

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2000-06-14** | Period of Report: **2000-04-30**

SEC Accession No. [0000930661-00-001544](#)

([HTML Version](#) on [secdatabase.com](#))

FILER

AMERICAN TELESOURCE INTERNATIONAL INC

CIK: **1014052** | IRS No.: **742698095** | State of Incorp.: **TX** | Fiscal Year End: **1231**

Type: **10-Q** | Act: **34** | File No.: **001-15687** | Film No.: **655280**

SIC: **4813** Telephone communications (no radiotelephone)

Business Address

12500 NETWORK BLVD

SUITE 407

SAN ANTONIO TX 78249

2105586090

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE

ACT OF 1934
For the quarterly period ended April 30, 2000

or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the transition period from to

Commission File Number 0-23007

AMERICAN TELESOURCE INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

<TABLE>

<S> Delaware <C>

(State or other jurisdiction 74-2849995
of incorporation or organization) (IRS Employer
Identification No.)
</TABLE>

12500 Network Blvd., Suite 407
San Antonio, Texas 78249
(210) 558-6090

(Address, including zip code, of registrant's principal executive offices
and telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports) and (2) has been subject to such
filing requirements for the past 90 days. Yes X No
--

The number of shares outstanding of the registrant's common stock at June
12, 2000 was 66,642,415.

AMERICAN TELESOURCE INTERNATIONAL, INC.
AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED APRIL 30, 2000

INDEX

Part I FINANCIAL INFORMATION

	Page
Item 1. Interim Consolidated Financial Statements (Unaudited)	
Consolidated Balance Sheets as of July 31, 1999 and April 30, 2000.....	3
Consolidated Statements of Operations for the Three and Nine Months Ended April 30, 1999 and 2000.....	4
Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended April 30, 1999 and 2000.....	5
Consolidated Statements of Cash Flows for the Nine Months Ended April 30, 1999 and 2000.....	6
Notes to Consolidated Financial Statements.....	7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	13
--	----

Part II. OTHER INFORMATION

Item 2. Change in Securities and Use of Proceeds.....	23
Item 6. Exhibits and Reports on Form 8-K	23

AMERICAN TELESOURCE INTERNATIONAL, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share information)

	July 31, 1999	April 30, 2000
	-----	-----
<S>	<C>	(unaudited) <C>
ASSETS		

CURRENT ASSETS:		
Cash and cash equivalents	\$ 379	\$ 3,947
Accounts receivable, net of allowance of \$ 1,600 and \$1,613, respectively	3,693	4,059
Notes receivable, current	-	169
Inventory	-	72
Prepaid expenses and other assets	755	734
	-----	-----
Total current assets	4,827	8,981
	-----	-----
PROPERTY AND EQUIPMENT (At cost):	16,669	18,469
Less - Accumulated depreciation and amortization	(4,713)	(7,482)
	-----	-----
Net property and equipment	11,956	10,987
	-----	-----
OTHER ASSETS, net		
Goodwill, net	5,032	4,928
Contracts, net	703	199
Trademarks, net	789	655
Other assets	615	846
	-----	-----
Total assets	\$ 23,922	\$ 26,596
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Accounts payable	\$ 4,004	\$ 4,109
Accrued liabilities	3,167	1,900
Current portion of notes payable	961	223
Current portion of convertible long-term debt	1,942	-
Current portion of obligations under capital leases	1,430	1,434
Deferred revenue	233	123
	-----	-----
Total current liabilities	11,737	7,789
	-----	-----
LONG-TERM LIABILITIES:		
Notes payable, less current portion	312	-
Obligations under capital leases, less current portion	5,523	4,652
Other long-term liabilities	213	28
	-----	-----
Total long-term liabilities	6,048	4,680
	-----	-----
COMMITMENTS AND CONTINGENCIES:		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, Series A Cumulative Convertible Preferred Stock, 50,000 shares authorized, 24,145 shares issued and outstanding at July 31, 1999, 24,255 shares issued and outstanding at April 30, 2000	-	-
Series B Cumulative Convertible Preferred Stock, 2,000 shares authorized, 2,000 shares issued and outstanding at July 31, 1999, no shares issued and outstanding at April 30, 2000	-	-

Series D Cumulative Convertible Preferred Stock, 3,000 shares authorized, no shares issued and outstanding at July 31, 1999, 3,000 shares issued and outstanding at April 30, 2000	-	-
Common stock, \$0.001 par value, 100,000,000 shares authorized, 48,685,287 issued and outstanding at July 31, 1999, 66,639,081 issued and outstanding at April 30, 2000	49	67
Additional paid in capital	29,399	50,211
Accumulated deficit	(21,987)	(34,169)
Notes receivable from shareholders	-	(1,158)
Deferred compensation	(466)	(149)
Accumulated other comprehensive income	(858)	(675)
	-----	-----
Total stockholders' equity	6,137	14,127
Total liabilities and stockholders' equity	\$ 23,922	\$ 26,596
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

3

AMERICAN TELESOURCE INTERNATIONAL, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	1999	2000	1999	2000
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
OPERATING REVENUES:				
Network Services				
Carrier	\$ 1,877	\$ 5,362	\$ 10,621	\$ 17,019
Private Network	1,430	488	3,698	1,828
Call Services				
Integrated Prepaid	1,399	1,590	4,023	4,511
Postpaid	2,046	690	5,594	2,853
Internet e-commerce	679	1,387	1,856	3,440
	-----	-----	-----	-----
Total operating revenues	7,431	9,517	25,792	29,651
	-----	-----	-----	-----
OPERATING EXPENSES:				
Cost of services	4,142	6,723	15,467	20,353
Selling, general and administrative	3,000	3,755	9,187	10,382
Bad debt expense	240	172	627	385
Depreciation and amortization	942	1,129	2,349	3,464
	-----	-----	-----	-----
Total operating expenses	8,324	11,779	27,630	34,584
	-----	-----	-----	-----
Operating loss	(893)	(2,262)	(1,838)	(4,933)
OTHER INCOME (EXPENSE):				
Other income (expense)	(33)	13	(68)	33
Interest expense	(387)	(363)	(1,137)	(1,471)
	-----	-----	-----	-----
Total other income (expense)	(420)	(350)	(1,205)	(1,438)
	-----	-----	-----	-----
NET LOSS	\$ (1,313)	\$ (2,612)	\$ (3,043)	\$ (6,371)
LESS: PREFERRED DIVIDENDS	(31)	(3,917)	(31)	(5,811)
	-----	-----	-----	-----
NET LOSS TO COMMON STOCKHOLDERS	\$ (1,344)	\$ (6,529)	\$ (3,074)	\$ (12,182)
	=====	=====	=====	=====
BASIC AND DILUTED LOSS PER SHARE	\$ (0.03)	\$ (0.11)	\$ (0.07)	\$ (0.23)
	=====	=====	=====	=====
WEIGHTED AVERAGE COMMON				

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

4

AMERICAN TELESOURCE INTERNATIONAL, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

<TABLE>
<CAPTION>

	For the three months ended		For the nine months ended	
	-----		-----	
	April 30,		April 30,	
	-----	-----	-----	-----
	1999	2000	1999	2000
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net loss to common stockholders	\$ (1,344)	\$ (6,529)	\$ (3,074)	\$ (12,182)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(88)	165	(31)	183
	-----	-----	-----	-----
Comprehensive loss to common stockholders	\$ (1,432)	\$ (6,364)	\$ (3,105)	\$ (11,999)
	=====	=====	=====	=====

</TABLE>

5

AMERICAN TELESOURCE INTERNATIONAL, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

<TABLE>
<CAPTION>

	Nine months ended April 30,	
	1999	2000
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,043)	\$ (6,371)
Adjustments to reconcile net loss to net cash used in operating activities-		
Depreciation and amortization	2,349	3,464
Amortization of debt discount	254	353
Deferred compensation	395	317
Provision for losses on accounts receivable	627	385
Changes in operating assets and liabilities		
Increase in accounts receivable	(1,074)	(758)
Increase in other assets-current and long-term	(815)	(263)
Decrease in accounts payable	(688)	(818)
Increase (Decrease) in accrued liabilities	747	(29)
Decrease in deferred revenue	(42)	(110)
	-----	-----
Net cash used in operating activities	(1,290)	(3,830)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(866)	(1,206)
Net cash paid in acquisitions	(171)	-
	-----	-----
Net cash used in investing activities	(1,037)	(1,206)
	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of debt	489	237
Net decrease in short-term borrowings	(306)	(306)
Increase (decrease) from advanced funding arrangements	332	(40)
Payments on debt	(385)	(723)
Capital lease payments	(774)	(1,021)
Proceeds from issuance of preferred stock, net of issuance costs	1,133	5,683
Proceeds from issuance of common stock, net of issuance costs	963	4,774
	-----	-----
Net cash provided by financing activities	1,452	8,604
	-----	-----
Net (decrease) increase in cash	(875)	3,568
Cash, beginning of period	1,091	379
	-----	-----
Cash, end of period	\$ 216	\$ 3,947
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

6

AMERICAN TELESOURCE INTERNATIONAL, INC.
AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands, except per share amounts)

1. PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements, which include the accounts of ATSI-Delaware, ATSI-Canada, ATSI-Texas, ATSI-Mexico, ATSI de CentroAmerica, Computel, Telespan, Sinfra and GlobalSCAPE have been prepared in accordance with Rule 10-01 of Regulation S-X, "Interim Financial Statements," and accordingly do not include all information and footnotes required under generally accepted accounting principles for complete financial statements. In the opinion of management, these interim financial statements contain all adjustments, without audit, necessary to present fairly the consolidated financial position of ATSI, Inc. and its subsidiaries ("ATSI" or "the Company") as of July 31, 1999 and April 30, 2000, the results of their operations for the three and nine months ended April 30, 1999 and 2000 and cash flows for the nine months ended April 30, 1999 and 2000. All adjustments are of a normal recurring nature. All significant intercompany balances and transactions have been eliminated in consolidation. It is recommended that these interim consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto for the year ended July 31, 1999 included in the Company's annual report as amended on Form 10-K/A filed with the SEC on April 14, 2000. Certain prior period amounts have been reclassified for comparative purposes. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. However, in June 1999, FASB issued Statement of Financial Accounting Standards (SFAS) No. 137, "Accounting for Derivative Instruments and Hedging Activities- Deferral of the Effective Date of FASB Statement No. 133". SFAS 137 delays the effective date of SFAS 133 to June 15, 2000. The Company believes the adoption of this statement will not have a material effect on the financial condition or results of operations of the Company.

2. FUTURE OPERATIONS

The consolidated financial statements of the Company have been prepared on the basis of accounting principles applicable to a going concern. As of April 30, 2000, the Company had positive working capital of approximately \$1.2 million. For the period from December 17, 1993 to April 30, 2000, the Company has incurred cumulative net losses of approximately \$34.2 million. Although the Company has capital resources available to it, these resources are limited and

may not be available to support its ongoing operations until such time as the Company is able to maintain positive cash flow from operations. There is no assurance the Company will be able to achieve future revenue levels sufficient to support operations or recover its investment in property and equipment, goodwill and other intangible assets. These matters raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue

7

as a going concern is dependent upon the ongoing support of its stockholders and customers, its ability to obtain capital resources to support operations and its ability to successfully market its services.

The Company is likely to require additional financial resources in the near term and could require additional financial resources in the long-term to support its ongoing operations. The Company has retained various financial advisers to assist it in refining its strategic growth plan, defining its capital needs and obtaining the funds required to meet those needs. The plan includes securing funds through equity offerings and entering into lease or long-term debt financing agreements to raise capital.

There can be no assurances, however, that such equity offerings or other long-term debt financing arrangements will actually be consummated or that such funds, if received, will be sufficient to support existing operations until revenue levels are achieved sufficient to maintain positive cash flow from operations. If the Company is not successful in completing additional equity offerings or entering into other financial arrangements, or if the funds raised in such stock offerings or other financial arrangements are not adequate to support the Company until a successful level of operations is attained, the Company has limited additional sources of debt or equity capital and would likely be unable to continue operating as a going concern.

3. CAPITAL LEASES

As of July 31, 1999, the Company entered into a capital lease transaction with NTFC Capital Corporation, ("NTFC") to finance the purchase of a DMS 250/3000 International gateway switch from Northern Telecom, Inc. and additional equipment totaling approximately \$2.0 million over a five and a half-year period with payments delayed for six months. The lease facility requires that the Company meet certain financial covenants on a quarterly basis beginning October 31, 1999, including minimum revenue levels, gross margin levels, earnings before interest, taxes and depreciation and amortization (EBITDA) results and debt to equity ratios. As of April 30, 2000, the Company was in default of quarterly financial covenants related to revenues, gross margins and EBITDA. The Company has received a waiver from NTFC stating that it waived the Company's compliance requirements as of April 30, 2000. However, based upon the Company's results before and after the period ended April 30, 2000, the Company will most likely be in default of these same covenants at the end of its next fiscal quarter and year end, July 31, 2000. As such, the Company has requested that NTFC review the Company's current business plan, including expected results and capital requirements, in order to re-set the financial covenants applicable to its capital lease obligation and prevent events of default from occurring on a quarterly basis going forward. Based on discussions with NTFC, management believes it is probable that NTFC will re-set the financial covenants such that the Company will be in compliance as of July 31, 2000. NTFC is in the process of reviewing this information, and the Company anticipates receiving the results of this review prior to July 31, 2000. As such, the Company has classified its obligation to NTFC as long-term. However, should the Company not receive revised financial covenants from NTFC, it is likely that the Company will be required to classify its entire obligation to NTFC as current as of July 31, 2000.

4. PREFERRED STOCK

In February 2000, the Company issued 1,000 shares of Series A Preferred Stock for cash proceeds of approximately \$1.0 million. The Series A Preferred Stock accrues cumulative dividends at the rate of 10% per annum.

8

The Series A Preferred Stock and any accumulated, unpaid dividends may be converted into Common Stock for up to one year at the average closing price of the Common Stock for twenty (20) days preceding the Date of Closing (the "Initial Conversion Price"). On each Anniversary Date up to and including the fifth Anniversary Date, the Conversion price on any unconverted Preferred Stock, will be reset to be equal to 75% of the average closing price of the stock for

the then twenty (20) preceding days provided that the Conversion price can not be reset any lower than 75% of the Initial Conversion Price. As this conversion feature is considered a "beneficial conversion feature" to the holder, the Company allocated all of the proceeds to additional paid-in capital as a discount to be amortized over the lesser of one year or upon exercise of the conversion feature. The Series A Preferred Stock is callable and redeemable by the Company at 100% of its face value, plus any accumulated, unpaid dividends at the Company's option any time after the Common Stock of the Company has traded at 200% or more of the conversion price in effect for at least twenty (20) consecutive trading days, so long as the Company does not call the Preferred Stock prior to the first anniversary date of the Date of Closing. The terms of the Company's Series A Preferred Stock restrict the Company from declaring and paying dividends on its common stock until such time as all outstanding dividends have been fulfilled related to the Preferred Stock.

In February 2000, the Company also issued 3,000 shares of Series D Preferred Stock for cash proceeds of approximately \$3.0 million. The Series D Preferred Stock accrues cumulative dividends at the rate of 6% per annum.

The Series D Preferred Stock and any accumulated, unpaid dividends may be converted into Common Stock for up to two years at the lesser of a) the market price on the day prior to closing or b) 83% of the five lowest closing bid prices on the ten days preceding conversion. As this conversion feature is considered a "beneficial conversion feature" to the holder, the Company allocated all of the proceeds to additional paid-in capital as a discount to be amortized over the lesser of the period most beneficial to the holder or upon exercise of the conversion feature. The discount was amortized in its entirety during the quarter ended April 30, 2000. The terms of the Company's Series D Preferred Stock restrict the Company from declaring and paying dividends on its common stock until such time as all outstanding dividends have been fulfilled related to the Preferred Stock.

During the quarter, the holders of the Company's Series A Preferred Stock first and second closings elected to convert 2,414 shares into Common Stock of the Company. This conversion resulted in the issuance of 3,287,478 shares of the Company's Common Stock during the quarter. Accumulated dividends approximating \$241,000 associated with the Series A Preferred Stock mentioned above converted to 328,753 shares of the Company's Common Stock. In addition, the holder of the Company's Series C Preferred Stock elected to convert 500 shares into Common Stock of the Company. This conversion resulted in the issuance of 484,872 shares of the Company's Common Stock during the quarter. Accumulated dividends of approximately \$8,000 associated with the Series C Preferred Stock mentioned above converted to 7,436 shares of the Company's Common Stock.

5. SEGMENT REPORTING

In an attempt to identify its reportable operating segments, the Company considered a number of factors or criteria. These criteria included segmenting based upon geographic boundaries only, segmenting based on the products and services provided, segmenting based on legal entity and segmenting by business focus. Based on these criteria or factors, the Company has determined that it has three reportable operating segments: (1) U.S. Telco; (2) Mexico Telco; and (3) Internet e-commerce. Clearly, the Company's Internet e-commerce subsidiary, GlobalSCAPE, Inc. and its operations can be differentiated from the

9

telecommunication focus of the rest of the Company. Additionally, the Company believes that its U.S. and Mexican subsidiaries should be separate segments in spite of the fact that many of the products are borderless. Both, the U.S. Telco and Mexico Telco segments include revenues generated from Integrated Prepaid, Postpaid, and Private Network Services. The Company's Carrier Services revenues, generated as a part of its U.S. Telco segment, are the only revenues not currently generated by both the U.S. Telco and Mexico Telco segments. The Company has included the operations of ATSI-Canada, ATSI-Delaware and all businesses falling below the reporting threshold in the "Other" segment. The "Other" segment also includes intercompany eliminations.

