Telmex PRIDES

It was late Friday afternoon, April 29, 1994, when Phil Jones put down the phone after yet another long call with his colleagues in Mexico. Jones, a Managing Director at Merrill Lynch and a former Harvard Business School Professor, had spent the past five months structuring a deal that would complete the privatization of Teléfonos de México ("Telmex"). Telmex shares were extremely liquid and the company had an approximate market capitalization of US$ 35 bn. As Jones reviewed the week's trading in Telmex, Mexican interest rates, and movements in the NP/US$[1] exchange rate, he became worried. The whole transaction seemed precariously balanced between being a stunning success or a complete failure. Jones knew that he could not walk away from a high profile deal with a client as important, and potentially lucrative, as the Mexican Government. At the same time, he knew that failure would have a negative impact on Merrill Lynch's ability to attract similar deals in the future.

A couple thousand miles away in Mexico City, Carlos Mendoza was having similar thoughts. Mendoza was the head of investment banking operations and the number two man at Nacional Financiera (Nafin for short), a wholly-owned development bank of the United Mexican States. Unlike most other development banks, Nafin acted like a de facto central bank. Mendoza regularly directed massive open market operations aimed at stabilizing Mexican currency and stocks. Five months ago he had reviewed a number of options aimed at helping the Mexican government sell-off its remaining stake in Telmex—valued at approximately US$ 450 mm. Some options were quite simple such as dumping the shares on the open market. Other options involved complicated derivative securities. By mid-December 1993, Mendoza had decided to go with a proposal by Merrill Lynch because it appeared to meet all of the needs of the Mexican government. Now, as he looked over the same capital market information that Jones was reviewing in New York, Mendoza wondered whether he had made the correct choice.

Background

By 1993, Mexico was in the midst of rapid transformation. Private businesses were growing with incredible speed and the government was committed to an enormous privatization program. Like many of the large, U.S. investment banks, Merrill Lynch was devoting increasing resources to the growing volume of business in Mexico. The company was able to profit from a wide variety of

[1]NP = New Peso. All Peso values in this case are in New Pesos.

Doctoral Candidate Mark S. Seasholes and Professor Kenneth A. Froot prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

activities such as: selling Mexican stocks and bonds to its clients, trading Mexican securities for its own account, and underwriting new issues.

Over the past couple of years, Merrill's Mexico City office had built close relationships with a number of officials in the Mexican Government. From time to time, the head of the Mexico City office, Carlos Gutierrez, and other Merrill bankers would present financing ideas to government officials. Starting in the third quarter of 1993, Gutierrez became aware of the Government's desire to complete the privatization of Telmex by selling its remaining shares. In actuality, the government had been discussing plans to complete the Telmex privatization for a couple of months. Various internal meetings and presentations by other investment banks had focused on strategies ranging from selling the shares on the open market, issuing American Depository Receipts (ADRs), or issuing convertible bonds.

One of Gutierrez's main contacts was Carlos Mendoza from Nafin, which was the legal owner of the government's remaining Telmex shares. As Gutierrez continued to discuss Telmex with Mendoza, it became clear that the Mexican government had hoped to accomplish more than simply selling its remaining stake. Mendoza explained that the number one priority of the Mexican government was to finish privatizing Telmex by selling the remaining shares. However, he was concerned this would send a negative signal to the market. Mendoza wondered whether a hybrid security could help resolve this problem and at the same time help Mexico to establish a medium-term debt security in the international markets. Like many countries, Mexico had to be careful not to drastically increase the amount of its borrowings—especially borrowing denominated in foreign (hard) currencies. If the Mexican government ended up using a hybrid security, Mendoza wanted to avoid having any associated coupon payments classified as external debt of Mexico. If the coupon were payable in a foreign currency, the instrument would have been considered external indebtedness and would have to be included in the Federal Budget for "External Public Indebtedness." Since the Federal Budget was authorized annually any changes would need special authorization from Congress. Finally, Mendoza hoped to attract a class of investor different from those currently holding Mexican securities. This made hybrid or derivative securities especially attractive.

After assessing the complexity of such a deal, Gutierrez called Phil Jones in New York. Jones, who is a specialist in convertible securities, flew down to Mexico City in early November of 1993 to introduce Mendoza to a security that Jones believed could be tailored to meet all of Mendoza's requirements. After a series of meetings with Nafin, Jones made a formal presentation of his ideas at the end of November.

The derivative security that Jones proposed were called PRIDES or Provisionally Redeemable Income Debt Exchangeable for Stock. A similar security was first produced by Salomon Brothers Inc. in June of 1993 under the trade name DECS (Dividend Enhanced Convertible Stock.)[2] PRIDES (as well as DECS) are high-income, equity-like securities that mandatorily convert into the underlying stock within three to four years after being issued. PRIDES offer a significant yield advantage over the underlying common stock—typically 400-600 basis points. In return for the yield pickup, PRIDES convert into the stock at a premium of 0%-25% above the issue price.

