

The Depository Trust Company

IMPORTANT

B#: 2273

DATE: July 18, 2001

TO: All participants

CATEGORY: Dividends

FROM: Mario Zaccardi, Supervisor, Dividend Department

ATTENTION: Operations, Reorg & Dividend Managers, Partners & Cashiers

SUBJECT: Procedures for certain tax refunds- Country: Mexico
Telefonos de Mexico, S.A. de C.V. Series "L" Shares
CUSIP: 879403780
Record Date: 06/20/01 Payable Date: 06/28/01

The Depository Trust Company has received from Morgan ADR/ Globe Tax Services, Inc. (GTS) the attached information regarding certain tax refunds on the above captioned dividend.

As directed in the notice, participants having qualified beneficial holders that expect to benefit from Morgan ADR/ Globe Tax Services, Inc. (GTS) procedure should secure the required documentation.

Please note: Minimum number of shares required to claim is 1,300 ADRs.

The deadline date for submission of the documentation is **July 25, 2001**. Any questions regarding the procedure should be directed to Mr. Clay Christensen at 800-929-5484.

Any questions regarding this Important Notice should be directed to Mr John Browne at: 212-855-2417 or myself at: 212-855-4540.

**TELÉFONOS DE MÉXICO, S.A. DE C.V. – SERIES “L” SHARES ANNOUNCES A DIVIDEND TAX
REFUND PROCEDURE FOR ELIGIBLE OWNERS IN RELATION TO A DIVIDEND PAYABLE ON
JUNE 21, 2001**

Mexico, July 16, 2001- Teléfonos de México, S.A. de C.V. - Series “L” Shares (NYSE: TMX, Cusip: 879403780), a major telecommunications phone company in Mexico, has announced a plan to assist its eligible ADR holders reduce their tax liability in Mexico. The Conventions for the Avoidance of Double Taxation (“Treaties”) effectively *reduce the tax liability on dividends of residents of The United Kingdom and Northern Ireland, Finland, and Singapore as defined in the Treaties, from 7.6925% to 0%.*

The following beneficial owners are also eligible subject to the parameters outlined:

- **Denmark** (a 25% direct stake in the company is required)
- **France** (if a French company, more than 50% of the stockholders are French residents)
- **Korea** (a 10% direct stake in the company is required)

The only U.S. beneficial owners entitled to make a claim are U.S. Charities, Foundations, Endowments and Universities (“U.S. Charities”). The Conventions for the Avoidance of Double Taxation (“Treaties”) effectively *reduce the tax liability on dividends for U.S. Charities as defined in the Mexico–United States Treaty (Article 22), from 7.6925% to 0%.* To confirm you are an eligible organization, please refer to Publication 78 issued by the Internal Revenue Service for a listing of United States tax-exempt organizations.

Please note the following:

Mexican Corporations should be eligible for the 0% rate.

Eligible Teléfonos de México, S.A. de C.V. - Series “L” Shares ADR holders, by submitting the required documents within the specified time frame, will enable Teléfonos de México, S.A. de C.V. to refund the difference between the tax due under the Treaties and the tax withheld.

Eligible ADR holders, as defined by the Treaties, who wish to avail themselves of the benefit afforded by the Treaties, must:

- a) Be beneficial owners on the record date **June 20, 2001**, and
- b) Submit to the Depository bank, Morgan Guaranty Trust Company of New York (“Morgan”) the following documentation with respect to *each* dividend payment:

1. CERTIFICATION OF RESIDENCY

An original **CERTIFICATION OF RESIDENCY** issued by the tax authorities, which states the name and the address of the ADR beneficial owner over the record date. It does not need to be legalized or translated. Residency can also be proved with the certification of the last income tax return filed, issued by the tax authorities.

Please note: For U.S. Charities, an original IRS Form 6166, dated the year of dividend payment, may serve as the Certification of Residency. To request an IRS Form 6166, please refer to Exhibit II.

2. COVER LETTER

Beneficial owners who hold their ADRs in *street name* (through a bank or broker) within the Depository Trust Company (“DTC”) must submit their **CERTIFICATION OF RESIDENCY** documents through their nominee or DTC Participant, who must forward them to Morgan along

with a **COVER LETTER** which states the name, country of residence, number of foreign ordinary shares as well as the number of ADRs held by each eligible owner on the *record date June 20, 2001*. The formats for the **CERTIFICATION OF RESIDENCY** for residents of the United Kingdom (**Exhibit I**), as well as the **COVER LETTER** can be found on the following pages of this notice.