<TABLE>
<CAPTION>

	For the three months ended		For the nine months ended	
	April 30, 1999	April 30, 2000	April 30, 1999	April 30, 2000
<S>	<C>	<C>	<C>	<C>
U.S. Telco				
External revenues	\$ 5,044,718	\$ 6,278,920	\$ 19,270,984	\$ 20,921,925
Intercompany revenues	\$ 456,663	\$ 243,210	\$ 456,663	\$ 843,074
Total revenues	\$ 5,501,381	\$ 6,522,130	\$ 19,727,647	\$ 21,764,999

Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ (240,204)	\$ (1,613,292)	\$ 740,055	\$ (2,374,649)
Operating loss	\$ (707,537)	\$ (2,143,688)	\$ (624,708)	\$ (3,748,425)
Net loss	\$ (1,384,639)	\$ (2,470,456)	\$ (1,402,257)	\$ (4,499,360)
Total assets	\$ 12,796,280	\$ 12,588,829	\$ 12,796,280	\$ 12,588,829
Mexico Telco				
External revenues	\$ 1,707,355	\$ 1,851,603	\$ 4,665,387	\$ 5,289,170
Intercompany revenues	\$ 1,896,427	\$ 925,030	\$ 3,906,073	\$ 2,918,198
Total revenues	\$ 3,603,782	\$ 2,776,633	\$ 8,571,460	\$ 8,207,368
EBITDA	\$ 230,592	\$ (40,194)	\$ (744,446)	\$ (539,934)
Operating loss	\$ (170,076)	\$ (543,150)	\$ (1,592,676)	\$ (2,375,351)
Net loss	\$ (263,056)	\$ (717,894)	\$ (1,942,936)	\$ (2,979,484)
Total assets	\$ 14,332,122	\$ 11,226,584	\$ 14,332,122	\$ 11,226,584
Internet e-commerce				
External revenues	\$ 679,172	\$ 1,386,756	\$ 1,856,048	\$ 3,440,380
Intercompany revenues	-	-	-	-
Total revenues	\$ 679,172	\$ 1,386,756	\$ 1,856,048	\$ 3,440,380
EBITDA	\$ 264,675	\$ 549,533	\$ 724,338	\$ 1,573,038
Operating income	\$ 202,241	\$ 455,034	\$ 611,939	\$ 1,333,684
Net income	\$ 205,589	\$ 444,358	\$ 624,747	\$ 1,320,670
Total assets	\$ 1,266,299	\$ 2,467,180	\$ 1,266,299	\$ 2,467,180
Other				
External revenues	-	-	-	-
Intercompany revenues	\$ (2,353,090)	\$ (1,168,240)	\$ (4,362,736)	\$ (3,761,272)

</TABLE>

10

[CAPTION]				
<TABLE>				
<S>	<C>	<C>	<C>	<C>
Total revenues	\$ (2,353,090)	\$ (1,168,240)	\$ (4,362,736)	\$ (3,761,272)
EBITDA	\$ (206,145)	\$ (29,088)	\$ (208,645)	\$ (127,287)
Operating loss	\$ (217,799)	\$ (30,402)	\$ (232,749)	\$ (142,715)
Net income (loss)	\$ 98,239	\$ (3,784,935)	\$ (353,872)	\$ (6,023,423)
Total assets	\$ (1,526,827)	\$ 1,471,339	\$ (1,526,827)	\$ 1,471,339
Total				
External revenues	\$ 7,431,245	\$ 9,517,279	\$ 25,792,419	\$ 29,651,475
Intercompany revenues	-	-	-	-
Total revenues	\$ 7,431,245	\$ 9,517,279	\$ 25,792,419	\$ 29,651,475
EBITDA	\$ 48,918	\$ (1,133,041)	\$ 511,302	\$ (1,468,832)
Depreciation, Depletion and Amortization	\$ (942,089)	\$ (1,129,165)	\$ (2,349,496)	\$ (3,463,975)

Operating loss	\$ (893,171)	\$ (2,262,206)	\$ (1,838,194)	\$ (4,932,807)
Net loss	\$ (1,343,867)	\$ (6,528,927)	\$ (3,074,318)	\$ (12,181,597)
Total assets	\$ 26,867,874	\$ 27,753,932	\$ 26,867,874	\$ 27,753,932

8. LEGAL PROCEEDINGS

On February 11, 2000, the Company filed a Petition and Application for TRO and Temporary Injunctive Relief in district court in Bexar County, Texas (Cause Number 2000CI02032) against the former manager of its Costa Rican operations, Alejandro Filloy, a former private network customer, Simple Communications Technologies, Inc. and two other defendants, Gammacon Comunicaciones, S.A. and American Teleport Services, Inc. The Company alleges that Alejandro Filloy and Simple Communications used ATSI's assets to establish a competing business under the names Gammacon (a Costa Rican corporation) and American Teleport Services (a Florida corporation). The Company has asserted claims for conversion, fraud, and tortious interference with contractual relations and conspiracy. The Company has also asked for payment of unpaid amounts due from Simple Communications Technologies, Inc. under its agreement for private network services. This action was moved to federal court on March 6, 2000 and is now pending in the U.S. District Court for the Western District of San Antonio, Civil Action No. SA 00CA-302-OG.

In addition, the Company has filed a petition for payment against another private network customer, International Telecommunications Systems, Inc. ("ITS"), in the district court in Bexar County, Texas (Cause Number 2000CI05482). The petition demands payment of charges for services used and for charges which continue to accrue under the terms of the three-year agreement between the Company and ITS. ITS has asserted that it did not have a binding written contract and does not owe the Company for any service not used.

The Company has outstanding receivables related to these private network customers for both services used and services which continue to accrue under the terms of the respective agreements. While the Company can not estimate the possible loss, if any, related to these receivables, there can be no assurance that the resolutions of both of these disputes would not have a material effect on the Company's results of

11

operations. As such, the Company has established a reserve for the amounts related to services, which continue to accrue under the agreements.

On January 29, 1999 and March 3, 1999, respectively, one of the Company's customer Twister Communications, Inc. and the Company filed Demands for Arbitration seeking damages for breach of contract before the American Arbitration Association. An arbitration panel was selected and the companies began the process of completing written discovery. On May 23, 2000, Twister Communications, Inc. was placed in involuntary Chapter 7 bankruptcy by three of its other creditors (U.S. Bankruptcy Court for the Southern District of Texas, Houston Division, Case No. 00-34799-H1-7). The bankruptcy trustee's initial report to the court indicates that Twister does not possess sufficient assets to pay any meaningful portion of its debt.

In light of the recent events, the Company believes it is unlikely that it will be able to recover any portion of its debt and will write off the approximate \$846,000 receivable from its customer. Because the Company had previously allowed for this receivable in its entirety, the write-off will have no impact on the earnings of the Company but will reduce both the Company's Accounts Receivable and its Allowance for Doubtful Accounts.

9. RELATED PARTY TRANSACTIONS

In February 2000, the Company's Board of Directors approved a plan to lend approximately \$1.4 million, at a market interest rate, in the aggregate to certain key executive officers to allow them to exercise approximately 2,250,000 of their vested options. The executive officers who borrowed under the plan must adhere to the following conditions: 1) they must contribute 10% in cash of the amount borrowed; 2) the stock obtained with the exercises must be escrowed under a twelve month standstill agreement or until such time as the note is paid; and 3) any derivative equity obtained from the stock's ownership must be escrowed for a six-month period. As of April 30, 2000, the Company had lent approximately \$1.2 million to key executive officers allowing them to exercise vested options. The Company recognized the transaction by recording a note receivable for each executive officer.

10. SUBSEQUENT EVENTS

On June 8, 2000 the Company announced that it had signed a definitive agreement to acquire a Mexican company which holds a long distance concession license in that country. The terms of the agreement call for the Company and its Mexican affiliates to purchase 100% of the stock of Grupo Intelcom de Mexico, S.A. de C.V. from Alfonso Torres Roqueni (a 51% stockholder) and COMSAT Mexico, S.A. de C.V. (a 49% stockholder) for a total of approximately \$755,500 in cash, \$500,000 in the form of a note payable and 400,000 shares of American TeleSource International, Inc. stock. Additionally, Mr. Torres will receive 100,000 warrants exercisable at \$6.00 for a period of three years. As previously announced, the transfer of the long distance concession license has already been approved by Mexico's telecommunications regulator, Comision Federal de Telecomunicaciones ("Cofetel"). Final regulatory authorization from the Secretaria de Comunicaciones y Transportes ("SCT"), a process required in any telecommunications business combination in Mexico, is pending.

On June 14, 2000 the Company announced that it had signed a definitive agreement to acquire privately-held San Diego, California-based Genesis Communications International, Inc. ("Genesis") in exchange for approximately \$37.3 million in shares of ATSI common stock. Closing of the transaction is

12

contingent on required U.S. regulatory approval and other customary conditions. In accordance with the agreement, the number of shares to be issued upon consummation of the transaction will be within a range of approximately 4.7 million to 9.6 million shares, depending upon ATSI's stock price at closing.

Genesis is certified as an inter-exchange carrier ("IXC") in California, Colorado, New Jersey, Nevada, New Mexico, Oregon, Illinois, Florida, New York, Utah and Texas. Genesis is also certified as a local exchange carrier ("CLEC") in California, Arizona, Nevada, New Mexico, New Jersey, Oregon, Florida, New York and Texas.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Specifically, all statements other than statements of historical facts included in the report regarding the Company's financial position, business strategy and plans and objectives of management of the Company for future operations are forward-looking statements. These forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "could," "estimate," "expect" and "intend" and words or phrases of similar import, as they relate to the Company or Company's management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions related to certain factors including, without limitation, the inability to obtain capital, changes in the Mexican political or economic environment, the adoption by Mexico of new laws or regulations, or changes effected by Mexico to existing laws affecting the communications industry generally or the Company specifically, increased or redirected competition efforts, targeting the Company's services or operation, by competitors, general economic conditions, customer relations, relationships with vendors, the interest rate environment, seasonality, the operation of the Company's network, the ability of the Company's direct sales force to successfully replace its independent marketing representatives or the failure of its direct sales force to produce anticipated results, transmission costs, product introductions and acceptance, the inability to continue to generate new sources of revenue, technological change, changes in industry practices, one-time events and other factors described herein ("cautionary statements"). Reference is made to the risks and uncertainties described in the Company's annual report on Form 10-K. Although the Company believes that the expectations are reasonable, it can give no assurance that such expectations will prove to be correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable cautionary statements.

General

The Company's mission is to employ leading-edge technologies for delivery of exceptional telecommunication services to underserved Latino markets in the U.S. and Latin America emphasizing convenience, accessibility, quality, reliability, and affordability, while continually seeking to add value through new and innovative products and services. Utilizing a framework of licenses, interconnection and service agreements, network facilities and retail distribution channels (hereinafter collectively referred to

13

as the "framework"), the Company is primarily focused on capturing market share in the international telecommunications corridor between the United States and Mexico. Even with poor phone-line penetration, the Company's research indicates that Mexico may exchange more international traffic with the U.S. than any other country in the world within the next two years. As the regulatory environments allow, the Company plans to establish framework in other Latin American countries as well. In addition to the U.S. and Mexico, the Company currently owns or has rights to use facilities in and has strategic relationships with carriers in Costa Rica, El Salvador, and Guatemala.

Utilizing the framework described above, the Company provides local, domestic long distance and international calls from its own public telephones and communication centers within Mexico. Consumers visiting a Company-owned communication center or public telephone may dial directly to the desired party in exchange for cash payment, or can charge the call to a U.S. address (collect, person-to-person, etc.) or calling card, or to a U.S. dollar-denominated credit card with the assistance of an operator. In July 1998, the Company began providing domestic U.S. and international call services to Mexico to residential customers on a limited basis in the U.S. Callers may either pre-subscribe to the Company's one-plus residential service, or dial around their pre-subscribed carrier by dialing 10-10-624, plus the area code and desired number. Where possible, these retail calls are transported over the Company's own network infrastructure.

Utilizing the same framework described above, the Company also serves as a retail and wholesale facilities-based provider of network services for corporate clients and U.S. and Latin American telecommunications carriers. These customers typically lack transmission facilities into certain markets, or require additional capacity into certain markets. The Company currently provides these services to and from the United States, Mexico, Costa Rica, El Salvador and Guatemala.

In June 2000, the Company announced that it had signed a definitive agreements to purchase Grupo Intelcom, S.A. de C.V., a Mexican entity which holds a 30-year long distance concession in that country. Upon consummation of the transaction, the Company intends to extend its network in Mexico beyond its backbone network, interconnecting into the local telephone infrastructure in targeted markets in Mexico. By doing so, the Company hopes to ultimately process the majority of its telecommunications traffic "on-net", reducing its direct cost of doing business.

The Company is also the sole owner of GlobalSCAPE, Inc., which is rapidly becoming a leader in electronic commerce of top Internet-based software, utilizing the Web as an integral component of its development, marketing, distribution and customer relationship strategies. Utilizing CuteFTP as its flagship product, GlobalSCAPE has a user base of approximately 10 million users as of January 31, 2000.

The Company's consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Although the Company has positive working capital of approximately \$2.4 million at April 30, 2000, the Company has incurred losses since inception and has not been able to generate positive cash flows from operations on a consistent basis. For the reasons stated in Liquidity and Capital Resources and subject to the risks referred to in Liquidity and Capital Resources, the Company expects improved results of operations and liquidity during the next twelve months.

14

Results of Operations

The following table sets forth certain items included in the Company's results of operations in dollar amounts and as a percentage of total revenues for the three and nine-month periods ended April 30, 1999 and 2000.

<TABLE>	
<CAPTION>	
Three months ended April 30,	Nine months ended April 30,

	1999		2000		1999		2000	
					(unaudited)			
	\$	%	\$	%	\$	%	\$	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Operating revenues:								
Network Services								
Carrier	\$ 1,877	25 %	\$ 5,362	56 %	\$ 10,621	41 %	\$ 17,019	57 %
Private Network	1,430	19 %	488	5 %	3,698	14 %	1,828	6 %
Call Services								
Integrated Prepaid	1,399	19 %	1,590	17 %	4,023	16 %	4,511	15 %
Postpaid	2,046	28 %	690	7 %	5,594	22 %	2,853	10 %
Internet e-commerce	679	9 %	1,387	15 %	1,856	7 %	3,440	12 %
Total operating revenues	7,431	100 %	9,517	100 %	25,792	100 %	29,651	100 %
Cost of services	4,142	56 %	6,723	71 %	15,467	60 %	20,353	69 %
Gross margin	3,289	44 %	2,794	29 %	10,325	40 %	9,298	31 %
Selling, general and administrative expense	3,000	40 %	3,755	39 %	9,187	36 %	10,382	35 %
Bad debt expense	240	3 %	172	2 %	627	2 %	385	1 %
Depreciation and amortization	942	13 %	1,129	12 %	2,349	9 %	3,464	12 %
Operating loss	(893)	(12) %	(2,262)	(24) %	(1,838)	(7) %	(4,933)	(17) %
Other, net	(420)	(6) %	(350)	(4) %	(1,205)	(5) %	(1,438)	(5) %
Net loss	(1,313)	(18) %	(2,612)	(28) %	(3,043)	(12) %	(6,371)	(22) %
Less: preferred dividends	(31)	0 %	(3,917)	(41) %	(31)	0 %	(5,811)	(20) %
Net loss to common stockholders	\$ (1,344)	(18) %	\$ (6,529)	(69) %	\$ (3,074)	(12) %	\$ (12,182)	(42) %

</TABLE>

Three Months Ended April 30, 2000 Compared to Three Months Ended April 30, 1999

Operating revenues. Operating revenues increased approximately \$2.1 million, or 28%, due to increases in the Company's carrier, integrated prepaid and Internet e-commerce services. This increase was offset to some extent by the decline in the Company's private network and postpaid services.

Network management services increased approximately \$2.5 million, or 77%. This growth was principally due to the additional minutes processed for third party carriers during the quarter ended April 30, 2000. The Company processed approximately 50.5 million minutes of traffic for these carriers during the quarter ended April 30, 2000, as compared to approximately 8.7 million minutes during the quarter ended April 30, 1999. In the fourth quarter ended July 31, 1999, the Company's alternate fiber route became

fully operational enabling the Company to increase its volume of carrier traffic over the quarter ended April 30, 1999. Due to pricing and other market pressures, the Company's revenues per minute for carrier services declined significantly between quarters resulting in revenue increases far less than the associated volume increases. As the Company continues to shift its focus towards retail-based call services, it is likely that the growth trend in its third party carrier volumes will slow. The Company's research indicates that nearly 80% of international traffic with Mexico goes to/from six markets in the United States (Southern California, Dallas, Houston, South Texas, Chicago and New York). It is our desire to implement a paired market strategy by introducing retail based products in these markets to complement the products to be offered in Mexico. Communication centers are expected to be the magnets for these services just as they are in Mexico. It is the Company's stated goal to grow retail revenue as opposed to wholesale carrier revenues because retail revenues are typically less volatile and produce better margins. The Company's private

network revenues declined from \$1.4 million to \$488,000 between periods due to the loss of customers upon expiration or termination of their contracts. The Company has shifted its focus away from the provision of these private network services to public traffic in the U.S.-Mexican corridor. All of the above revenues are included in the Company's U.S. Telco results in Footnote 5 in the accompanying financial statements as external revenues with the exception of approximately \$107,000 of private network revenues included in the Company's external Mexico Telco results.