Unlike previous PRIDES issues, the Merrill proposal specified that the all interest payments would be in New Pesos. Up until this time all coupon/dividend payments of PRIDES had been in US$. According to Mendoza, this distinction was extremely important and helped to differentiate the Merrill proposal from those of other investment banks. (See **Exhibit 1** for a description of the PRIDES structure as it stood at the end of April 1994 and **Exhibit 2** for a list of PRIDES issues to date.)

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[2]Securities such as PRIDES and DECS come in two forms: first, a preferred issue by a company convertible into its own stock; and second, a debt instrument issued by another party, exchangable into the company's common stock.

The Peso coupon payment was also meant to help the Mexican government develop new markets. After the debt crisis on the early 1980s, Mexico was effectively shut out of the international capital markets. However, an aggressive privatization and economic liberalization program instituted by President Carlos Salinas de Gortari in 1989, combined with a debt restructuring program led by U.S. Secretary of the Treasury Nicholas Brady, allowed Mexico to re-enter the international capital markets (although, at first, only in dollar denominated obligations. As of January 1, 1994, the longest Peso-denominated security was a three year Banamex bond that had been issued on December 1, 1993 with a 11.25% coupon, while the longest Peso-denominated, government security was a highly illiquid, two year treasury bill. Mexican officials were eager to extend the length of the government's Peso-denominated borrowing.

The Economic Outlook for Mexico

As Jones and Mendoza were mulling over the Telmex PRIDES, the Mexican economy was reaching a crucial point. 1993 had been a low-growth year and many Mexicans were frustrated with their standard of living. At the same time, economic forecasts were positive. Below, **Table 1** presents the Economic Intelligence Unit's (EIU) forecast as of March 1, 1994. Like many, the EIU's positive outlook was heavily influenced by the recent decision on NAFTA and the positive effect the new treaty promised to have on the Mexican economy.

Table 1 Forecast Summary for Mexico

(US$ bn unless indicated)	1992	1993	1994	1995
Real GDP Growth (%)	2.6	0.4	2.8	4.0
Consumer Price Inflation (%)	11.9	8.0	9.5	9.0
Exports fob	46.2	54.8	58.0	65.0
Imports fob	62.1	65.4	72.2	79.0
Current Account	-22.8	-20.8	-23.0	-24.0
Total External Debt	113.4	124.0	135.0	148.0
Exchange rate (Dec 31, NP/US$)	3.1	3.1	3.5	3.7

Source: *The Economist Intelligence Unit Country Report, Mexico, 1st quarter 1994.*

[a] Actual
[b] EIU forecast
[c] EIU estimate

Mexican Government Debt

In structuring the Telmex PRIDES, Jones knew the investors would be well aware of other sovereign debt from Mexico. In order to value the coupon payments, investors would look at prevailing rates in the market.

In addition to the Brady bonds, the Mexican Government was raising funds in 1993 by issuing other types of debt securities. By the end of December 1993, the Mexican Government had US$ 56.8 bn of debt outstanding of which 75% was concentrated in two types of treasury bills:

Cetes: Certificados de la Tesoreria de la Federacion or Cetes are Mexican government treasury bills. These Peso denominated, discount securities were auctioned weekly and had maturities of 28, 91, 182 and 364 days. There was also a 728 day Cetes that was auctioned monthly. Cetes were the most liquid debt security in Mexico. Some trading took place on the Bolsa, but most took place over the counter.

Tesobonos: Bonos de la Tesoreria de la Federacion are discount bills issued by the Mexican government. Unlike the Cetes, Tesobonos were dollar denominated securities. The exchange rate used for settlement was called the Mexican Peso Free Rate (or fixing rate). This rate was calculated daily by the Banco de México by obtaining spot-offer rates from six financial institutions, disregarding the high and the low, and averaging the remaining four rates. Auctions usually took place on Tuesdays and results were announced by 10:50 am. Settlement was normally on Thursday using Tuesday's Peso Free Rate.

Beginning in early 1994, the government decided to increase its dollar-based borrowing. During the first six months of 1994, total government borrowing went from US$ 57 bn to US$ 72 bn and the percentage of Tesobonos jumped from 15% to 37% of the total. Many foreign investors found the relative proportion of Tesobonos to be an extremely favorable sign. (See **Exhibit 6** for graphs of Cetes, Tesobonos and U.S. Government yields.)

