD adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability, as follows:

1. PRT LD has security controls in place to control access to and monitor call tracking data, and the third-party audit report of BCI verified that BCI has controls in place to control access to and monitor call tracking data.
2. PRT LD has security controls in place to control access to and monitor the payment disbursement system, and the third-party audit report of BCI verified that BCI also maintains such controls.
3. PRT LD has a department that is responsible for making software changes that affect payphone compensation, and the third-party audit report of BCI verified that BCI also maintains such a department.
4. PRT LD has established protocols to implement and test software changes affecting payphone compensation, and the third-party audit report of BCI verified that BCI also maintains such protocols. In addition, PRT LD has developed quarterly substantive testing procedures to verify system changes do not negatively impact payphone compensation.
5. PRT LD has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

E. PRT LD creates a compensable payphone call file by matching call detail records against payphone identifiers, as follows:

1. PRT LD utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
2. A compensable call for PRT LD is one originating at a payphone and completed by PRT LD.
3. PRT LD uses payphone specific identifiers (ANI lists) to identify a compensable payphone call record, and the third-party audit report of BCI verified that BCI also maintains such identifiers.
4. PRT LD applies validation and control procedures to compile the Compensable Call File.
5. PRT LD uses the appropriate FCC default "per-call rate" to compensate PSPs, and the third-party audit report of BCI processes verified that BCI compensates payphone providers based on this rate.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

F. PRT LD has procedures to incorporate call data into required reports as follows:

1. PRT LD's systems are able to generate, and the third-party audit report of BCI verified that BCI's systems are able to generate for the systems under their control, the following reports on a quarterly basis:
 - a) A list of the toll-free and access numbers dialed and completed from each PSP's payphones along with the ANI for each payphone.
 - b) The volume of calls for each toll-free and access number that was completed by PRT LD.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling PRT LD's payphone compensation.
 - d) The Carrier Identification Code (CIC) or trunk routing group of all facilities-based LD carriers that routed calls to PRT LD, categorized according to toll-free and access code numbers.
2. PRT LD possesses a valid list of payphone owners identified by ANI, and the third-party audit report of BCI verified that BCI possess a valid list of payphone owners identified by ANI.

G. PRT LD has implemented procedures and controls needed to resolve payphone compensation disputes, as follows:

1. PRT LD has the ability to investigate and resolve PSP disputes.
2. PRT LD has designated personnel who are responsible for payphone compensation dispute resolution.
3. PRT LD has filed a statement that includes the names, addresses and phone numbers for persons responsible for handling payments and resolving disputes. This statement will be updated within 60 days of any changes of such persons. The statement was filed with the FCC Secretary and made available to facilities-based LD carriers and PSPs.
4. PRT LD's data storage requirements are in compliance with the FCC rules

H. PRT LD's independent third-party auditor can test all critical controls and procedures to verify that errors are immaterial, as follows:

1. PRT LD has procedures to identify payphone-originated calls, and the third-party audit report of BCI verified that BCI also has such procedures.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

2. PRT LD has procedures to capture dial-around calls.
3. PRT LD has procedures to exclude incomplete calls from the Compensable Call File.
4. PRT LD has procedures to accurately populate call record data in the Compensable Call File.
- I. PRT LD has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which PRT LD owes compensation, as follows:**
 1. PRT LD has business rules that identify calls originated from payphones, and the third-party audit report of BCI verified that BCI also has such business rules.
 2. PRT LD has business rules that identify compensable payphone calls.
 3. PRT LD has business rules that exclude incomplete or otherwise non-compensable calls.
 4. PRT LD has business rules to determine the identities of the PSPs to which PRT LD owes compensation.

PRT LD – Required Disclosures per 64.1320(d)

PRT LD represents the following facts regarding its role as the Completing Carrier. These facts are in fulfillment of the obligations of PRT LD as specified at 47 C.F.R. Section 64.1320(d):

1. PRT LD's criterion for identifying calls originating from payphones is by using a payphone ANI list.
2. PRT LD's criteria for identifying compensable payphone calls include: (1) calls identified from the payphone ANI list, (2) call duration greater than zero, (3) call completion indicator and (4) calls with valid call, structure and module codes. PRT LD does not have written compensation agreements with payphone owners.
3. PRT LD's criteria for identifying incomplete or otherwise non-compensable calls include: (1) calls that are not on the payphone ANI list, (2) calls with duration of zero, (3) calls without a completion indicator and (4) calls with invalid call, structure and module codes.
4. PRT LD's criteria used to determine the identity of the PSPs to which PRT LD owes compensation is established during the Sales Order Process. During the Sales Order

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

Process, all orders relating to payphones require information consisting of PSP name, address and ANI location to determine the identities of the PSPs.