Call service revenues decreased approximately \$1.2 million, or 34% between quarters. The decline was principally attributable to lower volumes of operator-assisted calls originating in Mexico and terminating in the U.S, new services such as prepaid cellular being introduced into the market by the Company's competitors, and Mexican cellular providers recently introducing the concept of "calling party pays". During the quarter ended April 30, 2000, the Company processed approximately 10,000 operator-assisted calls originating in Mexico and terminating in the U.S. as compared to approximately 45,000 calls processed in the quarter ending April 30, 1999. The Company now provides these services almost exclusively from its own communication centers and payphones, due to the added expenses associated with third party owned locations. As the Company believes this downturn in operator-assisted call volume trend may continue, it has recently begun utilizing the services of third party owned operator centers to further reduce the cost of providing these calls. The Company receives a commission from these third-party operator centers on a per-call basis, which recognizes as revenue. In the past, the Company recognized revenue on the gross value of a call when it was processed by its own inhouse operator center. As such, the amount of revenue now being recognized per call is lower than it used to be. Integrated prepaid services, calls processed in exchange for cash without utilizing the Company's operator center, increased to \$1.6 million from \$1.4 million for the periods ended April 30, 2000 and April 30, 1999, respectively. The calls are paid for almost exclusively in pesos, and the resulting revenues are translated to U.S. dollars in the accompanying consolidated financial statements. The average conversion rate of pesos to dollars during the quarters ended April 30, 1999 and April 30, 2000, was 9.7 and 9.4 respectively. While call volumes increased slightly between periods, the pesos generated converted to more U.S. dollars, period to period. During the quarter ended April 30, 2000, the Company generated approximately \$13,000 in revenues from the sale of retail services, primarily prepaid calling cards and cellular phones. These revenues, included in the integrated prepaid services' section, were generated in the U.S. and Mexico communication centers. With the exception of approximately \$4,000 of retail services generated by the U.S. communication centers, all of the integrated prepaid revenue is included in the Company's external Mexico Telco results in Footnote 5 in the accompanying financial statements. Approximately \$160,000 of the Company's postpaid revenues are included in the Company's Mexico Telco results, while the approximate \$530,000 of postpaid revenues remaining are included in the Company's U.S. Telco results.

The Company's Internet e-commerce services increased approximately \$708,000, or 104% between

16

quarters. This growth was due primarily to the increased number of downloads of the Internet e-commerce's products between quarters. Downloads grew from nearly 1.4 million in the quarter ended April 1999 to nearly 3.1 million in the quarter ended April 2000. The increase in downloads has resulted in a corresponding increase in the Company's revenues as downloads serve as the primary driver of revenues in coming months as well as increasing the target audience for banner advertisements. The Company began selling banner advertisements in April 1999 and advertising revenues produced approximately 10% of overall e-commerce revenues during the quarter ended April 30, 2000.

Cost of Services. Cost of services increased approximately \$2.6 million, or 62%, between quarters and increased as a percentage of revenues from 56% to 71%, between quarters. The increase in cost of services was principally attributable to the increased volume of carrier services business handled by the Company as discussed above. The increase in cost of sales, as a percentage of revenues, was due primarily to the percentage of lower margin carrier services traffic increasing from 25% to 56% of overall corporate revenues, quarter to quarter. This resultant change in the Company's traffic mix was the primary contributor to an increase in the combined telco operations cost of services from 61% to 82% for the quarter. As long as wholesale carrier services comprise a large percentage of the Company's revenues the telco operations cost of services will be approximately 80%. As such the Company continues to focus on retail growth with an ultimate retail/wholesale mix of 70% retail and 30% wholesale. The Company can not estimate when it will be able to achieve this desired mix.

Selling, General and Administrative (SG&A) Expense. SG&A expenses

increased 25%, or approximately \$755,000, between quarters. As a percentage of revenues, these expenses remained relatively constant. This increase in SG&A was primarily due to added SG&A costs at the Company's Internet e-commerce subsidiary to support the introduction of new products into the market and growth within GlobalSCAPE as it prepares to spin-off from the parent company. GlobalSCAPE's SG&A costs increased approximately \$380,000 between quarters. SG&A costs associated with the Company's telco businesses increased between periods primarily due to the opening of two communication centers in the U.S., as well as costs incurred related to future openings subsequent to April 30th. Additionally, the Company incurred costs related to its American Stock Exchange listing in February 2000, including a listing fee of approximately \$50,000.

Depreciation and Amortization. Depreciation and amortization increased approximately \$187,000, or 20%, between quarters and decreased slightly as a percentage of revenues from 13% to 12%. The increase was primarily related to purchases of property, plant and equipment of approximately \$1.4 million during the twelve months between April 30, 1999 and April 30, 2000.

Operating Loss. The Company's operating loss increased approximately \$1.4 million between quarters and increased as a percentage of revenues from 12% to 24%, due to higher cost of services, increased selling, general and administrative expenses, and increased depreciation and amortization.

Other Income (Expense). Other income (expense) decreased approximately \$70,000 between quarters. This decrease was principally attributable to the Company conversion of convertible notes and a note payable subsequent to January 31 for which the Company incurred additional debt discount expenses.

Preferred Dividends. During the third quarter of fiscal 2000, the Company recorded approximately \$147,000 of dividend expense related to cumulative convertible preferred stock. In addition to cumulative dividends on its Series A, Series C, and Series D Preferred Stock, which are accrued at 10%, 6% and 6%, respectively, the Company has recorded approximately \$3.8 million related to the discount or "beneficial

17

conversion feature" associated with its various preferred stock issuances. Accounting rules call for the Company to amortize as a discount the difference between the market price and the most beneficial conversion price to the holder over the lesser of the period most beneficial to the holder or upon exercise of the conversion feature. Due to increases in the Company's stock price at the time such issuances occurred, this "beneficial conversion feature" has in some instances been substantial. The period over which this amortization is recorded ranges from immediately for the Company's Series D Preferred Stock to one year for the Company's various Series A Preferred Stock issuances. The Company's preferred stock issuances between February 2000 and April 2000 were approximately \$4.0 million. As of April 30, 2000 the Company has approximately \$1.4 million of discount recorded related to the beneficial conversion features of its December 1999 and February 2000 Series A Preferred Stock which will be amortized over the next eight and ten months.

Net loss. The net loss between quarters increased by approximately \$5.2 million from \$1.3 million to \$6.5 million due primarily to increased cost of services as a percentage of revenues, increased selling, general and administrative expenses, and preferred stock dividends and discounts.

Nine Months Ended April 30, 2000 Compared to Nine Months Ended April 30, 1999

Operating revenues. Operating revenues increased approximately \$3.9 million, or 15%, due to growth in the Company's carrier, integrated prepaid and Internet e-commerce services. This increase was offset to some extent by the decline in the Company's private network and postpaid services.

Network management services increased approximately \$4.5 million, or 32%. This growth was principally due to the additional minutes processed for other carriers during the nine months ended April 31, 2000. The Company processed approximately 51.7 million minutes of traffic for other carriers during the nine months ended April 30, 1999, as compared to approximately 137.5 million minutes during the nine months ended April 30, 2000. Due to pricing and other market pressures, the Company's revenues per minute for carrier services declined significantly between periods resulting in revenue increases far less than the associated volume increases. As the Company continues to shift its focus towards retail-based call services, it is likely that the growth trend in its third party carrier volumes will slow. The Company's research indicates that nearly 80% of international traffic with Mexico goes to/from six markets in the United States (Southern California, Dallas, Houston, South Texas, Chicago and New York). It is our desire to implement a paired market strategy by introducing retail based products in these markets to complement the products to be offered in Mexico. Communication centers are expected to be the magnets for these

services just as they are in Mexico. It is the Company's stated goal to grow retail revenue as opposed to wholesale carrier revenues because retail revenues are typically less volatile and produce better margins. The Company's private network revenues declined from \$3.7 million to \$1.8 between periods due to the loss of customers upon expiration or termination of their contracts. The Company has shifted its focus away from the provision of these private network services to public traffic in the U.S.-Mexican corridor. All of the above revenues are included in the Company's U.S. Telco results in Footnote 5 in the accompanying financial statements as external revenues with the exception of approximately \$380,000 of private network revenues included in the Company's external Mexico Telco results.

Call service revenues decreased approximately \$2.3 million, or 23% between periods. The decline was principally attributable to lower volumes of operator-assisted calls originating in Mexico and terminating in the U.S, new services such as prepaid cellular being introduced into the market by the Company's competitors, and Mexican cellular providers recently introducing the concept of "calling party pays". During the nine months ended April 30, 2000, the Company processed approximately 42,000

18

operator-assisted calls originating in Mexico and terminating in the U.S. as compared to approximately 128,000 calls processed in the nine months ending April 30, 1999. The Company now provides these services almost exclusively from its own communication centers and payphones, due to the added expenses associated with third party owned locations. As the Company believes this downturn in operator-assisted call volume trend may continue, it has recently begun utilizing the services of third party owned operator centers to further reduce the cost of providing these calls. The Company receives a commission from these third-party operator centers on a per-call basis, which recognizes as revenue. In the past, the Company recognized revenue on the gross value of a call when it was processed by its own in-house operator center. As such, the amount of revenue now being recognized per call is lower than it used to be. Integrated prepaid services, calls processed in exchange for cash without utilizing the Company's operator center, increased to \$4.5 million from \$4.0 million for the periods ended April 30, 2000 and April 30, 1999, respectively. The calls are paid for almost exclusively in pesos, and the resulting revenues are translated to U.S. dollars in the accompanying consolidated financial statements. The average conversion rate of pesos to dollars during the periods ended April 30, 1999 and April 30, 2000, was 9.9 and 9.4 respectively. While call volumes increased slightly between periods, the pesos generated converted to more U.S. dollars, period to period. During the nine months ended April 30, 2000, the Company generated approximately \$18,000 in revenues from the sale of retail services, primarily prepaid calling cards and cellular phones. These revenues, included in integrated prepaid, were generated in the U.S. and Mexico communication centers. With the exception of approximately \$4,000 of retail services generated by the U.S. communication centers, all of the integrated prepaid revenue is included in the Company's external Mexico Telco results in Footnote 5 in the accompanying financial statements. Approximately, \$400,000 of the Company's postpaid revenues are included in the Company's Mexico Telco results, while the approximate \$2.4 million of postpaid revenues remaining are included in the Company's U.S. Telco results.

The Company's Internet e-commerce services increased approximately \$1.6 million, or 85% between periods. This growth was due primarily to the increased number of downloads of the Internet e-commerce's products between periods. Downloads grew from nearly 2.6 million in the nine months ended April 30, 1999 to approximately 7.4 million in the nine months ended April 30, 2000. The increase in downloads has resulted in a corresponding increase in the Company's revenues as downloads serve as the primary driver of revenues in coming months as well as increasing the target audience for banner advertisements.

Cost of Services. Cost of services increased approximately \$4.9 million, or 32%, between periods and increased as a percentage of revenues from 60% to 69%, between periods. The increase in cost of services was principally attributable to the increased volume of business handled by the Company as discussed above. The increase in cost of sales, as a percentage of revenues, was due primarily to the percentage of lower margin carrier services traffic increasing from 41% to 57% of overall corporate revenues, period to period. This resultant change in the Company's traffic mix was the primary contributor to an increase in the combined telco operations cost of services from 64% to 77% for the period. As long as wholesale carrier services comprise a large percentage of the Company's revenues the telco operations cost of services will be approximately 80%. As such the Company continues to focus on retail growth with an ultimate retail/wholesale mix of 70% retail and 30% wholesale. The Company can not estimate when it will be able to achieve this desired mix.

Selling, General and Administrative (SG&A) Expense. SG&A expenses increased 13%, or approximately \$1.2 million, between periods. As a percentage

of revenues, these expenses remained relatively constant. The increase in SG&A was primarily due to added SG&A costs at the Company's Internet e-commerce subsidiary to support the introduction of new products into the market and growth

19

within GlobalSCAPE as it prepares to spin-off from the parent company. GlobalSCAPE's increase in SG&A costs period to period was approximately \$740,000. SG&A costs associated with the Company's telco businesses increased between periods primarily due to the opening of two communication centers in the U.S. as well as costs incurred related to future openings subsequent to April 30th. Additionally, the Company incurred costs related to its American Stock Exchange listing in February 2000, including a listing fee of approximately \$50,000.

Depreciation and Amortization. Depreciation and amortization increased approximately \$1.1 million, or 47%, between periods and increased as a percentage of revenues from 9% to 12%. The increase was primarily related to purchases of property, plant and equipment of approximately \$1.4 million for the nine months ended April 30, 2000.

Operating Loss. The Company's operating loss increased approximately \$3.1 million between periods and increased as a percentage of revenues from 7% to 17%, due to higher cost of services, increased selling, general and administrative expenses, and increased depreciation and amortization.

Other Income (Expense). Other income (expense) increased approximately \$233,000 between periods. This increase was principally attributable to additional debt discount expense associated with the Company's conversion of convertible notes and a note payable in January 2000. Additional increases in interest expense are a result of increased indebtedness and capital leases.

Preferred Dividends. During the nine months ending April 30, 2000, the Company recorded approximately \$325,000 of dividend expense related to cumulative convertible preferred stock. In addition to cumulative dividends on its Series A, Series B, Series C, and Series D Preferred Stock, which are accrued at 10%, 6%, 6%, and 6%, respectively, the Company has recorded approximately \$5.5 million related to the discount or "beneficial conversion feature" associated with its various preferred stock issuances. Accounting rules call for the Company to amortize as a discount the difference between the market price and the most beneficial conversion price to the holder over the lesser of the period most beneficial to the holder or upon exercise of the conversion feature. Due to increases in the Company's stock price at the time such issuances occurred this "beneficial conversion feature" has in some instances been substantial. The period over which this amortization is recorded ranges from immediately for the Company's Series D Preferred Stock to one year for the Company's various Series A Preferred Stock issuances. The proceeds of the preferred stock issuances during the nine months ended April 30, 2000 were approximately \$5.8 million. As of April 30, 2000, the Company has approximately \$1.4 million of discount recorded related to the beneficial conversion features of its December 1999 and February 2000 Series A Preferred Stock which will be amortized over the next eight and ten months.

Net loss. The net loss for the nine months ended April 30, 2000 increased approximately \$9.1 million to \$12.2 million from the \$3.1 million net loss for the nine months ended April 30, 1999. The increased net loss was due primarily to increased cost of services as a percentage of revenues, increased selling, general and administrative expenses, increased depreciation and amortization expense, increased interest expense and the preferred stock dividends and discounts.

Liquidity and Capital Resources

During the nine months ended April 30, 2000, the Company generated negative cash flows from operations of approximately \$3.8 million. The amount of cash used in the Company's operations is a result of the net loss incurred during the period, as well as activities related to payments to vendors. The Company

20

has historically operated with negative cash flows and has sought to fund those losses and deficits by completing private equity placements.

For the nine months ended April 30, 2000, the Company's net loss, after adjustments for non-cash items (depreciation and amortization, amortization of debt discount, deferred compensation and the provision for losses on accounts receivable) was approximately \$1.8 million. Management of the operating assets and liabilities, which consists mainly of collections on accounts receivable and

payments made on outstanding payables and accrued liabilities, produced negative cash flows of approximately \$2.0 million, resulting in the negative cash flows for the period of \$3.8 million. For the three months ended April 30, 2000, the Company's net loss, after adjustments for the same non-cash items mentioned above, was approximately \$1.3 million. Management of its operating assets and liabilities resulted in a net amount of cash being used of \$2.0 million. Although the Company has produced negative earnings before interest, taxes, depreciation and amortization ("EBITDA") of approximately \$1.5 million during the nine month period ending April 30, 2000, cash raised from private equity issuances (discussed below) has allowed the Company to reduce its combined accounts payable/acrued liabilities balance by approximately \$1.2 million between July 31, 1999 and April 30, 2000.

Until the Company is able to produce positive cash flows from operations on a recurring basis, management will be faced with deciding whether to use available funds to pay vendors and suppliers for services necessary for operations, to service its debt requirements, or to purchase equipment to be used in the growth of the Company's business. Until then, the Company's operating activities may result in net cash being used, or provided, during quarterly periods, regardless of the Company's income statement results for the periods.

During the nine months ended April 30, 2000, the Company received cash proceeds, net of issuance costs, of \$5.7 million from the issuance of preferred stock, and \$4.8 million from the issuance of common stock as a result of warrant and option exercises. These funds were used to pay down outstanding payables balances as mentioned above, to make payments on the Company's debt and capital lease obligations, and to purchase approximately \$1.2 million in equipment used in the Company's network operations. On January 31, 2000, the Company converted approximately \$2.9 million in outstanding notes and accrued interest which had been classified as a current liability into common stock of the Company. The net result of the Company's operating, investing and financing activities was an increase in cash during the period of \$3.6 million and positive working capital at April 30, 2000 of approximately \$1.2 million. This represents a \$8.1 million improvement over the Company's working capital deficit of \$6.9 million at July 31, 1999 and a \$5.1 million improvement over the working capital deficit of \$3.9 million at January 31, 2000.

As of April 30, 2000, the Company was in default of financial covenants related to revenues, gross margins and EBITDA with NTFC Capital Corporation, which provided a long-term capital lease of approximately \$2.0 million for the Company's international gateway switch in Dallas, Texas. The Company requested and received a waiver of its requirements as of that date. Based upon the Company's results before and after the period ended April 30, 2000, the Company will most likely be in default of these same covenants at the end of its next fiscal quarter and year end, July 31, 2000. As such, the Company has requested that NTFC review the Company's current business plan, including expected results and capital requirements, in order to re-set the financial covenants applicable to its capital lease obligation and prevent events of default from occurring on a quarterly basis going forward. Based on discussions with NTFC, management believes it is probable that NTFC will re-set the financial covenants such that the Company will be in compliance as of July 31, 2000. NTFC is in the process of reviewing this information, and the Company anticipates receiving the results of this review prior to July 31, 2000. As such, the Company has

21

classified its obligation to NTFC as long-term. However, should the Company not receive revised financial covenants from NTFC, it is likely that the Company will be required to classify its entire obligation to NTFC as current as of July 31, 2000.

Until the Company is able to produce positive cash flows from operations on a recurring basis, it will need to continue to seek outside sources of funds to continue operations on a long-term basis.