History of Telmex

The precursor to Telmex (Mexican Telephone and Telegraph) began operating in Mexico in 1903. The company was nationalized in 1915 and combined with another company after the second World War to form Teléfonos de México. Shares of Telmex were first offered to Mexican investors in 1953. Telmex was effectively re-nationalized in 1972 and it was not until 1989 that the Mexican Government began discussing plans to privatize the company. In December 1990, the government lowered its holdings in Telmex from 55.9% by selling 20.4% of the capital stock and 51% of the voting rights to a consortium led by the Mexican investment company Grupo Carso. The consortium also included Southwestern Bell, France Telecom and the Mexican insurance company Seguros.[3] Two public offerings of ADSs reduced the government's holding to approximately US$ 1,350 mm by May 1992. In late 1993, the government further reduced its holdings to US$ 450 mm by selling shares (through Nafin) on the open market (this happened about the same time that Phil Jones was presenting the PRIDES to Nafin.) Nafin was able to secretly sell almost US$ 1 bn of Telmex shares because the stock was extremely liquid, even by New York standards.

Recent Developments

In the three years following its privatization, Telmex embarked on an aggressive investment plan totaling US$ 6,882 mm. During this time, over 2,266,380 lines were added, which represented an increase of 42.3%. Consequently, lines per 100 inhabitants increased from 6.6 in December 1990 to 8.7 by the end of 1993. Throughout the same three year period, technical expertise from Southwestern Bell and France Telecom helped Telmex replace 1,300,000 old lines with digital equipment, thus increasing digital phone service from 30% to 65%. Besides simply adding more lines, Telmex extended its service area. 8,015 communities were added, bringing the total to 18,281, while the number of public phones more than doubled from 80,493 to 177,995. Telmex also began

[3]Source: Bloomberg. *Hoover's Handbook.*

construction of a new, 13,500 Km fiber optic network of which 8,701 Km was completed by the end of 1993.

In addition to increasing basic service, Telmex offered an array of new products following its privatization. In December 1993, new debit phone-cards were being pilot tested in five cities. Cellular phone service had grown by an amazing 459.2% during the past three-year period and stood at 195,409 customers. Telmex also introduced video conference technology for its business customers, while using the same technology to train personnel. By the end of 1993, products such as Advanced 800 Service, Telephone Cards and Virtual Private Networks were getting ready to be launched in to the market place.

Financial and operating highlights of the company are provided in **Exhibit 3**.

Regulatory Environment

Telmex was subject to regulation by the Communications Ministry and by a concession from the Mexican government that was re-negotiated at the time of privatization. As part of the agreement, Telmex was granted monopoly status on all long-distance and international long-distance calls until the end of 1996. However, the company was obligated to undertake a large capital expansion program that required it to:[4]

1. Increase lines by 12% per annum

2. Provide at least one public telephone in all towns with more than 500 residents.

3. Increase the number of public telephones to 2 per 1000 inhabitants by the end of 1994 and 5 per 1000 by the end of 1998.

4. Reduce the waiting time for installation to 6 months by 1995 and 1 month by the year 2000. At the time of privatization, waiting time was about 18 months.

The Communications Ministry continued to regulate the amount that Telmex charged its customers by using a "price cap." The price cap limited the overall increase that Telmex could charge on a volume-weighted basket of basic services (installation, monthly charges, toll calls, etc.) to be no more than inflation, but allowed Telmex to adjust prices of individual goods within the basket. In 1997 and 1998, the price cap was expected to rise by inflation minus 3% in an effort to pass savings from greater efficiency on to consumers. After 1998, the downward adjustment to the price cap would be at the discretion of the Communications Ministry.

Outlook for Telmex Stock

The expanding Mexican economy and under-developed telecommunications system (**Exhibit 4**) made Telmex one of the world's most popular stocks. By the end of 1993, investors and equity analysts were extremely positive about the company's long-term, growth prospects. Phrases such as "on the verge of greatness," "[an] excellent opportunity to capitalize on the country's investment in modern infrastructure," and "TMX is still our single best idea" highlighted many Wall Street investment reports.

Exhibit 3 provides earning estimates for Telmex as of April 30, 1994.

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[4]Source: Oppenheimer & Co. *Teléfonos De México Company Report*. January 4, 1994.

Problems with the Telmex PRIDES

Between December 1993, when Carlos Mendoza chose the Merrill proposal to use PRIDES, and April 1994, conditions in Mexico changed a lot. While the PRIDES initially seemed to make a lot of sense, Mendoza began to question when, if ever, the PRIDES would be issued.

At the end of December 1993, there had been a sense of optimism in Mexico much of which stemmed from November 17, 1993, when the U.S. House of Representatives passed NAFTA by a vote of 234 - 200. Both the local stock market and Telmex ADS shares trading in New York, were at all time highs (see **Exhibit 5**). Debt financing was also very attractive during this period. Interest rates had fallen steadily throughout 1993 and the Peso had not depreciated against the dollar (see **Exhibit 5** and **Exhibit 6**).

