

concessions (including the Santiago - Valparaíso radio link and the Santiago - Buin radio link), however, were specifically excepted from the initial decision.

In November 1989, the Resolutive Commission issued a second ruling which was favorable to CTC. This provided that local companies could enter the long distance market and long distance companies could enter the local service market if:

- The company entering the new sector creates a subsidiary to provide services to the new sector (to identify transfer costs).

- In the case of local companies, the local company modifies its system (at its expense) so as to provide interconnection with all long-distance carriers through a multi-carrier system.

The second ruling was appealed by ENTEL and the Supreme Court accepted the appeal in December 1989. In May 1990, the Supreme Court, without reviewing ENTEL's appeal on the merits, demanded the proceeding to the Resolutive Commission on the grounds that the Commission had not verified sufficiently that the implementation of a multi-carrier system would establish free competition among companies participating in the long distance market. The Court ordered the Resolutive Commission to conduct an indepth study (rather than rely primarily on the record established at the Preventive Commission) of technical evidence to determine whether such a system would be functional in terms of both operation and administration. The decision of the Resolutive Commission on demand will again be appealable by ENTEL or CTC to the Supreme Court. Further, the Supreme Court has suspended the effects of the earlier ruling of the Resolutive Commission and has stated that none of the disputed concessions will be granted until the proceeding has ultimately been resolved.

If the Supreme Court ultimately rules against CTC, the Company would be prevented from expanding its presence in the domestic long distance markets. While management believes that there would be third parties which would be interested in acquiring the approximately US\$50 million investment CTC has made or contracted for in anticipation of being awarded the concessions applied for, there can be no assurance that CTC