On February 17, 2000, the Company announced plans to capitalize on the value of its wholly owned subsidiary, GlobalSCAPE, Inc. by spinning out a portion of its ownership in GlobalSCAPE to its shareholders, and offering additional GlobalSCAPE shares to ATSI shareholders and the GlobalSCAPE customer base. Shareholders of ATSI will be allowed to participate in these transactions, which are designed to accomplish three goals: 1) To increase ATSI shareholder value; 2) to raise funds necessary for further growth at GlobalSCAPE, and 3) to raise funds necessary for further growth at ATSI. Management anticipates that the transaction will provide cash to ATSI to reduce or eliminate its working capital deficit. In addition, the transactions should also provide an ongoing benefit to ATSI, as it will realize a stepped-up benefit through its retained ownership in GlobalSCAPE, enhancing its own financial position and its ability to act on or finance opportunities going forward. However, depending on the percentage of its ownership to be retained after the spin-off and offering,

GlobalSCAPE will contribute less profits and cash flows to ATSI. Because GlobalSCAPE currently contributes significantly to the Company's consolidated EBITDA results, the Company expects its consolidated operating and cash flow results to decline after the spin-off and offering.

In the near term, the Company must continue to manage its costs of providing services and overhead costs as it begins focusing on optimizing use of its network. On June 8, 2000, the Company announced that it had secured a long distance concession in Mexico which it believes will eventually allow it to significantly reduce its cost of transporting services. In order for it to significantly reduce costs with the concession, the Company would need to purchase a significant amount of hardware and software, allowing it to expand and operate its own network in Mexico. The Company believes that these capital expenditures may approximate \$60 million over a five-year period. Should the Company be granted this concession it would likely need to raise these funds through additional debt and/or equity capital. On April 14, 2000, in anticipation of these funding requirements, and to meet its current cash flow needs, the Company signed an agreement with a private equity fund, under which the fund agreed to purchase up to 5,000,000 shares of the Company's common stock over an eighteen month period. The Company has no initial commitment to draw on the facility, but may do so based upon average trading volumes on an as-needed basis as often as every twenty days, subject to certain restrictions. The amount of funds to be generated under the facility for Company use will depend on the price of ATSI's common stock at the time each draw is executed. Before the Company can draw on the facility, any shares to be issued under the facility must be registered with the Securities and Exchange Commission. As of June 14, no registration statement had been filed to do so.

On June 14, 2000, the Company announced that it signed a definitive agreement to acquire privately-held San Diego, California-based Genesis Communications International, Inc. ("Genesis") in exchange for approximately \$37.3 million in shares of ATSI common stock. Closing of the transaction is contingent upon, among other things, required U.S. regulatory approval. In accordance with the agreement, the number of shares to be issued upon consummation of the transaction will be within a range of approximately 4.7 million to 9.6 million shares, depending upon ATSI's stock price at closing.

Over the past five years, Genesis has successfully penetrated the Latino markets in the United States and has captured a customer base consisting of 65,000 long distance customers and 10,000 local service customers.

22

Genesis is certified as an inter-exchange carrier ("IXC") in California, Colorado, New Jersey, Nevada, New Mexico, Oregon, Illinois, Florida, New York, Utah and Texas. Genesis is also certified as a local exchange carrier ("CLEC") in California, Arizona, Nevada, New Mexico, New Jersey, Oregon, Florida, New York and Texas. For the year ended December 31, 1999, Genesis produced revenues of approximately \$24.1 million, EBITDA of approximately \$1.6 million and net income before taxes of approximately \$570,000. Through May 30, 2000, the Company has continued to produce positive EBITDA. No assurances may be given that it will continue to produce positive EBITDA. ATSI management believes that, if the transaction is consummated, the acquisition of Genesis will enhance the Company's cash flows and will be accretive to earnings.

Until the Company is able to produce positive cash flows from operations in an amount sufficient to meet its debt service and capital expenditure requirements, it must be able to access debt and/or equity capital to assist it in doing so, although no assurance may be given that it will be able to do so. In an effort to meet its financial needs going forward, the Company has engaged the investment banking firm of Gerard, Klauer Mattison & Co. ("GKM"). GKM is assisting the Company in finding and securing financial and strategic relationships. While the Company will continue to work with GKM in forming medium and long-term financing solutions, it may be necessary for the Company to continue to access debt and/or equity capital in the near-term.

Inflation/Foreign Currency

Inflation has not had a significant impact on the Company's operations. With the exception of integrated prepaid revenues from the Company's communication centers and payphones, almost all of the Company's revenues are generated and collected in U.S. dollars. Integrated prepaid services from the Company's communication centers and payphones are provided at the time of the call in exchange for cash payment, so the Company does not maintain receivables on its books that are denominated in pesos. In an effort to reduce foreign currency risk, the Company attempts to convert pesos collected to U.S. dollars quickly and attempts to maintain minimal cash balances denominated in pesos. Some expenses related to certain services provided by the Company are incurred in foreign currencies, primarily Mexican pesos. The devaluation of the Mexican peso over the past several years has not had a material adverse effect on the

Company's financial condition or operating results.

PART II OTHER INFORMATION

Item 2 Change in Securities and Use of Proceeds

None.

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits:

The exhibits listed below are filed as part of this report.

Exhibit
Number

-
- 4.1 Securities Purchase Agreement between COMSAT Mexico, S.A. de C.V. and ATSI (Exhibit to this Form 10-Q filed June 14, 2000)
- 4.2 Escrow Agreement between COMSAT Mexico, S.A. de C.V. and ATSI (Exhibit to this Form 10-Q filed June 14, 2000)

23

- 4.3 Securities Purchase Agreement between Alfonso Torres Roqueni and ATSI (Exhibit to this Form 10-Q filed June 14, 2000)
- 4.4 Escrow Agreement between Alfonso Torres Roqueni and ATSI (Exhibit to this Form 10-Q filed June 14, 2000)
- 4.5 Warrant Agreement between Alfonso Torres Roqueni and ATSI (Exhibit to this Form 10-Q filed June 14, 2000)
- 4.6 Promissory Note between Alfonso Torres Roqueni and ATSI (Exhibit to this Form 10-Q filed June 14, 2000)
- 11 Computation of Earnings per Share (Exhibit to this Form 10-Q filed June 14, 2000)
- 27 Financial Data Schedule (Exhibit to this Form 10-Q filed June 14, 2000)

(b) Current Reports on Form 8-K.

None.

24

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN TELESOURCE INTERNATIONAL INC.
(Registrant)

Date: June 14, 2000

By: /s/ H. Douglas Saathoff

Name: H. Douglas Saathoff

Title: Chief Financial Officer

25

Agreement for the Sale and Purchase
Of Part of the Issued Share Capital of
Grupo Intelcom de Mexico, S.A. de C.V.

This Agreement (this "Agreement") dated effective as of June 6, 2000 is between COMSAT Mexico, S.A. de C.V., a Mexican corporation with principal offices located at Av. Renato Leduc 321 Col. Toriello Guerra, Tlalpan, C.P. 14050, Mexico ("COMSAT Mexico" or "Seller"), and American TeleSource International, Inc., a Delaware corporation with principal offices at 12500 Network Boulevard, San Antonio, Texas, USA ("ATSI" or "Purchaser"). Seller and Purchaser shall each be referred herein, individually, as a "Party" and, collectively, as the "Parties".

RECITALS

- A. Grupo Intelcom de Mexico, S.A. de C.V. (the "Company") is a corporation organized under the laws of Mexico;
- B. COMSAT Mexico owns Two Hundred Sixty Six Thousand, Two Hundred Thirty One (266,231) shares of the stock of the Company (which shares shall be referred to herein as the "Shares"), representing forty-nine percent (49%) of the issued and outstanding shares of Company stock;
- C. COMSAT Mexico desires to sell the Shares to ATSI, and ATSI desires to purchase the Shares from COMSAT Mexico in accordance with the terms and conditions set forth in this Agreement.

Therefore, for the consideration described in this Agreement and for other consideration the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Definitions. The following terms shall have the meanings set forth below:

"Closing" shall have the meaning given in Section 4 below.

"CFCE" shall mean the Comision Federal de Competencia Economica de Mexico.

"COFETEL" shall mean the Comision Federal de Telecomunicaciones de Mexico.

"Escrow Termination Date" shall mean September 30, 2000, or any later date that may be established by COFETEL for the start of operations under the Long Distance License.

"knowledge of" shall mean (i) in the case of natural person, the particular fact was known, or not known, as the context requires, to that person after duly diligent investigation and inquiry by that person, and (ii) in the case

of an entity, the particular fact was known, or not known, as the context requires, to any employee of such entity

1

after duly diligent investigation and in inquiry by the principal executive officer of that entity, or such officer's representative.

"Escrow Agent" - Chase Bank of Texas, N.A. serving as escrow agent under the terms of the Escrow Agreement attached as Exhibit 1.

"Escrow Deposit" shall have the meaning given in Section 4(d) below.

"Long Distance License" means that concession issued on June 4, 1998 by the SCT to the Company.

"Majority Shareholder" shall mean Dr. Alfonso Roqueni Torres, an individual who, as of the date of this Agreement, owns fifty-one percent (51%) of the issued and outstanding shares of the Company.

"SCT" shall mean the Secretaria de Comunicaciones y Transportes de Mexico.

"SRE" shall mean Secretaria de Relaciones Exteriores de Mexico.

2. Sale and Purchase of Shares. Subject to the terms of this Agreement, the Seller sells, and the Purchaser purchases for the purchase price set forth in Section 3 below, the Shares.

3. Purchase Price. The purchase price for the Shares shall be Seven Hundred and Fifty Thousand and no 00/100's U.S. Dollars (\$750,000.00) (the "Purchase Price").

4. Closing. The parties agree that the following must occur contemporaneously with the execution of this Agreement and as a condition to the effectiveness of this Agreement (the "Closing"):

(a) Escrow Agent, Seller and Purchaser shall have executed the Escrow Agreement attached as Exhibit 1 and each party shall have received evidence of

execution via facsimile, with original to follow via overnight mail to the address provided for each party in Section 11 of this Agreement;

(b) Each party shall have received evidence of execution of this Agreement by the other party via facsimile with original to follow via overnight mail to the addresses provided for each party in Section 11 of this Agreement;

(c) Purchaser shall have delivered Six Hundred Seventy Five Thousand U.S. Dollars and no 00/100's (\$675,000.00) to Seller in immediately available funds by wire transfer to the Seller's account at Citibank, NA ABA 021000089 Account

(d) Purchaser shall have delivered Seventy Five Thousand U.S. Dollars and no 00/100's (\$75,000.00) to the Escrow Agent in immediately available funds by wire

2

transfer to the Escrow Agent's account at: Chase Bank of Texas, N.A. - Houston, TX, ABA #: 113000609, Credit: Trust Clearing Account #00101606276, FFC: American TeleSource/COMSAT Escrow Account #21180-00, Attn: May Ng x6467 (the "Escrow Deposit");

(e) Seller shall have delivered duly executed transfers of the Shares to the Escrow Agent;

(f) Seller shall have delivered an Officer's Certificate in the form attached as Exhibit 4(f)-1 executed by its Director General and a Secretary's Certificate in the form attached as Exhibit 4(f)-2; and

(g) Purchaser shall have delivered an Officer's Certificate in the form attached as Exhibit 4(g)-1 executed by its Chief Executive Officer and the Secretary's Certificate in the form attached as Exhibit 4(g)-2 executed by its Secretary.

5. Release of Escrow. Seller and Purchaser, acting in good faith, shall execute the Release of Escrow in the form attached as Exhibit A of the Escrow Agreement no later than the third business day following the satisfaction of the Conditions Precedent to Release of Escrow described in Section 6 below. In the event that such conditions precedent are not satisfied by the Escrow Termination Date, then this Agreement may be terminated by either Party by the provision of written notice to the other Party and the Escrow Deposit and the Shares will be returned in accordance with the Escrow Agreement.

6. Conditions Precedent to Purchaser's Obligation to Release Escrow. Purchaser's obligation to execute the Release of Escrow is subject to the satisfaction of the following conditions precedent:

(a) Majority Shareholder Agreement. Purchaser and the Majority Shareholder shall have executed an Agreement for the transfer of control of the Majority Shareholder's interest in the Company and the required regulatory notices and applications in connection with the transfer of the Majority Shareholder's interest in the Company shall have been made;

(b) Resignations of Officers. All of the officers of the Company, if any, shall have tendered their resignations (which resignations may be contingent upon the completion of the Release of Escrow contemplated hereunder);

(c) Consents. The following consents and approvals have been obtained or applied for, as indicated below:

- (i) SCT approval required for the transfer of the Shares to Purchaser shall have been obtained;

3

- (ii) SRE approval required for change of the name of the Company to a name mutually agreeable to the parties (which shall not include the word "COMSAT") shall have been obtained, and application to the SCT for the change of the name shall have been made.
- (iii) CFCE approval, if required, for transfer of the shares to Purchaser shall have been obtained.

7. Representations and Warranties of Seller. Seller represents and warrants the following as of the date of this Agreement:

(a) Ownership of Stock. Seller owns good and marketable title to the entire interest in the Shares, is the record owner of the Shares, and the Shares are delivered to Purchaser free and clear of all adverse claims, security interests, encumbrances, proxies, options, shareholder agreements or other restrictions (except those which may be imposed under Mexican or U.S. law or regulation).

(b) Organization and Good Standing; Qualification. Seller is a sociedad anonimo de capital variable duly organized, validly existing and in good standing under the laws of Mexico, with all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement.

(c) Capitalization. The authorized capital stock of the Company consists of 543,313 shares of common stock, par value \$ 1.00 Mexican Peso per share, of which 543,313 shares are issued and outstanding. The Shares are duly authorized, validly issued, fully paid and nonassessable.

(d) Authorization and Validity. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by Seller. This Agreement has been duly executed and delivered by Seller and constitutes the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or the availability of equitable remedies.

(e) No Violation. Neither the execution, delivery or performance of this Agreement or the other agreements contemplated hereby nor the consummation of the transactions contemplated hereby or thereby will (i) conflict with, or result in a violation or breach of the terms, conditions or provisions of, or constitute a default under, the organizational documents or Bylaws of the Company or any agreement, indenture or other instrument under which the Company is bound or to which the Shares or any of the assets of the Company are subject,

or result in the creation or imposition of any security interest, lien, charge or encumbrance upon the Shares or any of the assets of the Company, or (ii) violate or conflict with any judgment, decree, order, statute, rule or

regulation of any court or any public, governmental or regulatory agency or body having jurisdiction over the Company, or the Shares or the assets of the Company.

(f) Consents. To the knowledge of Seller, except as indicated as conditions precedent to closing in Section 6(c) of this Agreement, or those that may be required in order to effect the Majority Shareholder Closing described in Section 6(a) of this Agreement, there are no consents, authorizations, approvals of, nor is there any governmental or public body or authority or any other person or entity who is required to authorize, or whose authorization is required in connection with, the execution, delivery and performance of this Agreement on the part of the Seller.

(g) Assets and Liabilities. To the knowledge of the Seller, the balance sheet of the Company provided as Exhibit 7(g) of this Agreement is true

and complete and fairly reflects the assets and liabilities of the Company as of the date of this Agreement, except that the Company also owns the Long Distance License, a value added services license granted on November 28, 1994, and a data transmission license granted on November 28, 1994, and the Company's liabilities include an interconnection project involving Telefonos de Mexico, S.A. de C.V. and Telefonos de Noroeste, S.A. de C.V. as provided in COFETEL's resolution dated May 28, 1997. The Parties agree that the liability for \$31,584 to Comsat Mexico, S.A. de C.V. is paid as part of the Purchase Price

(h) Litigation. Other than those that may be required to obtain the consents necessary to consummate the transaction contemplated herein, to the knowledge of the Seller, there are no legal actions or administrative proceedings or investigations instituted or threatened against the Company. The Company is not subject to any continuing court or administrative order, writ, or injunction applicable specifically to the Company or in default with respect thereto, except as provided in Exhibit 7(n).

(i) Employees. To the knowledge of Seller, Exhibit 7(i) hereto contains a

complete and accurate list of all employees of the Company as of the date of this Agreement.

(j) Agreements. To the knowledge of Seller, Exhibit 7(j) hereto contains a

complete and accurate list of all agreements to which the Company is a party.

(k) Officers. To the knowledge of Seller, the individuals serving as officers of the Company as of the date of this Agreement are shown on Exhibit

(l) Agents. To the knowledge of Seller, the Company has not granted a power of attorney to act on its behalf to any person or authorized any person to act as an agent of the Company as of the date of this Agreement, except as otherwise described in Exhibit 7(l).

(m) Laws. To the knowledge of the Seller, the Company is in material compliance with all applicable laws and regulations to which it is subject and has not failed to file with the proper authorities all necessary statements and reports required (and

5

not subject to any exception, exemption or waiver) under such laws and regulations, except as provided in Section 7(n).

(n) Long Distance License. To the knowledge of Seller, except as described on Exhibit 7(n) or as otherwise permitted under relevant law and regulation the

Company is in compliance with the terms of the Long Distance License.

(o) Accuracy of Information Furnished. To the knowledge of the Seller, all information furnished as of the date of this Agreement to Purchaser by Seller in connection with the transactions contemplated by this Agreement is true, correct and complete in all material respects. Purchaser acknowledges and agrees that it has had a full and fair opportunity to investigate the Company and to perform such investigations as Purchaser has deemed necessary to complete the transaction contemplated herein.

8. Representations and Warranties of Purchaser. ATSI represents and warrants the following:

(a) Organization and Good Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware, with all requisite corporate power and authority to carry on the business in which it is engaged, to own the properties it owns, to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

(b) Authorization and Validity. The execution, delivery and performance by Purchaser of this Agreement and the other agreements contemplated hereby, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by Purchaser. This Agreement and each other agreement contemplated hereby have been duly executed and delivered by Purchaser and constitute legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting

creditors' rights generally or the availability of equitable remedies.