Amidst all of the positive signs, there were also some worrisome events. Just before the NAFTA vote, the Central Bank of Mexico had changed its intervention policy and the Peso depreciated rapidly against the dollar. Although the change in policy was only temporary and the situation quickly reversed itself, it clearly demonstrated the volatility present in Mexico's capital markets. Even more troubling was the revolt in the southern state of Chiapas led by the Zapatista National Liberation Army. The first attack on January 1, 1994 immediately raised market doubts about the political stability in Mexico. Direct foreign investment had grown from US$ 14.6 bn in 1991 to US$ 23.2 bn in 1993 and the Government was sensitive about any possible disruptions.

In addition to worrying about the uncertainty caused by the rebels, Phil Jones also spent most of February 1994 struggling with legal issues surrounding the Telmex PRIDES. The Mexican Government wanted to be sure that the associated coupon payments were not classified as external debt. Nafin, on the other hand, was concerned about disclosure requirements and interested in pursuing a Rule 144A offering. However the SEC does not allow 144A filings for mandatory convertibles with a registered underlying. Jones was eventually forced to use a private placement memorandum that restricted Merrill to only 100 offering letters in the United States.

As the date of issuance drew closer, the financial markets in Mexico suffered another negative shock. On March 23, 1994, the leading presidential candidate, Luis Donaldo Colosio, was murdered at a rally in Tiajuana. By late April 1994, there was still no clear motive for the assassination. There were, however, a plethora of conspiracy theories that tied the alleged gunman to groups such as drug traffickers or anti-reform elements within Colosio's own party. As **Exhibit 5** and **Exhibit 6** clearly show, the fall-out from the assassination and the uncertainty surrounding it was severe: stock prices dropped, while Cetes yields and exchange rates shot up.

Finally, decisions regarding the sale of the Telmex shares were complicated by the leaks to the press. As early as January 11, 1994, news-services reported that the Mexican Government might try to sell a large number of Telmex shares through a relatively new instrument. Thus, as events unfolded during the first four months of 1994, the Mexican Government was forced constantly to reevaluate the pros and cons of this issuance in the face of public scrutiny.

The Decision

As Carlos Mendoza wondered what to do he decided to check the costs associated with an ADR issue **(Exhibit 7)**. He also requested a price impact study from Phil Jones **(Exhibit 8)**.

Exhibit 1 Description of PRIDES

Below are the terms of the Telmex PRIDES as they stood at the end of April 1994[a] (for the purposes of this case assume the issue date is May 15, 1994).

Issuer:	Nacional Financiera, S.N.C. ("Nafin"), a development bank of the United Mexican States ("UMS").
Underlying Stock:	American Depository Shares (ADS)[b] each representing 20 Series L Shares of Telefonos de Mexico ("Telmex").
Underlying ADS Price:	US$ 54.875
Number of PRIDES:	8.2 million
Maturity Date:	May 15, 1998
Maturity:	4 Years
Call Protection:	3 Years
Annual Coupon:	NP 22.527 (= 11.25% of the NP Issue Price). Coupon is converted into US$ at each coupon payment date at the prevailing exchange rate.
Optional Conversion Premium:	15%
Optional Conversion Price:	US$ 63.106 (= US$ 54.875 * 115%)
Optional Conversion Ratio:	0.8696 (=US$ 54.875/US$ 63.106)
Mandatory Conversion Feature:	At Maturity, each PRIDES are mandatorily exchangeable into one Telmex ADS.

Below are a few more technical points about the PRIDES structure:

1. At maturity, May 15, 1998, each PRIDES will be manditorily exchanged by NAFIN for one ADS per PRIDES
2. Anytime after 90 days from the offering, the holder of the PRIDES had the option to exchange 100 PRIDES for 86.96 ADS, each representing 20 Series L Shares of Telefonos de Mexico.
3. After 3 years, the issuer has the right to redeem the PRIDES. Each PRIDE would be exchanged for exchange for Telmex ADSs using the following formula:

$$\text{number of ADSs} = \max\left\{\frac{a}{b}, c\right\} \qquad \text{where:}$$

$$a = \$54.8750 + \textit{Redemption Premium} + \textit{Interest}$$

$$b = \min\left\{\textit{15 day Average Closing Price}\ ,\ \textit{Day's Closing Price}\right\}$$

$$c = 0.8696$$

The redemption premium starts at \$1.6977 on May 15, 1997, declines to \$0.8488 from November 15, 1997 to April 14, 1998 and is \$0.0000 from April 15, 1998 to May 15, 1998.

