

## APPENDIX A

### CONDITION TO FCC AUTHORIZATION

IT IS FURTHER ORDERED. that this authorization and any licenses related thereto are **subject** to compliance with the provisions of the Agreement attached hereto between América Móvil, S.A. de C.V., on behalf of itself and its subsidiaries through which it will hold its interest in TELPRI ("América Móvil), and Telecomunicaciones de Puerto Rico, Inc. ("TELPRI") (collectively, "the Companies"), on the one hand, and the U.S. Department of Defense (DoD), on the other, dated \_\_\_\_\_, 2006, which Agreement is intended to enhance the protection of U.S. national security and public safety. Nothing in this Agreement is intended to limit any obligation imposed by Federal law or regulation.

It is hereby certified that the forgoing document has been served via electronic mail on Tuesday, December 19, 2006, upon all interested parties and counsel as follows:

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**APPENDIX D**

**[LETTER FROM MICHAEL G. JONES, WILLKIE FARR & GALLAGHER, TO MARLENE DORTCH, SECRETARY, FEDERAL COMMUNICATIONS COMMISSION, DATED MARCH 23, 2007]**

**WILLKIE FARR & GALLAGHER LLP**

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Tel: 202 303 1000  
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March 23, 2007

**VIA ECFS**

Marlene Dortch, Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: Application for Consent to the Transfer of Control of Telecomunicaciones de Puerto Rico, Inc. from Verizon to America Móvil (WT Docket. No. 06-113)

Dear Ms. Dortch:

On March 22, 2007, and on March 23, 2007, in all cases following the conclusion of the Commission's Open Meeting on March 22<sup>nd</sup>, undersigned counsel to America Móvil, S.A.B. de C.V. ("América Móvil") spoke with Daniel Gonzalez, Chief of Staff of the Federal Communications Commission ("FCC"), Michelle Carey, Senior Legal Advisor to FCC Chairman Kevin J. Martin. Scott Deutchman, Legal Advisor to Commissioner Michael J. Copps, and Barry Ohlson, Senior Legal Advisor to Commissioner Jonathan S. Adelstein, regarding the continued prosecution of the above-referenced application following its removal from the agenda for the Commission's March 22<sup>nd</sup> meeting.

With respect to the above-referenced applications, America Móvil hereby states that it is committed to investing directly or through TELPRI \$1 billion over five years in communications and/or information services in Puerto Rico, and that these investments will promote improvements in these services.

Please direct any questions to the undersigned

Respectfully submitted,

/s/ Michael G. Jones

Michael G. Jones

**WILLKIE FARR & GALLAGHER LLP**

*Counsel to America Móvil, S.A.B. de C.V.*

**Marlene Dortch**  
**March 23, 2007**  
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**cc: Chairman Kevin J. Martin**  
**Commissioner Michael J. Copps**  
**Commissioner Jonathan S. Adelstein**  
**Commissioner Deborah Taylor Tate**  
**Commissioner Robert M. McDowell**  
**Daniel Gonzalez**  
**Michelle Carey**  
**Scott Deutchman**  
**Barry Ohlson**  
**Aaron Goldberger**  
**John Hunter**  
**Angela Giancarlo**

**STATEMENT OF  
COMMISSIONER MICHAEL J. COPPS,  
CONCURRING**

Re: *Annual Report and Analysis of Competitive Market Conditions with Respect to Domestic and International Satellite Communications Services*, IB Docket No. 06-67, First Report

When Congress amended the Communications Satellite Act to require this Report, the central assessment that Congress asked the Commission to provide is “an analysis of whether there is effective competition in the market for domestic and international satellite services.” This inaugural Report does not provide, to my mind, that kind of analysis, so I will therefore respectfully concur.

As an initial matter, the Report does not provide a fully useful definition of “effective competition.” As with other Congressionally-mandated competition reports in other areas under the Commission’s jurisdiction, lack of a well-articulated “effective competition” standard inhibits development of an analytically solid foundation for Commission or Congressional action. The Report also suffers from insufficient data. In many of the markets examined, we lack the requisite data to determine specific market shares. In terms of an examination of satellite-based multichannel video programming distributors and mobile satellite services, we simply punt those analyses to other Commission reports.

We need to strengthen and improve our data and analysis before next year’s Report. I hope we will undertake more proactive and comprehensive information gathering efforts in order to obtain independent, verified data. Unfortunately, our task will not be any easier next year. In fact, our second annual Report will have to take into account, at a minimum, the significant mergers between Intelsat and PanAmSat and SES and New Skies – neither of which is reflected in the current analysis.

In terms of international competition, while the Report recognizes and defers to the role and work of the U.S. Trade Representative, I believe we could have presented a more robust analysis of international services that would be more in keeping with what I believe the statute envisions.