5. PRT LD uses the clearinghouse, BCI, to perform payphone compensation settlement.
6. The type of information that PRT LD needs from the PSPs in order to compensate the PSPs is the correct identification information consisting of PSP name, address, ANI and ANI location.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

II. PRTC

PRTC acts as the Completing Carrier² in the following call scenarios:

1. Prepaid calling card intraLATA calls
2. 8XX Toll Free calls
3. Operator Services intraLATA calls

PRTC uses BCI to perform payphone compensation settlement. Certain assertions included in this report depend in whole or in part upon BCI performance. In support of these assertions, PRTC relies upon a contractual agreement between TELPRI and BCI (BCI Contract), which requires BCI compliance, with CC Docket No. 96-128. In addition, BCI has provided TELPRI an independent third-party audit report to verify that effective controls and procedures relating to these assertions have been established and will be maintained by BCI. PRTC has not conducted an independent evaluation and makes these assertions based solely on the BCI Contract and third-party audit report of BCI's operations.

The assertions for PRTC are made starting with the initial point in call record processing at which PRTC has visibility to the call tracking data. PRTC represents the following facts regarding its role as the Completing Carrier, which are in fulfillment of the obligation of PRTC as described at 47 C.F.R. Section 64.1320(c):

A. PRTC's procedures accurately track calls to completion, as follows:

1. PRTC's systems track completed calls, which are calls answered by a third-party.
2. PRTC's systems are able to generate the following reports on a quarterly basis, and the third-party audit report of BCI verified that BCI's systems are able to generate the reports and report data for which BCI is responsible, as follows:
 - a) A list of the toll-free and access numbers dialed and completed from each Payphone Service Provider's (PSP's) payphones along with the ANI (Automatic Number Identification) digits for each payphone.
 - b) The volume of calls for each toll-free and access number that was completed by PRTC.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling PRTC's payphone compensation.

² As defined in the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, paragraph 64.1300 (a), a Completing Carrier is a long distance carrier or switch-based long distance reseller that completes a coinless access code or subscriber toll-free payphone call or a local exchange carrier that completes a local, coinless access code or subscriber toll-free payphone call.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

- d) The CIC or trunk routing group of all facilities-based long distance carriers that routed calls to PRTC, categorized according to toll-free and access code numbers.
- 3. PRTC stores for 27 months all of the data required for the reports described in paragraph 2 above, and the time and date of every call identified in its quarterly reports to PSPs. The third-party audit report of BCI verified that BCI also stores this data for 27 months.
- 4. PRTC's procedures for identifying PSPs are complete and accurate, and the third-party audit report of BCI processes verified that BCI procedures for identifying PSPs are also complete and accurate.
- 5. PRTC's procedures for validating payphone ANIs are complete and accurate, subject to provision of the relevant information by BCI, the completeness and accuracy of which the third-party audit report of BCI processes verified.
- 6. PRTC's definition of a "Compensable Call" is in compliance with FCC rules.

B. PRTC has identified persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls, as follows:

- 1. PRTC has identified personnel responsible for drafting and maintaining the business requirements associated with call tracking, payphone compensation and resolving disputes concerning payphone-completed calls.
- 2. PRTC has identified personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data, and the third-party audit report of BCI verified that BCI has designated personnel responsible for the development and maintenance of the systems under their control used in the collection and reporting of payphone call data.
- 3. PRTC has identified personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets, and the third-party audit report of BCI verified that BCI has designated personnel responsible for the implementation and maintenance of procedures under their control that are utilized in creating final compensation data sets.
- 4. PRTC has identified personnel responsible for developing compensation-tracking reports, and the third-party audit report of BCI verified that BCI has designated personnel who are responsible for developing compensation-tracking reports under their control.
- 5. PRTC has identified personnel responsible for payphone compensation dispute resolution, and the third-party audit report of BCI verified that BCI has designated personnel who are responsible for the payphone compensation dispute resolution under their control.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

6. PRTC has identified personnel responsible for managing coordination with the payphone clearinghouse services provider, BCI.
- C. PRTC has effective data monitoring procedures, as follows:**
1. PRTC has the ability to prepare quarterly reports on payphone call counts, PSP identities and numbers dialed and completed. The third-party audit report of BCI verified that BCI has the ability to prepare the quarterly reports on payphone call counts, PSP identities and numbers dialed and completed under their control.
 2. PRTC performs data monitoring procedures on call record volumes entering the payphone compensation systems.
 3. PRTC performs fraud-monitoring procedures to identify potentially illegitimate payphone calls.
 4. PRTC has the ability to investigate and resolve PSP disputes.
- D. PRTC adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability, as follows:**
1. PRTC has security controls in place to control access to and monitor call tracking data, and the third-party audit report of BCI verified that BCI has controls in place to control access to and monitor call tracking data.
 2. PRTC has security controls in place to control access to and monitor the payment disbursement system, and the third-party audit report of BCI verified that BCI also maintains such controls.
 3. PRTC has a department that is responsible for making software changes that affect payphone compensation, and the third-party audit report of BCI verified that BCI also maintains such a department.
 4. PRTC has established protocols to implement and test software changes affecting payphone compensation, and the third-party audit report of BCI verified that BCI also maintains such protocols. In addition, PRTC has developed quarterly substantive testing procedures to verify system changes do not negatively impact payphone compensation.
 5. PRTC has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