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[a]Source: Merrill Lynch

[b]One American Depository Share (ADS) represents 20 Series L Shares of Telefonos de Mexico. ADSs are evidenced by American Depository Receipts.

Exhibit 2 Issues of PRIDES

Name	Offer Date	Rating (M / S&P)	Issue Size ($ mm)	Maturity	Call Prot.	Issue Price	Yield	Conversion Premium
MascoTech	Jun-30-93	B1 / BB-	$ 200.0	Jul-01-97	3Y	$ 20.000	6.00%	24.05%
Boise Cascade	Sep-22-93	NR / BB	182.2	July-15-97	4Y	21.125	7.48%	24.85%
American Express (First Data)	Oct-08-93	A1 / A+	868.0	Oct-15-96	3Y	36.750	6.26%	22.10%
Reynold Metals	Jan-18-94	Baa2 / BBB	519.8	Dec-31-97	3Y	47.250	7.01%	22.00%
Bowater	Feb-01-94	Baa2 / BB+	124.0	Jan-1-98	3Y	23.500	7.02%	22.00%
First Chicago (Nextel)	Feb-08-94	A3 / NR	271.0	Feb-15-97	3Y	36.250	5.50%	20.00%
Kaiser Aluminum	Feb-11-94	B3 / CCC	104.1	Dec-31-97	3Y	11.750	8.26%	20.00%
Cointel (Telefonica de Argentina)	Feb-24-94	B1 / BB-	320.0	Mar-3-98	3Y	72.000	7.00%	20.00%
First USA	Mar-07-94	Ba3 / BB-	159.4	May-20-98	3Y	31.875	6.25%	20.00%
US Surgical (144A)	Mar-28-94	NR / NR-	200.0	Apr-01-98	3Y	22.550	9.76%	5.00%
Westinghouse (144A)	Mar-29-94	Ba3 / BBB-	519.8	Jun-01-97	3Y	14.438	9.00%	13.00%
Kenetech	Apr-28-94	B3 / B+	104.5	May-14-98	3Y	20.250	8.25%	20.00%

Exhibit 3 Telmex Finanical & Operating Highlights

Figures in million new pesos. Information is stated in constant pesos as of December 31, 1993.

Consolidated Information	1990	1991	1992	1993
Revenues				
International Long Distance	4,719	4,542	4,746	4,850
Domestic Long Distance	5,773	7,156	7,773	8,295
Local Service	5,132	7,164	9,102	10,529
Other	613	804	742	928
Total Revenues	16,248	19,666	22,361	24,602
Total Expenses	10,383	11,085	12,657	14,320
Operating Income	5,865	8,590	9,706	10,282
Net Income	4,751	8,446	8,614	9,003
Total Assets	40,831	45,233	47,031	52,902
Long-term Liabilities	8,025	6,389	5,992	5,906
Total Liabilities / Total Assets (%)	42.6	35.0	28.9	30.0
Net Annual Investment	7,751	7,303	7,914	7,087
Operating Information				
Communities Served	10,221	12,869	15,738	18,281
Access Lines in Service (000)	5,355	6,025	6,754	7,621
Kms of Long-distance Circuits (000)	59,999	69,720	83,106	82,491
Domestic Long-distance Calls (000)	965,603	1,084,689	1,261,934	1,402,852
International Long-distance Calls (000)	211,786	257,749	351,258	387,462
Data Per Share				
Earnings per Share (NP)	0.45	0.80	0.81	0.85
Book Value per Share (NP)	2.21	2.77	3.15	3.49
Market Value at Year-end (NP)	5.030	7.150	8.775	10.450
Dividend per Share (NP)	0.025	0.075	0.150	[A]0.250
Shares Outstanding (millions)	10,603	10,603	10,603	10,603
EPS (US$ per ADS)	3.05	4.69	5.21	5.48
Year End Exchange Rate (NP/US$)	2.95	3.07	3.11	3.10

Source: Teléfonos de México. *1993 Annual Report.* Dean Witter Reynolds. *Teléfonos De México - Company Report.* December 30, 1993.

[A]Proposed

Earnings Estimates for Telmex

Amounts in US$	Mean	High	Low	Num.	ΔMean	Median
FY 94/12	$ 6.30	$ 6.60	$ 6.00	20	$ -0.05	$ 6.32
FY 95/12	7.19	7.75	6.75	10	0.01	7.17
5 yr Growth	14.87%	21.50%	10.00	14	-0.04%	N/A

Source: Zacks Earnings Estimates (per ADS, as of April 30, 1994).