So I am hopeful we will build upon the work that went into this initial Report, and I look forward to working with my colleagues and the Bureau to make sure the charge is clear and all necessary resources are made available for such an effort. In the meantime, I hope my concurrence will signal the importance I attach to this.

**STATEMENT OF  
COMMISSIONER MICHAEL J. COPPS,  
APPROVING IN PART, DISSENTING IN PART**

Re: *In the Matter of Verizon Communications, Inc. and América Móvil, S.A. DE C.V., Application for Authority to Transfer Control of Teleconunicaciones de Puerto Rico, Inc.*, WT Docket No. 06-1 13

The lens by which I view all transactions is the one mandated by Congress: any acquisition must serve the public interest, convenience and necessity. There is certainly much that needs to be done to help consumers in Puerto Rico. To say the situation in Puerto Rico for basic telephone service is dreadful puts it mildly. The penetration rate for basic telephone service is more than 30 percentage points lower than the national average of 94%. By some accounts there are approximately 200 communities in the most rural parts of Puerto Rico that don't have any telephone service. This is to say nothing of access to broadband. With this as backdrop, there is plenty of opportunity for the Applicant to demonstrate that its new ownership will markedly change the situation.

The Applicant's commitment to invest \$1 billion over five years to improve telephone service in Puerto Rico is a promising start. This commitment, comprehensively implemented, can be a real agent for positive change. But important questions remain. Will this commitment lead to desperately-needed investment in wireline services? Will it deliver broadband deployment to rural areas? Will it translate into significantly wider penetration of services and ensure the quality of those services? Will the FCC follow through with the kind of rigorous monitoring and auditing to ensure implementation of the commitment? The people of Puerto Rico have been waiting for commitments to be implemented for a long time. This transaction must be made to serve these people.

Our Order requires that the Applicant annually provide the Commission quantifiable and verifiable data on its progress in deploying basic telephone and broadband services throughout Puerto Rico. A year from now we will take stock of where we are and I expect the Commission to be vigilant in keeping the Applicant's feet to the fire.

The stakes are high here. Many parties on record, including labor leaders, local and federal officials, local regulators, and competitive carriers urged the Commission not to approve the merger without a significant commitment by the Applicant to invest in improving Puerto Rico's telephone and broadband services. Because of the real possibility that this commitment will better serve Puerto Rico, and because of the reporting obligations and the Commission's monitoring and oversight capabilities to ensure that the promise becomes reality, I approve those parts of the Order. And I thank the Chairman for his work in developing support for the item.

I do, however, find the Order's handling of foreign ownership issues troubling, and I must respectfully dissent to this analysis. The Applicant seeks control of **U.S.**

common carrier radio licenses comprised of 100% indirect foreign ownership of the acquired company and with **57%** of the equity interest remaining unknown. To my knowledge, this will be the first time that an incumbent local exchange carrier is wholly-owned by a foreign corporation and this is the largest percentage of unknown foreign ownership the Commission has ever approved. While most commenters appear more interested in ensuring substantial investments and real improvements in service for the people of Puerto Rico rather than preventing the transaction altogether, and while the Commission has previously relied upon WTO membership in approving transactions involving foreign ownership exceeding the ceilings set forth by statute, I remain concerned about our lack of inquiry and analysis to fully understand the implications of our actions in approving a transaction of this sort. When we consider the sale of our nation's critical infrastructure to foreign owners – whether it be ports or telephone networks or utilities – we must always be extra cautious in our analysis. These are serious questions deserving a more thorough vetting. I believe in this case the Applicant's public commitment, the safeguards and remedies available to us, and the commitment of the Commission to monitor implementation may be minimally adequate to produce a satisfactory result, but I also remain concerned about foreign ownership and the lack of transparency that can result from transactions like this.

**STATEMENT OF  
COMMISSIONER JONATHAN S. ADELSTEIN  
APPROVING IN PART, DISSENTING IN PART**

**Re:** *VERIZON COMMUNICATIONS, INC., Transferor, and AMERICA MÓVIL, S.A. DE C.V., Transferee, Application for Authority to Transfer Control of Telecomunicaciones de Puerto Rico, Inc. (TELPRI); Memorandum Opinion and Order and Declaratory Ruling; WT Docket No. 06-113*

Pursuant to Sections 214(a) and 310(d) of the Act, the fundamental standard of review of a transfer of control by the Commission is whether the proposed transfer will serve the public interest, convenience, and necessity. Although I am deeply concerned about whether that standard has been satisfied by our review of the acquisition by America Móvil of Telecomunicaciones de Puerto Rico, Inc., the corporate parent of Puerto Rico Telephone Company (PRTC), I am pleased that this Order includes a last minute commitment from América Móvil that it will make significant infrastructure investments in Puerto Rico's communications and information services.