(c) No Violation. Neither the execution, delivery or performance of this Agreement or the other agreements contemplated hereby nor the consummation of the transactions contemplated hereby or thereby will (i) conflict with, or result in a violation or breach of the terms, conditions and provisions of, or constitute a default under, the Certificate of Incorporation or Bylaws of Purchaser or any agreement, indenture or other instrument under which Purchaser is bound or (ii) violate or conflict with any judgment, decree, order, statute, rule or regulation of any court or any public, governmental or regulatory agency or body having jurisdiction over Purchaser or the properties or assets of Purchaser.

(d) Finder's Fee. Purchaser has not incurred any obligation for any finder's, broker's or agent's fee in connection with the transactions contemplated hereby.

6

(e) Accuracy of Information Furnished. To the knowledge of the Purchaser, all information furnished as of the date of this Agreement to Seller by Purchaser in connection with the transactions contemplated by this Agreement is true, correct and complete in all material respects. Buyer acknowledges and agrees that it has had a full and fair opportunity to investigate the Company and to perform such investigations as Purchaser has deemed necessary to complete the transaction contemplated herein.

(f) Assets and Liabilities. The balance sheet of Purchaser provided as Exhibit 8(f) of this Agreement is true and complete and fairly reflects the -----
assets and liabilities of the Purchaser as of April 30, 2000.

(g) Exemption from Securities Act. Purchaser understands that the Shares are being transferred by Seller to Purchaser in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and equivalent state securities and "blue sky" laws, and that Seller is relying upon the accuracy of, and Seller's compliance with, the following representations, warranties and covenants to determine the availability of these exemptions:

(i) Purchaser is acquiring the Shares for its own account, for investment purposes only and not with a view towards or in connection with the public sale or distribution thereof in violation of the Securities Act;

(ii) Purchaser is capable, by reason of its business and financial experience, of evaluating the relative merits and risks of an investment in the Shares, and is able to afford the loss of its investment in the Shares;

(iii) Purchaser acknowledges that in making its decision to acquire the Shares, it has been given an opportunity to ask questions of and to receive

answers from the Seller's executive officers, directors and management personnel concerning the Seller and the Shares;

(iv) Purchaser understands that the Shares have not been approved or disapproved by the United States Securities and Exchange Commission or any state securities commission or the relevant securities regulatory authorities of Mexico and that the foregoing authorities have not reviewed any documents or instruments in connection with the transfer to Purchaser of the Shares and have not confirmed or determined the adequacy or accuracy of any such documents or instruments.

(v) Purchaser understands that that none of the Shares may be offered, sold, transferred, pledged, hypothecated or otherwise disposed of, unless registered pursuant to, or exempt from registration under, all applicable securities laws (including, as the case may be, U.S. and Mexican law).

(h) Purchaser has reviewed the Long Distance License with the assistance of Mexican regulatory counsel and is familiar with the legal and regulatory status of the

7

Long Distance License, including capital increase requirements and the upcoming deadlines for the start of operations and other matters as required by the SCT and COFETEL.

9. Mutual Covenants. Seller covenants to Purchaser, and Purchaser covenants to Seller the following:

(a) Further Actions. The parties shall deliver any further instruments of transfer and take all reasonable action as may be necessary or appropriate to (i) vest in the Purchaser good and marketable title to the Shares, and (ii) establish and protect the rights created in favor of the parties; including, but not limited to, seeking additional approval from the SCT, CFCE and the SRE as described in Sections 6(c) and 9(d) of this Agreement and seeking a further extension of time for the start of operations from COFETEL if needed, and completing any notarial process that may be required under Mexican law. Upon a parties' reasonable request, the other parties will provide additional information relevant to the transactions that are the subject of this Agreement

(b) Notification of Breach of Representations and Warranties. Each party will notify the others if it becomes aware that any of its representations and warranties made in this Agreement were not true when made.

(c) Best Efforts. Between the date of this Agreement and the Closing Date, each Party will use its best efforts to cause the conditions precedent to their respective obligations to close to be satisfied.

(d) Approvals of Governmental Bodies. Within five (5) business days following the date of this Agreement Purchaser, in coordination with the Seller

shall cause to be made the appropriate notice or filing with the SCT and CFCE in connection with the transfer of the Shares to ATSI, and the appropriate notice or filing with the SRE to effect the change in the name of the Company to a name mutually agreeable to the parties; the parties anticipate that the approval of the SCT will take no more than 90 days from filing, and that the approvals from the CFCE and SRE will take more than 45 days from filing; Within three (3) business days from approval of the name change from the SRE, the Purchaser, in coordination with the Seller, shall cause to be made the appropriate notice or filing with the SCT to effect the change in the name of the Company to the name approved by the SRE.

(e) Escrow. Within three (3) business days of the satisfaction of the Purchaser's Conditions Precedent to Release of Escrow defined in Section 6 of this Agreement or waiver of those conditions by mutual agreement of the parties, Purchaser will execute the Release of Escrow in the form attached as Exhibit A

to the Escrow Agreement and transmit it to the Escrow Agent with a copy to Seller. Promptly upon receipt of the Release of Escrow executed by the Seller, Seller will execute the Release of Escrow in the form attached as Exhibit A to

the Escrow Agreement and transmit it to the Escrow Agent with a copy to Purchaser. Purchaser will pay the Escrow Agent's fees under this Agreement. In the event that COFETEL may establish a later date for the start

8

of operations under the Long Distance License, execute a joint instruction to the Escrow Agent that the Escrow Termination Date is changed to that later date.

10. Indemnification.

(a) Indemnification by Seller. Until the date that is one (1) year following the Closing Date, Seller agrees to indemnify, defend and hold Purchaser, and each of their respective directors, officers, harmless from and against all losses, claims, obligations, demands, assessments, penalties, liabilities, costs, damages, attorneys' fees and expenses (collectively, "Damages") incurred by Seller by reason of or resulting from a material breach of this Agreement by Seller, including a breach of any representation, warranty, or covenant made by Seller herein; provided that in no case shall the aggregate amount of Seller's obligation to indemnify Purchaser hereunder exceed the consideration received by Seller as the purchase price hereunder.

(b) Indemnification by Purchaser. Until the date that is one (1) year following the Closing Date, Purchaser agrees to indemnify defend and hold Seller and its respective directors and officers, harmless from and against all Damages asserted against or incurred by them by reason of or resulting from an actual or asserted breach of this Agreement by ATSI, including a material breach of this Agreement, including a breach of any representation, warranty or covenant made by Purchaser herein.

(c) Procedures. A person seeking indemnification under this Section shall provide prompt notice of its claim for indemnification to the indemnifying party. The indemnifying person will have the right to select counsel and to defend the claim in respect of any indemnified matter under this Section. The indemnifying party will keep the indemnified party informed of the status of any litigation or dispute resolution procedure, will give reasonable consideration to the suggestions and requests of the indemnified party with respect to the conduct of the litigation or dispute resolution procedure. The indemnified party will cooperate in the defense of the claim and shall provide such information as the indemnifying party may reasonably require to defend the claim. The indemnified party shall not settle any matter covered by this Section without the prior consent of the indemnifying party. Amounts due under this section shall be paid upon final resolution of the underlying claim, and may be offset against amounts due the indemnifying party under this Agreement if not paid promptly.

11. Miscellaneous.

(a) Amendment. This Agreement may be amended, modified or supplemented only by an instrument in writing executed by all the parties hereto.

(b) Assignment. Neither this Agreement nor any right created hereby or in any agreement entered into in connection with the transactions contemplated hereby shall be assignable by any party hereto, without the consent of the other Party (which shall not be unreasonably withheld), except by either Party to an affiliate of such Party or by Seller to Lockheed Martin Corporation of any of its affiliates; provided that affiliate shall mean any

entity that controls, is controlled by or is under common control of an entity that controls such Party.

(c) Survival. The provisions of Sections 7 and 8 shall survive the closing of the transactions contemplated by this Agreement and shall continue for a period of one (1) year.

(d) Waiver. No waiver by any party of any default or breach by another party of any representation, warranty, covenant or condition contained in this Agreement, any exhibit or any document, instrument or certificate contemplated hereby shall be deemed to be a waiver of any subsequent default or breach by such party of the same or any other representation, warranty, covenant or condition. No act, delay, omission or course of dealing on the part of any party in exercising any right, power or remedy under this Agreement or at law or in equity shall operate as a waiver thereof or otherwise prejudice any of such party's rights, powers and remedies. All remedies, whether at law or in equity, shall be cumulative and the election of any one or more shall not constitute a waiver of the right to pursue other available remedies.

(e) Parties In Interest; No Third Party Beneficiaries Except as otherwise

provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective heirs, legal representatives, successors and assigns of the parties hereto. Neither this Agreement nor any other agreement contemplated hereby shall be deemed to confer upon any person not a party hereto or thereto any rights or remedies hereunder or thereunder.

(f) Entire Agreement This Agreement and the agreements contemplated hereby constitute the entire agreement of the parties regarding the subject matter hereof, and supersede all prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

(g) Severability If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

(h) Governing Law THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS (BUT NOT THE RULES GOVERNING CONFLICTS OF LAWS) OF THE STATE OF DELAWARE, U.S.A.; EXCEPT FOR REQUIRED MEXICAN

10

GOVERNMENTAL APPROVALS, WHICH WILL BE GOVERNED BY MEXICAN LAW.

(i) Confidentiality. The parties agree that they will not disclose to any third party (except to its agents or employees with a "need to know") any of the other party's "Confidential Information," as defined below, or the fact that it has possession of any of the other party's Confidential Information, whether the Confidential Information was learned before or after the execution of the Agreement, and whether it was transmitted in oral, paper, magnetic, photographic or any other form. "Confidential Information" is any information regarding a party's assets, liabilities, costs, rates, sales strategies, business plans, suppliers, operations, financial results, identities of employees, identities of customers, trade secrets, intellectual property, and any other information not specifically listed that is commonly understood to be confidential. Confidential Information shall include any of the terms, conditions or other facts with respect to the transactions contemplated by this Agreement, including the status thereof. Provided, however, that Confidential Information does not include any information which enters the public domain legally and through no breach of this Agreement, or other agreement, is independently developed by a party, is required to be disclosed by applicable law (provided the disclosing party gives

notice of the disclosure at the earliest practical time) or is disclosed as part of a bona fide legal proceeding brought by one party against the other in connection with this Agreement. Each party will use the other's Confidential Information only in connection with the performance of this Agreement, and will use at least a reasonable degree of care to protect the Confidential Information. Each party will return or destroy the other's Confidential Information on demand, and will certify in writing, if requested, that the Confidential Information has been destroyed.

(j) Publicity. Neither Party's Representative shall (i) make any public announcement, release or disclosure, written or otherwise, regarding the terms of this Agreement or (ii) use the name "COMSAT," "CI," "COMSAT International," "Communications Satellite Corporation," or any derivative or variation thereof without the prior written consent of COMSAT International.

(k) Captions. The captions in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms or provisions hereof.

(l) Gender and Number. When the context requires, the gender of all words used herein shall include the masculine, feminine and neuter and the number of all words shall include the singular and plural.

(m) Reference to Agreement. Use of the words "herein", "hereof", "hereto" and the like in this Agreement shall be construed as references to this Agreement as a whole and not to any particular Section or provision of this Agreement, unless otherwise noted.

11

(n) Notice. Any notice or communication hereunder or in any agreement entered into in connection with the transactions contemplated hereby must be in writing and given by depositing the same in the United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person or by facsimile transmission. Such notice shall be deemed received on the date on which it is hand-delivered or received by facsimile transmission or on the third business day following the date on which it is so mailed. For purposes of notice, the addresses of the parties shall be:

If to Purchaser: American TeleSource International, Inc.
6000 Northwest Blvd, Suite 110
San Antonio, Texas 78249 U.S.A.
Attention: Arthur L. Smith
Telephone: (210) 547-1000
Facsimile: (210) 547-1001

with a copy to: Jackson Walker, L.L.P.
112 E. Pecan Street, Suite 2100
San Antonio, Texas 78205 U.S.A.

Attention: Patrick B. Tobin
Telephone: (210) 978-7700
Facsimile: (210) 978-7790

If to Seller: COMSAT Mexico, S.A. de C.V.
Ave. Renato Leduc No. 321
Col. Toriello Guerra 14050
Mexico, D.F.
Telephone: (525) 528-2100
Facsimile: (525) 528-2321

with a copy to: Office of the General Counsel
COMSAT International
6560 Rock Spring Drive
Bethesda, MD 20817
Telephone: (310)214-3611
Facsimile: (310)214-7128

Any party may change its address for notice by written notice given to the other parties in accordance with this Section.

(o) Choice of Forum. The parties hereto agree that should any suit, action or proceeding arising out of this Agreement be instituted by any party hereto (other than a suit, action or proceeding to enforce or realize upon any final court judgment arising out of this Agreement), such suit, action or proceeding shall be instituted only in a state or federal court in the State of Delaware, U.S.A. Each of the parties hereto consents to the

12

in personam jurisdiction of any state or federal court in the State of Delaware, U.S.A. and waives any objection to the venue of any such suit, action or proceeding.

(p) Service of Process. Service of any and all process that may be served on any party hereto in any suit, action or proceeding arising out of this Agreement may be made in the manner and to the address set forth in this Section and service thus made shall be taken and held to be valid personal service upon such party by any party hereto on whose behalf such service is made.

(q) Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

13

EXECUTED as of the date first above written.

AMERICAN TELESOURCE
INTERNATIONAL, INC.

By: _____
Name: Arthur L. Smith
Its: Chief Executive Officer
Date: June 6, 2000

COMSAT MEXICO, S.A. de C.V.

By: _____
Name: Mary Gramaglia
Attorney-in-Fact
Date: June 6, 2000

Exhibits

1	Escrow Agreement
4(f)-1	Officer's Certificate - COMSAT Mexico
4(f)-2	Secretary's Certificate - COMSAT Mexico
4(g)-1	Officer's Certificate - ATSI
4(g)-2	Secretary's Certificate - ATSI
7(g)	Company balance sheet
7(i)	Company employees
7(j)	Company material agreements
7(k)	Company officers
7(l)	Company powers of attorney
7(n)	Exceptions to compliance with Long Distance License
8(f)	Purchaser's balance sheet

14

Exhibit 1

Escrow Agreement

15

Exhibit 4(f)-1

Officer's Certificate - COMSAT Mexico

16

Exhibit 4(f)-2

Secretary's Certificate - COMSAT Mexico

17

Exhibit 4(g)

Officer's Certificate - ATSI

18

Exhibit 7(g)

Balance Sheet of Grupo Intelcom

19

Exhibit 7(i) - Company Employees

None.

20

Exhibit 7(j) - Company Material Agreements

Surety Bonds executed with Afianzadora Mexicana, S.A. and Fianzas Monterrey Aetna, S.A.

21

Exhibit 7(k)-Company Officers

None.

22

Exhibit 7(l) - Company Powers of Attorney

None.

23

Exhibit 7(n) - Compliance with Long Distance License

None. Previous conditions of non-compliance cured by extension of time to meet concession requirements granted by COFETEL Resolution #CFT/D06/CGST/DGLDVA/02251/2000, including upcoming deadlines for start of operations.

24

Exhibit 8(f)

ATSI Balance Sheet for month ending April 30, 2000.

25

Escrow Agreement

(General Form)

THIS ESCROW AGREEMENT (as the same may be amended or modified from time to time by mutual agreement of the parties and including any and all written instructions given to "Escrow Agent" (hereinafter defined) pursuant hereto, this "Escrow Agreement") is made and entered into as of June 6, 2000 by and among American TeleSource International, Inc., a Delaware corporation ("Party A"), COMSAT Mexico, S.A. de C.V., a Mexican corporation ("Party B", and together with Party A, sometimes referred to collectively as the "Other Parties"), and CHASE BANK OF TEXAS, NATIONAL ASSOCIATION, a national banking association with its principal offices in Houston, Harris County, Texas (the "Bank").

W I T N E S S E T H :

RECITALS

WHEREAS, Party B desires to sell 266,321 shares of Grupo Intelcom de Mexico, S.A. de C.V. (the "Shares") to Party A, and Party A desires to purchase the Shares from Party B in accordance with the terms and conditions set forth in that Agreement for the Sale and Purchase of Part of the Issued Share Capital of Grupo Intelcom de Mexico, S.A. de C.V. dated effective June 6, 2000;

WHEREAS, Party A and Party B wish the Shares and a portion of the purchase price for the shares to be held in escrow pending the resolution of certain contingencies.

Whereas, Party A and Party B have requested Bank to act in the capacity of escrow agent under this Escrow Agreement, and Bank, subject to the terms and conditions hereof, has agreed to do so.

Now, Therefore, in consideration of the premises and mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

1. Appointment of Escrow Agent. Each of Party A and Party B hereby appoints the Bank as the escrow agent under this Escrow Agreement (the Bank in such capacity, the "Escrow Agent"), and Escrow Agent hereby accepts such appointment.

2. Deposit. Upon execution of this Escrow Agreement, Party A will deliver to the Escrow Agent the sum of Seventy Five Thousand U.S. Dollars (\$75,000.00) (as said amount may increase or decrease as a result of the investment and reinvestment thereof, the "Deposit"), and Party B will deliver to the Escrow Agent duly executed transfers of the Shares (the "Share Transfer

Evidence") to be held by Escrow Agent in accordance with the terms hereof. Subject to and in accordance with the terms and conditions hereof, Escrow Agent agrees that it shall receive, hold in escrow, invest and reinvest and release or distribute the Deposit. It is hereby expressly stipulated and agreed that all interest and other earnings on the Deposit shall become a part of the Deposit for all purposes. The parties agree that Party A will determine if the Share Transfer Evidence is acceptable to Party A prior to deposit of the Share Transfer Evidence with the Bank, and that Bank

1

shall have no responsibility whatsoever to determine if the Share Transfer Evidence is valid, sufficient, or otherwise acceptable.