Exhibit 4 Telephone Company Comparison

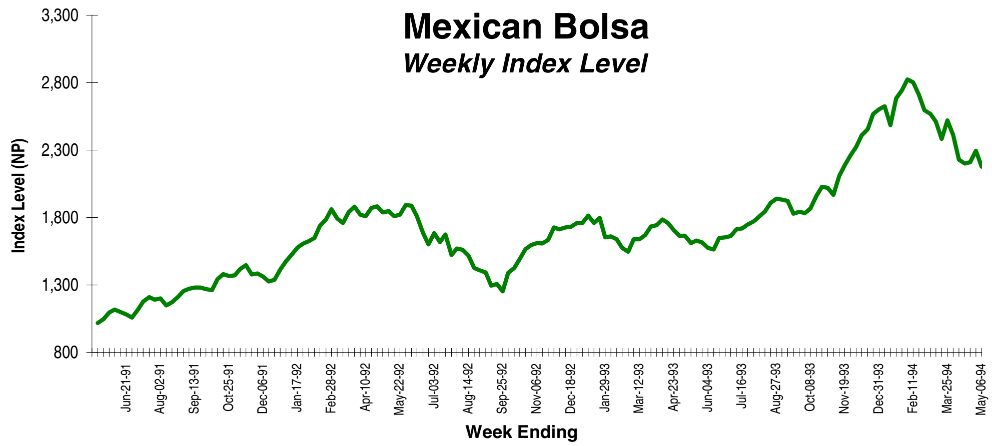
Amounts in US$

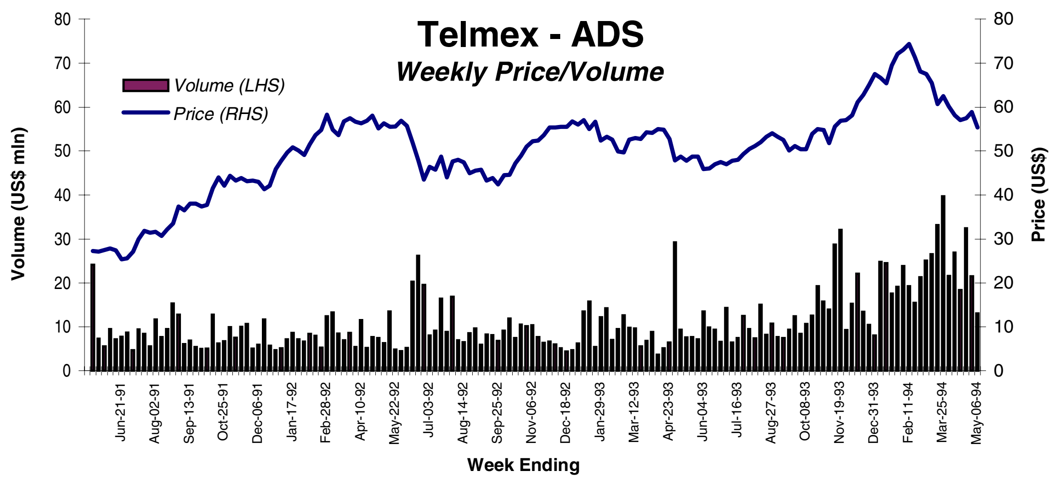
COMPANY	Telefonica de Argentina	Telecom Argentina[a]	Teléfonos de México	Compania Telecom. Chile	USA Composite[b]
Lines per 100 people	14.1	11.3	8.4	10.7	55.0
GDP per Capita (1992)	4,984	4,984	3,400	2,843	23,255
Valuation					
Capitalization (MM)	8,663	6,153	34,632	4,937	22,973
Price / 1994E earnings	22.1	19.5	9.9	18.9	15.2
Price / Cash Flow	11.4	10.1	9.8	20.2	6.9
Dividend Yield	2.0%	2.5%	3.0%	1.9%	4.0%
ROE	11.2%	10.2	24.3%	17.2%	15.1%
Leverage					
Debt / Equity[c]	0.43	0.65	0.43	1.17	2.05
Current Ratio	0.64	0.79	2.82	1.55	0.70
Productivity					
Lines / Employee	115	120	149	152	194
Revenue / Employee	92,676	95,327	154,042	90,735	181,667
Operating Cost / Employee	68,424	62,703	88,551	61,343	146,652
% Digitalization	38%	54%	64%	94%	54%

Source: Oppenheimer & Co., *Teléfonos De México—Company Report*. January 4, 1994.

[a] Results adjusted for higher depreciation.
[b] Based on 9 regional companies and MCI.
[c] Total Liabilities / Shareholders' Equity.