**Report of Management on Compliance with Applicable Requirements
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E. PRTC creates a compensable payphone call file by matching call detail records against payphone identifiers, as follows:

1. PRTC utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
2. A compensable call for PRTC is one originating at a payphone and completed by PRTC.
3. PRTC uses payphone specific identifiers (ANI lists) to identify a compensable payphone call record, and the third-party audit report of BCI verified that BCI also maintains such identifiers.
4. PRTC applies validation and control procedures to compile the Compensable Call File.
5. PRTC uses the appropriate FCC default "per-call rate" to compensate PSPs, and the third-party audit report of BCI processes verified that BCI compensates payphone providers based on this rate.

F. PRTC has procedures to incorporate call data into required reports as follows:

1. PRTC's systems are able to generate, and the third-party audit report of BCI verified that BCI's systems are able to generate for the systems under their control, the following reports on a quarterly basis:
 - a) A list of the toll-free and access numbers dialed and completed from each PSP's payphones along with the ANI for each payphone.
 - b) The volume of calls for each toll-free and access number that was completed by PRTC.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling PRTC's payphone compensation.
 - d) The Carrier Identification Code (CIC) or trunk routing group of all facilities-based LD carriers that routed calls to PRTC, categorized according to toll-free and access code numbers.
2. PRTC possess a valid list of payphone owners identified by ANI, and the third-party audit report of BCI verified that BCI possess a valid list of payphone owners identified by ANI.

**Report of Management on Compliance with Applicable Requirements
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G. PRTC has implemented procedures and controls needed to resolve payphone compensation disputes, as follows:

1. PRTC has the ability to investigate and resolve PSP disputes.
2. PRTC has designated personnel who are responsible for payphone compensation dispute resolution.
3. PRTC has filed a statement that includes the names, addresses and phone numbers for persons responsible for handling payments and resolving disputes. This statement will be updated within 60 days of any changes of such persons. The statement was filed with the FCC Secretary and made available to facilities-based LD carriers and PSPs.
4. PRTC's data storage requirements are in compliance with the FCC rules.

H. PRTC's independent third-party auditor can test all critical controls and procedures to verify that errors are immaterial, as follows:

1. PRTC has procedures to identify payphone-originated calls, and the third-party audit report of BCI verified that BCI also has such procedures.
2. PRTC has procedures to capture dial-around calls.
3. PRTC has procedures to exclude incomplete calls from the Compensable Call File.
4. PRTC has procedures to accurately populate call record data in the Compensable Call File.

I. PRTC has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which PRTC owes compensation, as follows:

1. PRTC has business rules that identify calls originated from payphones, and the third-party audit report of BCI verified that BCI also has such business rules.
2. PRTC has business rules that identify compensable payphone calls.
3. PRTC has business rules that identify incomplete or otherwise non-compensable calls.
4. PRTC has business rules to determine the identities of the PSPs to which PRTC owes compensation.

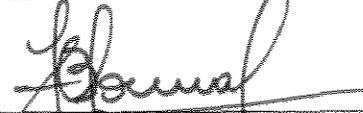
**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

PRTC – Required Disclosures per 64.1320(d)

PRTC represents the following facts regarding its role as the Completing Carrier. These facts are in fulfillment of the obligations of PRTC as specified at 47 C.F.R. Section 64.1320(d):

1. PRTC's criterion for identifying calls originating from payphones is by using a payphone ANI list.
2. PRTC's criteria for identifying compensable payphone calls include: (1) calls identified from the payphone ANI list, (2) call duration greater than zero, (3) call completion indicator and (4) calls with valid call, structure and module codes. PRTC does not have written compensation agreements with payphone owners.
3. PRTC's criteria for identifying incomplete or otherwise non-compensable calls include: (1) calls that are not on the payphone ANI list, (2) calls with duration of zero, (3) calls without a completion indicator and (4) calls with invalid call, structure and module codes.
4. PRTC's criteria used to determine the identities of the PSPs to which PRTC owes compensation is established during the Sales Order Process. During the Sales Order Process, all orders relating to payphones require information consisting of PSP name, address and ANI location to determine the identities of the PSPs.
5. PRTC uses the clearinghouse, BCI, to perform payphone compensation settlement.
6. The type of information that PRTC needs from the PSPs in order to compensate the PSPs is the correct identification information consisting of PSP name, address, ANI and ANI location.

Telecomunicaciones de Puerto Rico, Inc.



CFO & Vice President of Finance
Regulatory & Compliance Officer

Dated: June 29, 2006