3. Investment of the Deposit. Escrow Agent shall invest and reinvest the Deposit in the United States Treasury Bills with a maturity of thirty days or less unless otherwise instructed in writing by Party B. Such written instructions, if any, referred to in the foregoing sentence shall specify the type and identity of the investments to be purchased and/or sold and shall also include the name of the broker-dealer, if any, which Party B directs the Escrow Agent to use in respect of such investment, any particular settlement procedures required, if any (which settlement procedures shall be consistent with industry standards and practices), and such other information as Escrow Agent may require. Escrow Agent shall not be liable for failure to invest or reinvest funds absent sufficient written direction. Unless Escrow Agent is otherwise directed in such written instructions, Escrow Agent may use a broker-dealer of its own selection, including a broker-dealer owned by or affiliated with Escrow Agent or any of its affiliates. The Escrow Agent or any of its affiliates may receive compensation with respect to any investment directed hereunder. It is expressly agreed and understood by the parties hereto that Escrow Agent shall not in any way whatsoever be liable for losses on any investments, including, but not limited to, losses from market risks due to premature liquidation or resulting from other actions taken pursuant to this Escrow Agreement.

Receipt, investment and reinvestment of the Deposit shall be confirmed by Escrow Agent as soon as practicable by account statement, and any discrepancies in any such account statement shall be noted by Party B to Escrow Agent within 30 calendar days after receipt thereof. Failure to inform Escrow Agent in writing of any discrepancies in any such account statement within said 30-day period shall conclusively be deemed confirmation of such account statement in its entirety. For purposes of this paragraph, (a) each account statement shall be deemed to have been received by the party to whom directed on the earlier to occur of (i) actual receipt thereof and (ii) three "Business Days" (hereinafter defined) after the deposit thereof in the United States Mail, postage prepaid and (b) the term "Business Day" shall mean any day of the year, excluding Saturday, Sunday and any other day on which national banks are required or authorized to close in Houston, Texas.

4. Disbursement of Deposit. Escrow Agent is hereby authorized to make disbursements of the Deposit only as follows:

(a) the Escrow Agent receives a Release of Escrow attached as Exhibit A executed by each of Party A and Party B, in which case

the Escrow Agent shall deliver the Share Transfer Evidence to Party A via overnight mail to the address provided in Section 13, below, and shall disburse the Deposit to Party B as directed in writing by Party B;

(b) the Escrow Agent receives after the Escrow Termination Date, as defined below, the Termination of Escrow attached as Exhibit

B, executed by either of Party A or Party B, in which case the Escrow
-
Agent shall deliver the Share Transfer Evidence to Party B to the address provided in Section 13, below, and the Deposit to Party A as directed in writing by Party A; The "Escrow Termination Date" shall be September 30, 2000 or such later date specified by the parties in a joint instruction to the Escrow Agent in form and substance satisfactory to Escrow Agent.

2

(c) As permitted by this Escrow Agreement, to Escrow Agent;
and

(d) Into the registry of the court in accordance with Sections 8 or 15 hereof.

5. Tax Matters. Party A and Party B shall provide Escrow Agent with its taxpayer identification number documented by an appropriate Form W 8 or Form W 9 upon execution of this Escrow Agreement. Failure so to provide such forms may prevent or delay disbursements from the Deposit and may also result in the assessment of a penalty and Escrow Agent's being required to withhold tax on any interest or other income earned on the Deposit. Any payments of income shall be subject to applicable withholding regulations then in force in the United States or any other jurisdiction, as applicable.

6. Scope of Undertaking. Escrow Agent's duties and responsibilities in connection with this Escrow Agreement shall be purely ministerial and shall be limited to those expressly set forth in this Escrow Agreement. Escrow Agent is not a principal, participant or beneficiary in any transaction underlying this Escrow Agreement and shall have no duty to inquire beyond the terms and provisions hereof. Escrow Agent shall have no responsibility or obligation of any kind in connection with this Escrow Agreement or the Deposit and shall not be required to deliver the Deposit or any part thereof or take any action with respect to any matters that might arise in connection therewith, other than to receive, hold, invest, reinvest and deliver the Deposit as herein provided. Without limiting the generality of the foregoing, it is hereby expressly agreed and stipulated by the parties hereto that Escrow Agent shall not be required to

exercise any discretion hereunder and shall have no investment or management responsibility and, accordingly, shall have no duty to, or liability for its failure to, provide investment recommendations or investment advice to the Other Parties or either of them. Escrow Agent shall not be liable for any error in judgment, any act or omission, any mistake of law or fact, or for anything it may do or refrain from doing in connection herewith, except for, subject to Section 7 hereinbelow, its own willful misconduct or gross negligence. It is the intention of the parties hereto that Escrow Agent shall never be required to use, advance or risk its own funds or otherwise incur financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

7. Reliance; Liability. Escrow Agent may rely on, and shall not be liable for acting or refraining from acting in accordance with, any written notice, instruction or request or other paper furnished to it hereunder or pursuant hereto and believed by it to have been signed or presented by the proper party or parties. Escrow Agent shall be responsible for holding, investing, reinvesting and disbursing the Deposit pursuant to this Escrow Agreement; provided, however, that in no event shall Escrow Agent be liable for any lost profits, lost savings or other special, exemplary, consequential or incidental damages in excess of Escrow Agent's fee hereunder and provided, further, that Escrow Agent shall have no liability for any loss arising from any cause beyond its control, including, but not limited to, the following: (a) acts of God, force majeure, including, without limitation, war (whether or not declared or existing), revolution, insurrection, riot, civil commotion, accident, fire, explosion, stoppage of labor, strikes and other differences with employees; (b) the act, failure or neglect of any Other Party or any agent or correspondent or any other person selected by Escrow Agent; (c) any delay, error, omission or default of any mail, courier, telegraph, cable or wireless agency or operator; or (d) the acts or edicts of any government or governmental agency or other group or entity exercising governmental powers. Escrow Agent is not responsible or liable in any manner whatsoever for the sufficiency, correctness, genuineness or validity of the subject matter of this Escrow Agreement or any part hereof or for the transaction or transactions requiring or underlying the execution of this Escrow Agreement, the form or execution

hereof or for the identity or authority of any person executing this Escrow Agreement or any part hereof or depositing the Deposit.

8. Right of Interpleader. Should any controversy arise involving the parties hereto or any of them or any other person, firm or entity with respect to this Escrow Agreement or the Deposit, or should a substitute escrow agent fail to be designated as provided in Section 15 hereof, or if Escrow Agent should be in doubt as to what action to take, Escrow Agent shall have the right, but not the obligation, either to (a) withhold delivery of the Deposit until the controversy is resolved, the conflicting demands are withdrawn or its doubt is resolved or (b) institute a petition for interpleader in any court of competent jurisdiction to determine the rights of the parties hereto. In the event Escrow

Agent is a party to any dispute, Escrow Agent shall have the additional right to refer such controversy to binding arbitration. Should a petition for interpleader be instituted, or should Escrow Agent be threatened with litigation or become involved in litigation or binding arbitration in any manner whatsoever in connection with this Escrow Agreement or the Deposit, the Other Parties hereby jointly and severally agree to reimburse Escrow Agent for its attorneys' fees and any and all other expenses, losses, costs and damages incurred by Escrow Agent in connection with or resulting from such threatened or actual litigation or arbitration prior to any disbursement hereunder.

9. Indemnification. The Other Parties hereby jointly and severally indemnify Escrow Agent, its officers, directors, partners, employees and agents (each herein called an "Indemnified Party") against, and hold each Indemnified Party harmless from, any and all expenses, including, without limitation, attorneys' fees and court costs, losses, costs, damages and claims, including, but not limited to, costs of investigation, litigation and arbitration, tax liability and loss on investments suffered or incurred by any Indemnified Party in connection with or arising from or out of this Escrow Agreement, except such acts or omissions as may result from the willful misconduct or gross negligence of such Indemnified Party. IT IS THE EXPRESS INTENT OF EACH OF PARTY A AND PARTY B TO INDEMNIFY EACH OF THE INDEMNIFIED PARTIES FOR, AND HOLD THEM HARMLESS AGAINST, THEIR OWN NEGLIGENT ACTS OR OMISSIONS.

10. Compensation and Reimbursement of Expenses. Party A hereby agrees to pay Escrow Agent for its services hereunder in accordance with Escrow Agent's fee schedule as in effect from time to time and to pay all expenses incurred by Escrow Agent in connection with the performance of its duties and enforcement of its rights hereunder and otherwise in connection with the preparation, operation, administration and enforcement of this Escrow Agreement, including, without limitation, attorneys' fees, brokerage costs and related expenses incurred by Escrow Agent.

11. Lien. Party A hereby grants to Escrow Agent a lien upon, and security interest in, all its right, title and interest in and to all of the Share Transfer Evidence as security for the payment and performance of its obligations owing to Escrow Agent hereunder, including, without limitation, its obligations of payment, indemnity and reimbursement provided for hereunder, which lien and security interest may be enforced by Escrow Agent without notice by charging and setting-off and paying from, the Deposit any and all amounts then owing to it pursuant to this Escrow Agreement or by appropriate foreclosure proceedings.

12. Funds Transfer. In the event funds transfer instructions are given (other than in writing at the time of execution of the Agreement), whether in writing, by telefax, or otherwise, the Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the person or person designated on Schedule 1 hereto, and the Escrow Agent may rely upon the confirmations of anyone purporting to be the person or persons so designated. The persons and

telephone numbers for call-backs may be changed only in writing actually received and acknowledged by the Escrow Agent. The parties to this Agreement acknowledge that such security procedure is commercially reasonable.

It is understood that the Escrow Agent and the beneficiary's bank in any funds transfer may rely solely upon any account numbers or similar identifying number provided by either of the other parties hereto to identify (i) the beneficiary, (ii) the beneficiary's bank, or (iii) an intermediary bank. The Escrow Agent may apply any of the escrowed funds for any payment order it executes using any such identifying number, even where its use may result in a person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary's bank or an intermediary bank, designated.

13. Notices. Any notice or other communication required or permitted to be given under this Escrow Agreement by any party hereto to any other party hereto shall be considered as properly given if in writing and (a) delivered against receipt therefor, (b) mailed by registered or certified mail, return receipt requested and postage prepaid or (c) sent by telefax machine, in each case to the address or telefax number, as the case may be, set forth below:

If to Escrow Agent:

Chase Bank of Texas, National Association
600 Travis Street, Suite 1150
Houston, TX 77002
Attn: May Ng
CMFS/Escrow Section
Telefax No.: (713) 216-6467
Telephone No.: (713) 216-6927

If to Party A:

American TeleSource International, Inc.
12500 Network Blvd., Suite 407
San Antonio, Texas 78249
Attn: Arthur L. Smith
Telefax: (210) 558-6095
Telephone: (210) 558-6090

If to Party B:

COMSAT Mexico, S.A. de C.V.
Ave. Renato Leduc No. 321
Col. Toriello Guerra 14050
Mexico, D.F.
Attention: Alfonso Torres Roqueni
Telefax: (525) 528-2321
Telephone: (525) 528-2100

with a copy to:

Office of the General Counsel
COMSAT International, Inc.
6560 Rock Spring Drive
Bethesda, Maryland 20817
Telefax: (301) 214-7128
Telephone: (301) 214-3611

Except to the extent otherwise provided in the second paragraph of Section 3 hereinabove, delivery of any communication given in accordance herewith shall be effective only upon actual receipt thereof by the party or parties to whom such communication is directed. Any party to this Escrow Agreement may change the address to which communications hereunder are to be directed by giving written notice to the other party or parties hereto in the manner provided in this section.

14. Consultation with Legal Counsel. Escrow Agent may consult with its counsel or other counsel satisfactory to it concerning any question relating to its duties or responsibilities hereunder or otherwise in connection herewith and shall not be liable for any action taken, suffered or omitted by it in good faith upon the advice of such counsel.

15. Choice of Laws; Cumulative Rights. This Escrow Agreement shall be construed under, and governed by, the laws of the State of Texas, excluding, however, (a) its choice of law rules and (b) the portions of the Texas Trust Code Sec. 111.001, et seq. of the Texas Property Code concerning fiduciary duties and liabilities of trustees. All of Escrow Agent's rights hereunder are cumulative of any other rights it may have at law, in equity or otherwise. The parties hereto agree that the forum for resolution of any dispute arising under this Escrow Agreement shall be Harris County, Texas, and each of the Other Parties hereby consents, and submits itself, to the jurisdiction of any state or federal court sitting in Harris County, Texas.

16. Resignation. Escrow Agent may resign hereunder upon ten (10) days' prior notice to the Other Parties. Upon the effective date of such resignation, Escrow Agent shall deliver the Deposit to any substitute escrow agent designated by Party A and Party B in writing. If Party A and Party B fail to designate a substitute escrow agent within ten (10) days after the giving of such notice, Escrow Agent may institute a petition for interpleader. Escrow Agent's sole responsibility after such 10-day notice period expires shall be to hold the Deposit (without any obligation to reinvest the same) and to deliver the same to a designated substitute escrow agent, if any, or in accordance with the directions of a final order or judgment of a court of competent jurisdiction, at which time of delivery Escrow Agent's obligations hereunder shall cease and terminate.

17. Assignment. This Escrow Agreement shall not be assigned by either of the Other Parties without the prior written consent of Escrow Agent (such assigns of the Other Parties to which Escrow Agent consents, if any, and Escrow Agent's assigns being hereinafter referred to collectively as "Permitted Assigns").

18. Severability. If one or more of the provisions hereof shall for any reason be held to be invalid, illegal or unenforceable in any respect under applicable law, such invalidity, illegality or unenforceability shall not affect

any other provisions hereof, and this Escrow Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, and the remaining provisions hereof shall be given full force and effect.

19. Termination. This Escrow Agreement shall terminate upon the disbursement, in accordance with Sections 4 or 15 hereof, of the Deposit in full; provided, however, that in the event all fee, expenses, costs and other amounts required to be paid to Escrow Agent hereunder are not fully and finally paid prior to termination, the provisions of Section 10 hereof shall survive the termination hereof and, provided further, that the last two sentences of Section 8 hereof and the provisions of Section 9 hereof shall, in any event, survive the termination hereof.

20. General. The section headings contained in this Escrow Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Escrow

6

Agreement. This Escrow Agreement and any affidavit, certificate, instrument, agreement or other document required to be provided hereunder may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute but one and the same instrument. Unless the context shall otherwise require, the singular shall include the plural and vice-versa, and each pronoun in any gender shall include all other genders. The terms and provisions of this Escrow Agreement constitute the entire agreement among the parties hereto in respect of the subject matter hereof, and neither the Other Parties nor Escrow Agent has relied on any representations or agreements of the other, except as specifically set forth in this Escrow Agreement. This Escrow Agreement or any provision hereof may be amended, modified, waived or terminated only by written instrument duly signed by the parties hereto. This Escrow Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, devisees, executors, administrators, personal representatives, successors, trustees, receivers and Permitted Assigns. This Escrow Agreement is for the sole and exclusive benefit of the Other Parties and the Escrow Agent, and nothing in this Escrow Agreement, express or implied, is intended to confer or shall be construed as conferring upon any other person any rights, remedies or any other type or types of benefits.

In Witness Whereof, the parties hereto have executed this Escrow Agreement to be effective as of the date first above written.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

7

American TeleSource International, Inc.

By: /s/ Arthur L. Smith

Name: Arthur L. Smith

Title: Chief Executive Officer

"Party A"

COMSAT de Mexico, S.A. de C.V.

By: /s/ Mary Gramaglia

Mary Gramaglia

Attorney-in-Fact

"Party B"

CHASE BANK OF TEXAS,
NATIONAL ASSOCIATION

By: _____

Name: _____

Title: _____

"Escrow Agent"

8

Schedule 1

Telephone Number(s) for Call-backs and Person(s)
Designated to Confirm Funds Transfer Instructions

If to Party A:

Name

Telephone Number

1. Alice L. King

(210) 558-6090

2. Ray Martinez

(210) 558-6090

If to Party B:

Name

Telephone Number

1. Mary Gramaglia

(310) 214-3788

2. Bob Myer

(310) 214-3090

Telephone call-backs shall be made to either Party A or B if joint instructions are required pursuant to the Escrow Agreement.

9

EXHIBIT A

RELEASE OF ESCROW

re: Escrow Agreement dated effective as of June 6, 2000 between COMSAT Mexico, S.A. de C.V., American TeleSource International, Inc., and Chase Bank of Texas, N.A. (the "Escrow Agreement").

Date: _____

The undersigned party to the Escrow Agreement hereby states that the party's conditions precedent to release of escrow specified in that Agreement for the Sale and Purchase of Part of the Issued Share Capital of Grupo Intelcom de Mexico, S.A. de C.V. dated effective June 6, 2000 have been satisfied, and hereby directs the Escrow Agent, upon receipt of a Release of Escrow executed by the other party to the Escrow Agreement to release the Deposit and the Share Transfer Evidence as directed in Section 4(a) of the Escrow Agreement.

AMERICAN TELESOURCE INTERNATIONAL, INC.

By: _____
Arthur L. Smith,
Chief Executive Officer

COMSAT Mexico, S.A. de C.V.

By: _____
Mary Gramaglia
Attorney-in-Fact

10

EXHIBIT B

TERMINATION OF ESCROW

re: Escrow Agreement dated effective as of June 6, 2000 between COMSAT Mexico, S.A. de C.V., American TeleSource International, Inc., and Chase Bank of

Texas, N.A. (the "Escrow Agreement").