Exhibit 5 Equity Prices and Exchange Rates





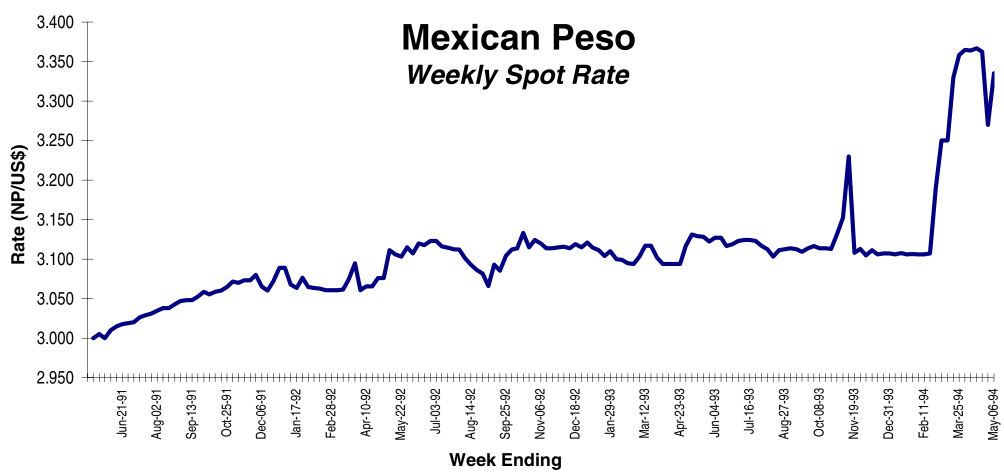
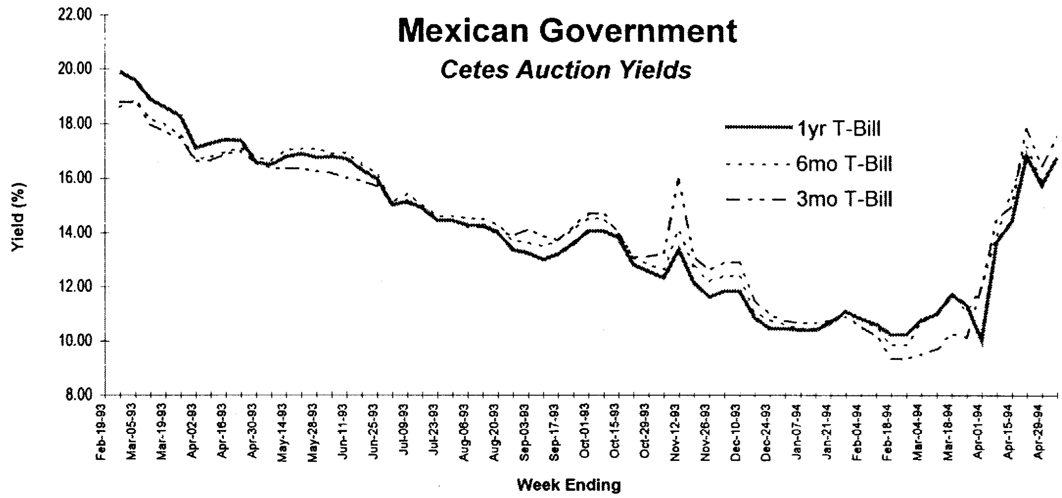
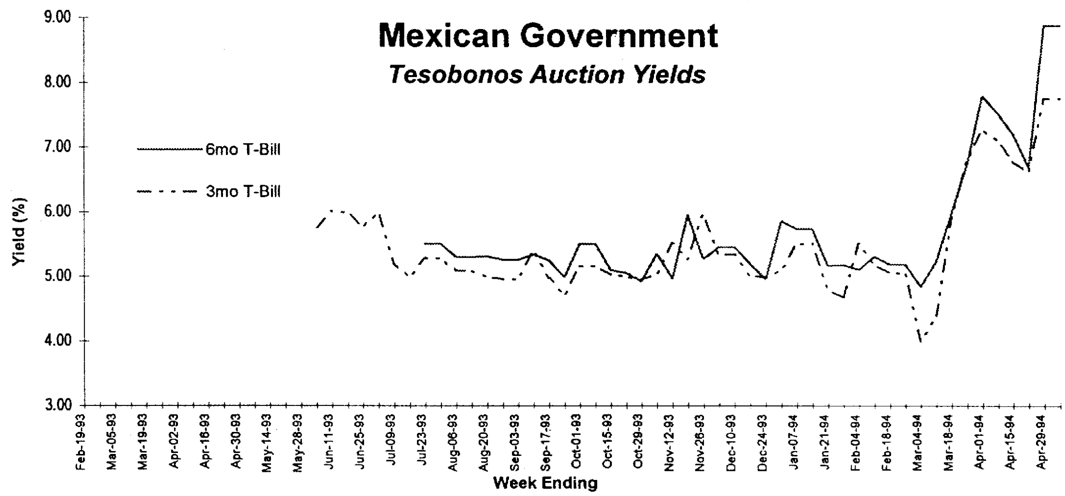