In sum, documentation requirements is as follows:

1. **For Non-U.S. beneficial owners**, please submit the Cover Letter and the Certification of Residency (Exhibit I).
2. **For U.S. Charities**, please submit the Cover Letter and an original IRS Form 6166 dated the year of dividend payment. To request an IRS Form 6166, please refer to Exhibit II.

For reasons of cost effectiveness, only those ADR holders with **more than 1,300 ADRs** may file for a tax reclaim. All reduced withholding tax applications are subject to a service charge imposed by the ADR Depository, from which a schedule of applicable charges is available upon request.

SPECIAL PROCEDURE FILING DEADLINE: Beneficial owners who hold Teléfonos de México, S.A. de C.V. - Series "L" ADRs on record date must submit the required documentation to: **Morgan Guaranty Trust Company of New York, c/o Globe Tax Services, Inc., 90 Broad Street, 8th Floor, New York, New York, 10004-2205, Attention: Clay Christensen** or as described above in the second documentation requirement, to their nominee or DTC participant so that the documentation is received by Morgan c/o Globe Tax Services, Inc. no later than the **initial deadline of July 25, 2001**.

MISSED DEADLINE: Those beneficial owners who do not submit the required documentation by the date specified above have **five years** after the ADR record date in which to submit their reclaims through **Morgan c/o Globe Tax Services Inc.**, at the address mentioned above. It is anticipated that additional documentation requirements will exist for those claims not submitted by **July 25, 2001**.

For claimants requesting the appropriate Certificate of Residency from countries other than the United Kingdom, please call Morgan ADR at 800-929-5484.

ADR Record Date	June 20, 2001
ADR Pay Date	June 28, 2001
Ordinary Pay Date	June 21, 2001
Initial deadline to claim:	July 25, 2001
Foreign Ord Rate	0.125 Mexican Pesos per share
ADR Rate	2.50 Mexican Pesos per ADR
Minimum ADRs required to claim:	1,300 ADRs

PLEASE NOTE: *Late filings may be subject to additional filing fees.*

SAMPLE

FORMAT FOR COVER LETTER TO MORGAN GUARANTY TRUST COMPANY OF NEW YORK

DATE

Morgan Guaranty Trust Co. of New York
c/o Globe Tax Services, Inc.
90 Broad Street, 8th Floor
New York, NY 10004-2205
Attn: Clay Christensen

Enclosed please find tax reclamation documents which we have submitted on behalf of our clients who have had tax withheld on Mexican ADRs, in terms of the Mexican Income Law and who wish to take the benefits established in the Conventions for the Avoidance of Double Taxation. We, NAME OF DTC PARTICIPANT, also identified as DTC participant number DTC PARTICIPANT NUMBER, hereby state that each beneficial owner cited below held the respective amount of shares on the record date of RECORD DATE, for the security **Teléfonos de México, S.A. de C.V. – Series “L” Shares (Cusip 879403780)**.

Below is the list of beneficial owners and their holdings, which total TOTAL # OF ADRs CITED BELOW ADRs. As required, original certification of residency documents, which have been issued within one year of the foreign ordinary dividend pay date (for each beneficial owner), are attached. When applicable, for each U.S. Charity listed below, attached please find an original 6166 dated the year of dividend payment. *Please note the ratio of Ordinary Shares to ADRs is 20:1.* The information is as follows:

<u>NAME and ADDRESS of beneficial owner</u>	<u>Country</u>	<u># Ordinary Shares held</u>	<u># of ADRs held</u>
1)			
2)			
3) etc.			

We ask that Morgan Guaranty Trust Company of New York, as Depository, present these excess withholding tax refund requests on the above beneficial owners' behalf. Please contact the undersigned at SIGNATORY'S TELEPHONE NUMBER should you have any questions.