Date: _____

The undersigned party to the Escrow Agreement hereby states that the party's conditions precedent to release of escrow specified in that Agreement for the Sale and Purchase of Part of the Issued Share Capital of Grupo Intelcom de Mexico, S.A. de C.V. dated effective June 6, 2000 have not been satisfied, and hereby directs the Escrow Agent to release the Deposit and the Share Transfer Evidence as directed in Section 4(b) of the Escrow Agreement.

AMERICAN TELESOURCE INTERNATIONAL, INC.

By: _____
Arthur L. Smith,
Chief Executive Officer

or

COMSAT Mexico, S.A. de C.V.

By: _____
Mary Gramaglia
Attorney-in-Fact

Agreement

This Agreement (this "Agreement") dated effective as of June 7, 2000 is between Alfonso Torres Roqueni, an individual residing in Mexico City, Mexico ("Torres"), and American TeleSource International, Inc., a Delaware corporation ("ATSI").

RECITALS

- A. Torres owns 51% of the stock of Grupo Intelcom de Mexico, S.A. de C.V., a Mexican corporation ("Grupo") (the "Grupo Stock");
- B. Torres owns 99.9% of the stock of Telemarketing de Mexico, S.A. de C.V., a Mexican corporation ("Telemarketing") (the "Telemarketing Stock");
- C. Rodolfo Torres Roqueni ("RTorres") owns .1% of the stock of Telemarketing ("RTorresStock");
- D. ATSI has or will acquire 49% of the stock of Grupo from COMSAT Mexico, S.A. de C.V. ("COMSAT Mexico") contemporaneously with the transactions described in this Agreement, with that stock and part of the purchase price for that stock to be held in escrow pending the occurrence of certain conditions precedent defined in that Agreement for the Sale and Purchase Of Part of the Issued Share Capital of Grupo Intelcom de Mexico, S.A. de C.V. between ATSI and COMSAT Mexico dated June 6, 2000 (the "COMSAT Agreement");
- E. Torres desires to sell 3% of the shares of Grupo to ATSI's Partners, as defined below ("3%Stock") and ATSI desires the Partners to acquire the 3%Stock;
- F. Torres desires to transfer control of his remaining 48% of the shares of Grupo ("48%Stock") to the Partners by causing RTorres to transfer the RTorresStock to a Partner; transferring the 48%Stock to Telemarketing as a capital increase, and refraining from exercising his preemptive right to subscribe and pay additional capital increases in Telemarketing such that the Partners are able to dilute his percentage ownership of Telemarketing;
- G. ATSI desires the Partners to obtain control of the 48%Stock in the manner described in paragraph F, above; and
- H. ATSI desires Torres to perform consulting services in connection with the transactions described above and Torres desires to perform those services.

Therefore, for the consideration described and contained in this Agreement, and on the terms and conditions described in this Agreement, the parties agree as follows:

1. Definitions. The following terms shall have the meanings set forth below:

"ATSI Shares" means the First ATSI Shares and the Second ATSI Shares.

"Business Day" shall mean a weekday on which the banks in neither the United States nor Mexico are required or permitted to be closed.

"COFETEL" shall mean the Comision Federal de Telecomunicaciones.

"COMSAT SCT Approval" shall have the meaning given in Section 2(b) of this Agreement.

"Escrow Agent" shall mean the Laredo National Bank acting as Escrow Agent pursuant to that Escrow Agreement executed by ATSI and Torres and attached as Exhibit 1 to this Agreement.

"First ATSI Shares" shall mean the 50,000 shares of ATSI common stock described in Section 2(a) (1) (A) (i) of this Agreement.

"First Release" and "First Release Date" shall have the meanings given them in Section 2(b) of this Agreement.

"knowledge of" shall mean (i) in the case of natural person, the particular fact was known, or not known, as the context requires, to that person after diligent investigation and inquiry by that person, and (ii) in the case of an entity, the particular fact was known, or not known, as the context requires, to any employee of such entity after diligent investigation and inquiry by the principal executive officer of that entity.

"Long Distance Concession" means that Concession issued on June 4, 1998 by the SCT to Grupo.

"Minutes" shall have the meaning given them in Section 2(a) (2) (A) (iv).

"Note" shall mean the Note attached as Exhibit 2(a) (1) (A) (ii) to this

Agreement.

"Partners" means Elvia Salas de De Stefano and Jesus Ricardo Enriquez Perez, or such other persons that may be designated by ATSI.

"Poder General" shall have the meaning given in Section 2(a) (2) (A) (vi).

"Second ATSI Shares" shall mean the 350,000 shares of ATSI common stock described in Section 2(b) of this Agreement.

"Second Release" and "Second Release Date" shall have the meanings given in Section 2(c) of this Agreement.

"SEC" shall mean the United States Securities and Exchange Commission.

"SECOFI" shall mean the Secretaria de Comercio y Fomento Industrial.

"Simultaneous Release" shall have the meaning given in Section 2(d) of this Agreement.

"SRE" shall mean the Secretaria de Relaciones Exteriores.

"SCT" shall mean the Secretaria de Comunicaciones y Transportes.

"Telemarketing Stock Assignment" shall have the meaning given in Section 2(a)(2)(A)(v) of this Agreement.

"Torres Designee" shall mean the person or persons designated by Torres in writing to receive the ATSI Shares, the Note and the Warrant upon the First Release, Second Release, or Simultaneous Release, if applicable.

"Telemarketing Capital Increase" means the approximately \$70,000 and 00/100 U.S. Dollars (\$739,000 and 00/100 Pesos Currency of the United Mexican States) increase in Telemarketing's capital stock which was resolved on the General Extraordinary Shareholders' Meeting held on February 10 2000.

"Warrant" shall mean the warrant for the purchase of ATSI common stock attached as Exhibit 2(a)(1)(A)(iii) to this Agreement.

2. Purchase, Sale, Transfer of Control, and Grant of Security Interest. Subject to and on the terms provided in this Agreement, Torres sells the 3%Stock for approximately \$5,500 US Dollars (\$51,786 Pesos 00/100 Currency of the United Mexican States) (the "3%Stock Purchase Price") and the Partners purchase the 3%Stock, Torres agrees to transfer control of the 48%Stock to the Partners in the manner described in paragraph F of the Recitals and the Partners agree to take control of the 48%Stock in the manner provided in paragraph F of the Recitals, or to transfer and take control in the alternative manner that the parties may agree on pursuant to Section 2(e) of this Agreement, and Torres agrees to perform consulting services for ATSI. Torres hereby grants a security interest in the Telemarketing Stock to secure his obligation to transfer control of the 48%Stock the Partners as provided in this Agreement. ATSI and the Partners agree to deliver to Torres or his designees the First ATSI Shares, the Second ATSI Shares, the Note and the Warrant in payment for sale of the 3%Stock, transfer of control of the 48%Stock, performance of consulting services and grant of a security interest.

(a) Upon Execution of this Agreement. Contemporaneously with the execution of this Agreement and as a condition to the effectiveness of this Agreement,

(1) ATSI will:

(A) deliver to the Escrow Agent:

- (i) 400,000 shares of ATSI common stock in denominations of 50,000 (the "First ATSI Shares") and 350,000 (the "Second ATSI Shares"),
- (ii) a Note payable to the Torres Designee for \$500,000 U.S. Dollars, bearing interest at 6.62375% (the One Month London Interbank Offer Rate published in the Wall Street Journal on the day preceding the effective date of this Agreement, maturing on demand five (5) days following the Second Release or Simultaneous Release, as applicable, and in the form attached as Exhibit 2(a)(1)(A)(ii) to this Agreement (the "Note"); and
- (iii) a Warrant for the purchase of 100,000 shares of ATSI common stock having an exercise price of \$6.00 and a term of three years in the form attached as Exhibit 2(a)(1)(A)(iii) to this Agreement (the "Warrant");

(B) deliver to Torres:

- (i) the Officer's Certificate in the form attached as Exhibit 2(a)(1)(B)-1;
- (ii) the Secretary's Certificate in the form attached as Exhibit 2(a)(1)(B)-2; and
- (iii) the 3% Stock Purchase Price.

and

(2) Torres, Grupo and Telemarketing will:

(A) deliver to the Escrow Agent:

- (i) the stock certificates for the Grupo Stock, endorsed in blank;
- (ii) the stock certificate for the RTorres Stock, endorsed in blank; and

- (iii) a document evidencing Torres agreement to refrain from exercising his preemptive right to subscribe and pay additional capital increases in Telemarketing in the form attached as Exhibit 2(a)(2)(A)(iii) (the "Telemarketing Waiver");
- (iv) the Telemarketing Stock;
- (v) an assignment of rights to the Telemarketing Stock to the Partners in the form attached as Exhibit 2(a)(2)(A)(v) -----
(the "Telemarketing Stock Assignment"); and

- (vi) a Poder General naming the Partners in the form attached as Exhibit 2(a)(2)(A)(vi) (the "Poder General");
-

(B) deliver to ATSI:

- (i) a Secretary Certificate for each of Grupo and Telemarketing in the form attached as Exhibit 2(a)(2)(B), and

- (ii) a certified copy of the Minutes of Telemarketing's General Extraordinary Shareholder's Meeting held on February 10, 2000 (the "Minutes"),
-

(C) deliver to the Partners a Poder Especial in the form attached as Exhibit 2(a)(2)(C) to this Agreement (the "Poder Especial").

(b) First Release. Upon SCT approval of the application filed by Grupo on May 8, 2000 for the transfer of 49% of the Stock of Grupo from COMSAT Mexico to ATSI pursuant to the COMSAT Agreement the "COMSAT SCT Approval"), ATSI may elect to cause the Partners to take title to the 3%Stock by giving written notice to Torres. If ATSI elects to cause the Partners to take title to the 3%Stock under this paragraph, Torres and ATSI will each provide the other with an officer's certificate in the form attached as Exhibit 2(b) to this Agreement updating

their respective representations and warranties described in Sections 3 and 4 below, or stating any exceptions, within two Business Days of ATSI's notice of its election to cause the Partners to take title to the 3%Stock. Provided there has been no material change in the matters covered by the parties' respective representations and warranties, on the first Business Day following receipt of the officer's certificates (the "First Release Date") ATSI will pay to the Torres Designee \$100,000 U.S. Dollars in immediately available funds by wire

transfer to the account specified by Torres or the Torres Designee (which will reduce the Note balance by \$100,000), and each of Torres and ATSI will execute and transmit to the Escrow Agent the First Release of Escrow in the form attached as Exhibit A to the Escrow Agreement (providing for release to the Torres Designee of the First ATSI Shares and release to the Partners of the certificate for the 3% Stock (the "First Release")).

5

Upon receipt of the certificate for the 3% Stock, the Partners will complete the endorsement to themselves.

(c) Second Release. Within two (2) Business Days following satisfaction of or ATSI's waiver of all of ATSI's conditions precedent described in Section 6 below, Torres and ATSI will provide the other with a certificate in the form attached as Exhibit 2(b) to this Agreement updating their respective representations and warranties described in Sections 3 and 4 below, or stating any exceptions. Provided there has been no material change in the matters covered by the parties' respective representations and warranties, on the first Business Day following receipt of the officer's certificates (the "Second Release Date") each of Torres and ATSI will execute and transmit to the Escrow Agent the Second Release of Escrow in the form attached as Exhibit B to the Escrow Agreement (providing for the release to the Torres Designee of the Second ATSI Shares, the Warrant, the Note, the release to ATSI of the RTorresStock, and the Telemarketing Waiver, the release to Torres of the 48%Stock and the Telemarketing Stock, and if ATSI had not previously elected to complete the First Release defined in Section 2(b) above, the release to the Torres Designee of the First ATSI Shares and the release to ATSI of the 3%Stock) (the "Second Release").

(d) Simultaneous Release. If the First SCT Release is obtained on or before the COMSAT SCT Approval, within two (2) Business Days following the satisfaction of or ATSI's waiver of all of ATSI's conditions precedent described in Section 6 below (except for the COMSAT Closing described in Section 6(a)), Torres and ATSI will provide the other with a certificate in the form attached as Exhibit 2(b) to this Agreement updating their respective representations and warranties described in Sections 3 and 4 below, or stating any exceptions. Provided there has been no material change in the matters covered by the parties' respective representations and warranties, on the first Business Day following receipt of the officer's certificates (the "Simultaneous Release Date") each of Torres and ATSI will execute and transmit to the Escrow Agent the Simultaneous Release of Escrow in the form attached as Exhibit C to the Escrow Agreement (providing for the release to the Torres Designee of the First ATSI Shares, the Second ATSI Shares, the Warrant, and the Note, the release to Torres the 48%Stock and the Telemarketing Stock, and the release to ATSI of the 3%Stock, the RTorresStock, and the Telemarketing Waiver (the "Simultaneous Release"). Upon receipt of the certificate for 3%Stock, the Partners will complete the endorsement to themselves.

(e) Alternative Structure. If the First SCT Approval, as defined in

Section 5(a) below, is denied, Torres and ATSI agree that the Escrow Agent will release the Poder General to ATSI, that ATSI and Torres will cooperate to perform the notarial process required to made the Poder General fully effective, and that Torres and ATSI will work together to achieve the Partners' control of the 48%Stock by an alternative means, including a direct transfer from Torres to the Partners and any requisite approval from COFETEL and SCT for a direct transfer. (The parties acknowledge that the First SCT Approval is deemed approved if not denied by August 25, 2000).

6

(f) Termination of Escrow. If the Conditions Precedent defined in Section (6) have not been satisfied by August 31, 2000, or if a certificate delivered by Torres pursuant to subparagraphs 2 (b), (c), or (d) above reflects a material adverse change in the representations and warranties of Grupo, Telemarketing or Torres, then ATSI may terminate this Agreement by written notice of termination, and may terminate the Escrow Agreement by delivering to the Escrow Agent the Escrow Termination Notice in the form attached as Exhibit D to the Escrow

Agreement. If a certificate delivered by ATSI pursuant to subparagraphs 2 (b), (c), or (d) above reflects a material adverse change in the representations and warranties of ATSI, then Torres may terminate this Agreement by written notice of termination, and may terminate the Escrow Agreement by delivering to the Escrow Agent the Escrow Termination Notice in the form attached as Exhibit D to

the Escrow Agreement.

(g) The parties acknowledge that ATSI's delivery of irrevocable instructions to its transfer agent to deliver the stock certificate for the ATSI Shares to the Escrow Agent constitutes delivery of the ATSI Shares;

(h) The parties acknowledge that the \$100,000 U.S. Dollars cash described in Section 2(b) includes payment of the \$6,322.92 U.S. Dollar receivable from Grupo to Torres;

(i) If ATSI defaults in its obligations under the Note, ATSI will pay as a penalty fee to Torres One Hundred Thousand U.S. Dollars (\$100,000) in addition to the amounts due under the terms of the Note.

3. Representations and Warranties of Torres. Torres represents and warrants the following:

(a) Ownership of Stock. Torres owns good and marketable title to the entire interest in the 3%Stock, the 48%Stock, and the Telemarketing Stock, and is the record owner of the 3%Stock, the 48%Stock, and the Telemarketing Stock. RTorres owns good and marketable title to entire interest in the RTorres Stock, and is the record owner of the RTorres Stock. The 3%Stock, RTorres Stock and the Telemarketing Stock are now and when delivered to the Partners will be free and clear of all adverse claims, security interests, encumbrances, equities,

proxies, options, shareholder agreements or other restrictions and the 48% Stock is delivered to Telemarketing free and clear of all adverse claims, security interests, encumbrances, equities, proxies, options, shareholder agreements or other restrictions.

(b) Organization and Good Standing; Qualification. Grupo and Telemarketing are corporations duly organized, validly existing and in good standing under the laws of Mexico, with all requisite corporate power and authority to carry on the business in which engaged, to own their respective properties, to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement. Grupo and Telemarketing are duly qualified and licensed to do business and are in good

7

standing in all jurisdictions where the nature of their business makes such qualification necessary.

(c) Capitalization. The capital stock of Grupo consists of 543,513 shares of common stock, par value \$1 Mexican Pesos per share, of which 543,513 shares are issued and outstanding. The capital stock of Telemarketing consists of 1,000 shares of common stock, par value \$1 Mexican Pesos per share, of which 1,000 shares are issued and outstanding. All of the issued and outstanding shares of capital stock of Grupo and Telemarketing are duly authorized, validly issued, fully paid and nonassessable. There are no options, warrants, subscriptions or other rights to purchase, or securities convertible into or exchangeable for, the capital stock of Grupo or Telemarketing. Neither Torres, RTorres, Grupo nor Telemarketing are parties to or bound by, nor do any of them have any knowledge of, any agreement, instrument, arrangement, contract, obligation, commitment or understanding of any character, whether written or oral, express or implied, relating to the sale, assignment, encumbrance, conveyance, transfer or delivery of any capital stock of Grupo or Telemarketing. No shares of capital stock of Grupo or Telemarketing have been issued or disposed of in violation of the preemptive rights of any shareholder of Grupo or Telemarketing.

(d) Corporate Records. The copies of the Certificate or Articles of Incorporation and all amendments thereto and the Bylaws of Grupo and Telemarketing that have been delivered to ATSI are true, correct and complete copies as of the date of this Agreement. The minute books of Grupo and Telemarketing, copies of which have been delivered to ATSI, contain accurate minutes of all meetings of, and accurate consents to all actions taken without meetings by the shareholders of Grupo and Telemarketing since the formation of Grupo and Telemarketing, respectively.

(e) Authorization and Validity. The execution, delivery and performance by Grupo and Telemarketing of this Agreement and the other agreements contemplated hereby, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by Grupo, Torres, and Telemarketing. This Agreement and each other agreement contemplated hereby have

been duly executed and delivered by Grupo, Torres and Telemarketing and constitute legal, valid and binding obligations of each of them, enforceable against them in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or the availability of equitable remedies. The sale of the 3%Stock by Torres to the Partners, the transfer of the RTorres Stock, and the transfer of the 48%Stock by Torres to Telemarketing will not impair the ability or authority of Grupo or Telemarketing to carry on their business as now conducted in any respect.