Exhibit 6 Interest Rates





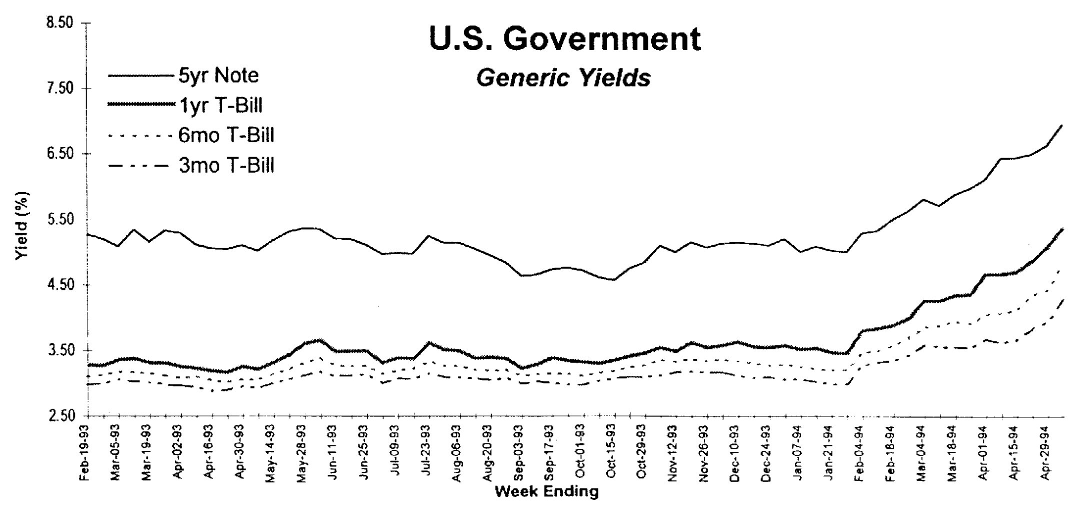


Exhibit 7 Comparable ADR Issues

Company	Date	Size (US$mm)	Price per Share (US$)	Underwriting Discount	Fee
Compania de Telefonos de Chile S.A.	Jul. 20, 1990	88.97	US$15.125	0.885	5.85%
Telefonos de Mexico S.A. de C.V.	May 13, 1991	1,090.00	US$ 27.250	1.220	4.48%
Telecom Corporation of New Zealand Limited	Jul. 29, 1991	474.18	US$ 22.580	0.790	3.50%
Teléfonos de México S.A. de C.V.	May 11, 1992	757.69	US$ 56.125	1.690	3.01%
Empressa Telex-Chile S.A.	Oct. 13, 1994	76.48	US$ 18.790	0.800	4.26%

Exhibit 8 Price Impact of PRIDES Issues

Name	File Date	Relevant Index	% Change in Underlying Stock[a]	% Change in Index[a]	Difference	Days b/t File & Offer	Difference if Days < 31[b]
Masco Tech	June 23, 1993	S&P 500	0.63	1.03	-0.40	8	-0.40
Boise Cascade	August 26, 1993	S&P 500	0.60	-0.85	1.45	28	1.45
American Express (First Data)	July 29, 1993	S&P 500	1.36	2.93	-1.57	72	
Reynold Metals	December 21, 1993	S&P 500	-0.79	1.80	-2.59	29	-2.59
Bowater	December 17, 1993	S&P 500	-1.06	3.51	-4.57	47	
First Chicago (Nextel)	February 1, 1994	S&P 500	-13.99	-2.19	-11.80	8	-11.80
Kaiser Aluminum	January 27, 1994	S&P 500	2.25	-0.64	2.89	16	2.89
Cointel (Telefonica de Argentina)	February 18, 1994	Arg. Gen	-21.40	-10.45	-10.95	6	
First USA	January 27, 1994	S&P 500	-1.16	-1.33	0.17	40	
US Surgical (144A)	March 21, 1994	S&P 500	-3.14	-0.53	-2.61	5	
Westinghouse (144A)	January 1, 1994	S&P 500	-7.08	0.50	-7.58	81	
Kenetech	March 18, 1994	S&P 500	-25.23	-4.63	-20.60	42	
				Mean	-4.85		-3.43
				Median	-2.60		-2.59
				High	2.89		2.89
				Low	-20.60		-11.80

[a]The % change is measured using the prices on the day before the filing date and the offer date (the offer date is shown in **Exhibit 2**).

[b]The long gap between file date and offer date might explain some of the difference, especially if the company is not a good proxy for the overall market. Therefore, the last column looks only at offerings where the offering took place within one month of the filing.