Sincerely,

SIGNATURE OF AUTHORIZED SIGNATORY FOR DTC PARTICIPANT

NAME AND TITLE OF AUTHORIZED OFFICER FOR DTC PARTICIPANT

PAYMENT ADDRESS: _____

TELEPHONE: _____

Indemnification
In consideration of the services provided by Morgan Guaranty Trust Company of New York ("Morgan") contemplated hereby and the assistance provided by the issuer of the shares underlying the ADRs (the "Issuer"), we agree to indemnify, defend, hold and save Morgan, the Issuer and their respective affiliates, and the respective directors, officers, agents and employees of Morgan, the Issuer and each of their affiliates from and against any and all costs, damages or liabilities (including, without limitation, tax payments, interest charges, penalties or other costs assessed by relevant tax and administrative authorities, and the reasonable fees and disbursements of counsel) as a result of any deficiency or inaccuracy in the information provided in or in connection with this document.

MEXICO – UNITED KINGDOM TAX RECLAIM REQUEST FORMAT – EXHIBIT I

DTC PARTICIPANT: Please Place on Your Company Letter Head

(One letter per eligible beneficial owner)

Date

Morgan ADR / Globe Tax Services, Inc.
90 Broad Street (8th Floor)
New York, NY 10004
Attn: Clay Christensen

Ratio: Ords to ADRs = 20 to 1
Rate: 0.125 Mexican Pesos per Ordinary Share
2.50 Mexican Pesos per ADR Share

Issue: **Teléfonos de México, S.A. de C.V. - Series "L" Shares**

CUSIP: **879403780**

Ordinary Payable Date: **June 21, 2001**

Total ORD Shares on Record Date: _____

Ordinary Share Rate: _____

Gross Dividend Paid (MP): _____

W/H Tax Amount (MP): _____

7.6925% Amount Claimed (MP): _____

DTC Participant Number: _____

DTC Participant Contact: _____

ITEM A-1

Beneficial Owner Name: _____

**Beneficial Owner Address &
Country of Residence on June 20, 2001:** _____

Certification of Residency to be completed by the Tax Authorities of the country in which the beneficial owner resides.

CERTIFICATE OF THE COMPETENT UNITED KINGDOM INSPECTOR OF TAXES

I, certify that, to the best of my knowledge and belief, the information given in Item A-1 above is correct.



Official Stamp

Date: _____

Signature: _____

EXHIBIT II
SAMPLE IRS FORM 6166 REQUEST
 USE THIS AS A GUIDE WHEN CREATING YOUR OWN REQUEST LETTER

[DATE]

INTERNAL REVENUE SERVICE
 P.O. BOX 16347 FIRPTA UNIT DP # 543
 PHILADELPHIA, PA. 19114

I, [SHAREHOLDER'S LEGAL NAME AS FILED ON TAX RETURN] having taxpayer identification number [SHAREHOLDER'S SOCIAL SECURITY NUMBER OR TAXPAYER IDENTIFICATION NUMBER] am in the process of applying for **tax treaty benefits in Mexico**.

To facilitate this, I am requesting certification from the Internal Revenue Service (Form 6166) of the following representations which I hereby state under the penalties of perjury:

I represent that I, [SHAREHOLDER'S LEGAL NAME AS FILED ON TAX RETURN]:

◦ am a resident of the United States at:

[SHAREHOLDER'S LEGAL ADDRESS]

◦ have no permanent establishment in **Mexico**, and

◦ last filed IRS Form [TYPE OF IRS TAX FORM FILED - E.G.: 1040, 1040 A, etc.]

for the tax year ending [FOR EXAMPLE: YEAR ENDED 12/31/2000].

Please mail one (1) Form 6166 certification to the following address on my behalf:

[DTC PARTICIPANT ADDRESS]

[SHAREHOLDER'S SIGNATURE]

INTERNAL REVENUE SERVICE
P.O. BOX 16347 FIRPTA UNIT DP # 543
PHILADELPHIA, PA. 19114

I, _____ having taxpayer identification number
_____ am in the process of applying for **tax treaty benefits in Mexico**.

To facilitate this, I am requesting certification from the Internal Revenue Service (Form 6166) of the following representations which I hereby state under the penalties of perjury.

I represent that I, _____:

- am a resident of the United States at:

- have no permanent establishment in **Mexico**, and
- last filed IRS Form _____
for the tax year ending _____

Please mail one (1) Form 6166 certification to the following address on my behalf:

SHAREHOLDER'S SIGNATURE