But for this late development, the record in this proceeding has been overwhelming – the public interest is not served by this transaction absent the adoption of meaningful conditions designed to promote investment in the PRTC infrastructure, to promote broadband deployment, to improve service quality, and to facilitate competitive options on the Island. While the U.S. currently experiences a basic telephone penetration rate of roughly 95%, the rate for telephone penetration in Puerto Rico has dipped to roughly 60% and continues to fall. The DSL services that are available on the Island are \$30-\$50 more expensive than service in the continental U.S. The four million U.S. citizens residing in Puerto Rico have suffered with sub-standard communications for far too long and deserve the types of services and products that the rest of the United States currently expects and enjoys.

Without conditions, there is no expectation that this transaction will reverse that troubling trend. Indeed, the record suggests otherwise. America Móvil is, with limited exceptions, a wireless company, with only 2% of its customer base served by wireline. The alleged benefits advanced by the company in acquiring PRTC, as vague as they are, largely address wireless network changes. And the company's purported experience with managing wireline networks is limited to operations with telephone penetration rates ranging from 3.8% to 13.8%. Turning over the keys to PRTC without any meaningful condition of investment by América Móvil in the Island's telephone service would have been irresponsible.

Indeed, we have heard from a chorus of respected Puerto Rican leaders expressing concerns about the proposed transaction. They speak from their own personal experiences with the current state of disrepair of the PRTC network. They raise a host of objections to the transaction including valid concerns of service quality (“{t}here are no credible tangible benefits for the consumer in Puerto Rico described in the application .. the FCC [should] condition approval of the transfer upon PRTC adhering to specific qualify of service measurement and

reporting regulations”). broadband deployment (“I have been particularly concerned about the need to promote investment in the Island’s telephone infrastructure. ... Such action by the FCC is necessary if the residents of Puerto Rico are to receive the benefits to be derived from the widespread deployment of advanced services”), and national security (“national security could be in jeopardy if the FCC does not take the necessary precautions ... the day-to-day wire-line communications of federal and local government agencies, including those concerned with national and local security, would be accessible to a foreign corporation”<sup>3</sup>). There are no special measures proposed by our national security agencies or the FCC to address these operational concerns. These are all serious issues and would have benefited from more attention than what we offer today.

We hear so much about promoting broadband deployment, but here the Commission has a specific opportunity to promote the public interest and to reverse the troubling decline of telecommunications services in Puerto Rico. Without conditions, this transaction would offer little in response to what some commenters have identified as a public crisis. Despite these grave misgivings, I am persuaded to approve the part of this Order that conditions approval on América Móvil’s commitment to making a substantial infrastructure investment in Puerto Rico’s communications and information services – one billion dollars over five years – and the Commission’s decision to require the company to submit a written report on an annual basis describing the progress it has made in deploying infrastructure used to provide basic telephone and broadband services in Puerto Rico.

I appreciate the Chairman’s willingness to work with Commissioner Capps and me to secure these infrastructure investment conditions. These provisions give modest hope to consumers that they may experience some change for the better, although the proof will be measured not in last minute conditions but in actual progress. Consumers would have been better served had this proposal been made earlier in this proceeding, with the opportunity for greater input. This Order and these conditions also would be improved if we were able to specify with greater detail how this infrastructure investment will be implemented, targeting efforts to revitalize the deteriorating network infrastructure and to expand service to underserved and rural areas. However, I find that, on balance, these conditions are worthy of support.

I also urge the Commission to engage in a more coherent effort to ensure that these conditions are fully implemented and that the benefits of high quality service are delivered to the citizens of Puerto Rico. I have seen little to suggest that the Commission has engaged in a thorough review of previous infrastructure commitments to improve telephone service on the Island. The troubling state of service in Puerto Rico should highlight the importance of doing more rigorous job of oversight going-forward.

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<sup>1</sup> Telecommunications Regulatory Board of Puerto Rico, Petition to Deny of the Telecommunications Regulatory Board of Puerto Rico at 2 (July 14,2006).

<sup>2</sup> Letter from Hon. Luis G. Fortuño, U.S. Member of Congress, to Chairman Kevin J. Martin, Federal Communications Commission (August 11, 2006).

<sup>3</sup> The Honorables Kenneth D. McClintock and Orlando Parga. Senators of Puerto Rico, Motion to Address Public Interest Concerns at 5 (July 13,2006).

Finally, I am troubled with the foreign ownership and national security components of this transaction and must dissent from these findings. While I am usually comfortable with appropriately documented foreign ownership that complies with the statute and our existing rules and precedent, the unidentified foreign equity and voting interests that are at issue here give me serious pause. I want to highlight that concern and make clear my position that the remedy advanced in the Declaratory Ruling to deal with possible ownership by investors from non-WTO members should not be considered as precedent for any future transactions that similarly fall far short of our foreign ownership obligations.

For all these reasons, I approve in part, dissent in part.