(f) No Violation. Neither the execution, delivery or performance of this Agreement or the other agreements contemplated hereby nor the consummation of the transactions contemplated hereby or thereby will (i) conflict with, or result in a violation or breach of the terms, conditions or provisions of, or constitute a default under, the Certificate of Incorporation or Bylaws of Grupo or Telemarketing or any agreement, indenture or other instrument under which Grupo or Telemarketing is bound or to which

8

the 3%Stock, the 48%Stock, the Telemarketing Stock, the RTorres Stock, any of the assets of Telemarketing or any of the assets of Grupo are subject, or result in the creation or imposition of any security interest, lien, charge or encumbrance upon the stock or any of the assets of Grupo or Telemarketing, or (ii) violate or conflict with any judgment, decree, order, statute, rule or regulation of any court or any public, governmental or regulatory agency or body having jurisdiction over Grupo or Telemarketing, the 3%Stock, 48%Stock, Telemarketing Stock, the RTorres Stock, or the assets of Grupo or Telemarketing. Grupo and Telemarketing have complied with all laws, regulations and licensing requirements and has filed with the proper authorities all necessary statements and reports.

(g) Consents. Grupo, Telemarketing and Torres have obtained all consents, authorizations, approvals, permits or licenses of, or have filed with, any governmental or public body or authority, any lender or lessor, or any other person or entity who is required to authorize, or whose authorization is required in connection with, the execution, delivery and performance of this Agreement or the agreements contemplated hereby on the part of Grupo, Telemarketing or Torres, except for the approvals specifically contemplated by Sections 5(b) and (c) of this Agreement.

(h) Assets. The balance sheet of Grupo attached as Exhibit 3(h)-1 and Telemarketing attached as 3(h)-2 of this Agreement is true and complete and fairly reflects the assets and liabilities of Grupo and Telemarketing, respectively as of the date shown.

(i) Liabilities. Except as described on the attached Exhibit 3(h), and for the amounts that may arise from the costs of the interconnection projects which might be recovered by Telefonos de Mexico, S.A. de C.V. and Telefonos del Noroeste, S.A. de C.V. in terms of Cofetel's Resolution dated May 28, 1997,

neither Grupo nor Telemarketing has any liabilities, either accrued, contingent or otherwise (known or unknown and asserted or unasserted), and neither Torres, Telemarketing nor Grupo know of any basis for the assertion of any claims or liabilities.

(j) No Material Change. There has been no material change in the condition of Grupo or Telemarketing since the date of the balance sheets attached as Exhibit 3(h), financial or otherwise, that has not been disclosed to ATSI's senior management.

(k) Litigation. There are no legal actions or administrative proceedings or investigations instituted, or to the best knowledge of Grupo, Telemarketing or Torres threatened, against or affecting, or that could affect, Grupo or Telemarketing, or any of the stock or the business of Grupo or Telemarketing. Neither Grupo, Telemarketing nor Torres are (i) subject to any continuing court or administrative order, writ, injunction or decree applicable specifically to Grupo or Telemarketing or to either of their business, assets, operations or employees or (ii) in default with respect to any such order, writ, injunction or decree. Neither Grupo, Telemarketing nor Torres know of any basis for any such action, proceeding or investigation.

9

(l) Operations. Currently Grupo is not conducting any operations other than the preservation of the Long Distance Concession. The former operations of Grupo are described on the attached Exhibit 3.1. Telemarketing has never had any operations.

(m) Employees. Currently Grupo does not have any employees. Telemarketing does not have and has never had any employees.

(n) Agreements. Besides the Surety Bonds executed with Afianzadora Mexicana, S.A. and Fianzas Monterrey Aetna, S.A., and the Adhesion Contract to the Trust Agreement executed with Banco Inverlat, S.A., Grupo is not a party to any agreement with Torres or any third party, written or otherwise. Telemarketing is not a party to any agreement with Torres or any third party, written or otherwise.

(o) Officers. The individuals serving as officers of Grupo and Telemarketing since their formation and their respective terms of service are shown on Exhibit 3.o.

(p) Agents. Neither Grupo nor Telemarketing has granted a power of attorney to act on its behalf to any person or authorized any person to act as an agent of Grupo or Telemarketing except for the officers listed on Exhibit

3.p.

(q) Laws. Grupo and Telemarketing are in compliance with and have complied with all laws and regulations and have filed with the proper authorities all necessary statements and reports.

(r) Long Distance Concession. Except as described on Exhibit 3.r., Grupo -----
has complied with the terms of the Long Distance Concession.

(s) Finders Fee. Neither Grupo, Telemarketing nor Torres have incurred any obligation for any finder's, broker's or agent's fee in connection with the transactions contemplated hereby.

(t) Accuracy of Information Furnished. All information furnished to ATSI by Grupo, Telemarketing or Torres in connection with the transactions contemplated by this Agreement is true, correct and complete in all respects. Such information states all facts required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements are made, true, correct and complete. There is no material information regarding Grupo, Telemarketing, the 4% Stock, the 47% Stock, the Telemarketing Stock that has not been provided to ATSI.

(u) Competition. Neither Torres nor his Affiliates will provide intra-Mexico long distance services to third parties or to seek to acquire a long distance concession from the Mexican government, either directly or through the acquisition of another entity, for a period of three (3) years from the date of this Agreement. For the purposes of this subsection, "Affiliate" means any person who controls, is controlled by, or is under common control with the person referred to.

10

(v) Certain Payments. To the best knowledge of Grupo, Telemarketing and Torres, respectively, neither Grupo nor Torres, nor any of their respective directors, officers or employees has paid or caused to be paid, directly or indirectly, in connection with the business of Grupo or Telemarketing:

(i) to any government or agency thereof or any agent of any supplier or customer any bribe, kick-back or other similar payment; or

(ii) any contribution to any political party or candidate (other than from personal funds of directors, officers or employees not reimbursed by their respective employers or as otherwise permitted by applicable law).

(w) Exemption from Securities Act. Torres understands that the ATSI Shares are being transferred by ATSI in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and equivalent state securities and "blue sky" laws, and that ATSI is relying upon the accuracy of, and Torres' compliance with, the following representations, warranties and covenants to determine the availability of these exemptions:

(i) The person or persons who receive the ATSI Shares by indication of Torres will receive them for their own account, for investment purposes only and not with a view towards or in connection with the public sale or distribution thereof in violation of the Securities Act;

(ii) The person or persons referred to in paragraph (i) above are capable, by reason of their business and financial experience, of evaluating the relative merits and risks of an investment in the ATSI Shares, and are able to afford the loss of their investment in the ATSI Shares;

(iii) The person or persons referred to in paragraph (i) above acknowledge that in making their decision to receive the ATSI Shares they have been given an opportunity to ask questions of and to receive answers from ATSI's executive officers, directors and management personnel concerning ATSI and the ATSI Shares;

(iv) The person or persons referred to in paragraph (i) above understand that the ATSI Shares have not been approved or disapproved by the United States Securities and Exchange Commission or any state securities commission and that the foregoing authorities have not reviewed any documents or instruments in connection with the transfer to them of the ATSI Shares and have not confirmed or determined the adequacy or accuracy of any such documents or instruments.

11

4. Representations and Warranties of ATSI. ATSI represents and warrants the following:

(a) Organization and Good Standing. ATSI is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, with all requisite corporate power and authority to carry on the business in which it is engaged, to own the properties it owns, to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

(b) Capitalization. The authorized capital stock of ATSI consists of 100,000,000 shares of common stock, par value \$.001 per share, of which 66,462,634 shares are issued and outstanding. All of the issued and outstanding shares of capital stock of ATSI are duly authorized, validly issued, fully paid and nonassessable. There are no options, warrants, subscriptions or other rights to purchase, or securities convertible into or exchangeable for, the capital stock of ATSI, other than as described on the attached Exhibit 4(b). ATSI is not

party to or bound by, nor it has any knowledge of, any agreement, instrument, arrangement, contract, obligation, commitment or understanding of any character, whether written or oral, express or implied, relating to the sale, assignment, encumbrance, conveyance transfer or delivery of any capital stock of ATSI other than as described on Exhibit 4(b). No shares of capital stock of ATSI have been

issued or disposed of in violation of the preemptive rights of any shareholder of ATSI.

(c) Authorization and Validity. The execution, delivery and performance by ATSI of this Agreement and the other agreements contemplated hereby, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by ATSI. This Agreement and each other agreement contemplated hereby have been duly executed and delivered by ATSI and constitute legal, valid and binding obligations of ATSI, enforceable against ATSI in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or the availability of equitable remedies.

(d) No Violation. Neither the execution, delivery or performance of this Agreement or the other agreements contemplated hereby nor the consummation of the transactions contemplated hereby or thereby will (i) conflict with, or result in a violation or breach of the terms, conditions and provisions of, or constitute a default under, the Certificate of Incorporation or Bylaws of ATSI or any agreement, indenture or other instrument under which ATSI is bound or (ii) violate or conflict with any judgment, decree, order, statute, rule or regulation of any court or any public, governmental or regulatory agency or body having jurisdiction over ATSI or the properties or assets of ATSI.

(e) Finder's Fee. ATSI has not incurred any obligation for any finder's, broker's or agent's fee in connection with the transactions contemplated hereby.

12

(f) Long Distance Concession. ATSI has reviewed the Long Distance Concession, the Technical and Financial plans therein, and the extension granted on April 11, 2000 to the starting of operations and obligations related, and acknowledges the obligations and consequences deriving from the same.

(g) Accuracy of Information Furnished. All information furnished to Grupo, Telemarketing or Torres by ATSI in connection with the transactions contemplated by this Agreement, when read together with ATSI's public filings with the SEC is true, correct and complete in all respects. Such information states all facts required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements are made, true, correct and complete. There is no information of an adverse nature regarding ATSI and the ATSI Stock that has not been provided to Torres.

5. Covenants. The parties covenant as follows:

(a) Torres will work diligently to obtain the COMSAT SCT Approval and approval from the SCT for the application filed May 24, 2000 for the approval of the transfer of the 48% Stock to Telemarketing (the "First SCT Approval");

(b) Unless a Second Release or Simultaneous Release shall have occurred, within three Business Days of receipt of the First SCT approval described in

Section 5(a) above, Torres will cause Grupo to take the appropriate corporate steps to issue non-voting shares for 80% of its capital, and will file the appropriate notices or applications for the issuance of the non-voting shares with each of the SCT, SECOFI and other appropriate agencies of the Mexican government, and work diligently to obtain those approvals (the "N Share Approvals"). If a Second Release or Simultaneous Release shall have occurred, Torres will assist ATSI as a consultant in preparing and filing the appropriate notices or applications for the issuance of the non-voting shares and work diligently with ATSI to obtain the N Share Approvals;

(c) Within three (3) Business Days of execution of this Agreement, ATSI will provide Torres with a new name for Grupo (and several alternative names in the event the name selected by ATSI is found not to be available by the SRE). Within two (2) Business Days of receipt from ATSI of the name and alternative names, Torres will cause Grupo to take the appropriate corporate steps to change the name of Grupo to the name (or alternative name) selected by ATSI and file the appropriate notice of application with the SRE regarding the change of the name and work diligently to obtain approval from the SRE (the "SRE Approval"). Within 3 Business Days following the later to occur of the receipt of the SRE Approval and the First SCT Approval, and provided a Second Release or Simultaneous Release shall not have occurred, Torres will cause Grupo to file the appropriate application with the SCT to approve the change of the name (the "Second SCT Approval") and will work diligently to obtain approval from the SCT for the change of the name; If a Second Release or Simultaneous Release shall have occurred, Torres will assist ATSI as a consultant in preparing and filing the appropriate notices or

13

applications for the change of the name of Grupo, and work diligently with ATSI to obtain those approvals.

(d) Further Actions. The parties shall deliver any further instruments of transfer and take all reasonable action as may be necessary or appropriate to (i) vest in the Partner good and marketable title to the 3% Stock; (ii) vest in the Partner good and marketable title to the RTorres Stock, (iii) vest in Telemarketing good and marketable title to the 48% Stock, (iv) carry out more effectively the provisions of this Agreement, and (v) establish and protect the rights created in favor of the parties; including, but not limited to, seeking approval from the SCT, SRE, COFETEL, and other agencies of the government of Mexico, and third parties, and completing any notarial process that may be required under Mexican law. Upon a parties' reasonable request, the other parties will provide additional information relevant to the transactions that are the subject of this Agreement

(e) ATSI will assist Torres in obtaining the First SCT Approval, the SRE Approval, the N Share Approvals, the Second SCT Approval, an additional extension of the time to begin operations under the Long Distance Concession from COFETEL, if needed, and any other governmental approvals required to consummate the transactions describe in this Agreement to the extent reasonably

necessary and as requested by Torres.

(f) Notification of Breach of Representations and Warranties. Each party will notify the others if it becomes aware that any of its representations and warranties made in this Agreement were not true when made.

(g) Obligation to Hold ATSI Shares. The Torres Designee who receives the First ATSI Shares and Second ATSI Shares will not transfer the ATSI Shares or any rights with respect to the ATSI Shares for one year from the First Release Date or Simultaneous Release Date, as applicable, and the Second Release Date or Simultaneous Release Date as applicable, respectively. Following the expiration of the one-year period, the Torres Designees may not sell the ATSI Shares except pursuant to an exemption from United States registration requirements, including, without limitation, Rule 144 under the Securities Act. Torres acknowledges that ATSI has no obligation to register the ATSI Shares.

(h) ATSI Obligation to Repurchase ATSI Shares. At the option of the Torres Designee to whom delivery of First ATSI Shares was made, to be exercised no later than thirty (30) calendar days prior to the first anniversary of the First Release Date or Simultaneous Release Date, as applicable, ATSI will buy back the First ATSI Shares for \$5.00 per share on the one year anniversary of the First Release Date or Simultaneous Release Date, as applicable; and at the option of the Torres Designee to whom delivery of the Second ATSI Shares was made, to be exercised no later than thirty (30) days prior to the first anniversary of the Second Release Date or Simultaneous Release Date, as applicable, ATSI will buy back the Second ATSI Shares for \$5.00 per share; provided however, ATSI shall

have no obligation to buy back more than an aggregate of 100,000 ATSI Shares under this Section 5(h).

14

(i) ATSI's Obligation to Pay Additional Cash. If, on the first anniversary of the First Release Date or Simultaneous Release Date, the closing sale price of ATSI's common stock on The American Stock Exchange is less than \$5.00 ATSI will pay the Torres Designee cash equal to the difference between \$5.00 and the closing sale price on first anniversary of the First Release Date or Simultaneous Date, as applicable, times the number of ATSI Shares that have not been repurchased by ATSI pursuant to subparagraph 5(j) above; and if on the

first anniversary of the Second Release Date or Simultaneous Release Date, the closing sale price of ATSI's common stock on The American Stock Exchange is less than \$5.00 ATSI will pay the Torres Designee cash equal to the difference between \$5.00 and the closing sale price on first anniversary of the Second Release Date or Simultaneous Date, as applicable, times the number of ATSI Shares that have not been repurchased by ATSI pursuant to subparagraph (h)

above.

(j) Grupo and Telemarketing will take commercially reasonable steps to

maintain their condition as represented in Section 3 above, but except for actions taken by the Partners pursuant to the Poder Especial or Poder General or taken with the prior written consent of ATSI, neither Grupo nor Telemarketing will acquire any assets, incur any liabilities, hire any employees, make any regulatory filings, or make any other change in their condition, whether or not material, without the prior consent of ATSI.

6. ATSI's Conditions Precedent to Closing, As a condition precedent to the Second Release of Escrow, the following conditions must be met or waived by ATSI:

(a) COMSAT Closing. There has occurred a "Release of Escrow" as defined in the Agreement for Sale and Purchase Of Part of the Issued Share Capital of Grupo Intelcom de Mexico, S.A de C.V. between COMSAT Mexico, S.A. de C.V. and ATSI;

(b) Regulatory Approvals. Torres has obtained the First SCT Approval;

(c) Name Change and Approval for Issuance of Non-Voting Shares. The covenants described in Sections 5(b) and (c) above will have been performed and completed;

(d) Tax Opinions or Escrow. Torres shall have delivered an opinion of a CPA registered before the Taxpayer's Administration Services of Mexico, and acceptable to ATSI, that

(i) ATSI is not obligated to withhold any part of the \$500,000 or the ATSI Shares to satisfy any tax obligation of Torres, Grupo or Telemarketing arising from the consummation of the transactions described in this Agreement; and

(ii) the closing of the transactions contemplated by this Agreement does not generate income tax to Grupo, Telemarketing, ATSI or the Partners, or if Torres is not able to deliver a satisfactory opinion, Torres has deposited

15

into escrow with a mutually agreeable escrow agent under terms reasonably satisfactory to ATSI an amount sufficient to pay any income tax that may be assessed to ATSI.

(e) Corporate Records. Grupo and Telemarketing shall have delivered to ATSI the original minute book of Grupo and Telemarketing and all other corporate books and records.

7. Indemnification.

(a) Indemnification by Torres. Torres agrees to indemnify, defend and hold ATSI and each Partner, and each of their respective directors, officers, agents,

attorneys and affiliates harmless from and against all losses, claims, obligations, demands, assessments, penalties, liabilities, costs, damages, attorneys' fees and expenses arising under any theory of legal liability (collectively, "Damages") asserted against or incurred by ATSI or the Partners or any of their property by reason of or resulting from an actual or asserted breach of this Agreement by Torres, Grupo or Telemarketing, including a breach of any representation, warranty, or covenant of Torres in this Agreement or any document delivered in connection with this Agreement.

(b) Indemnification by ATSI. ATSI agrees to indemnify defend and hold Torres, the Torres Designee, and each of his attorneys and affiliates, harmless from and against all Damages asserted against or incurred by them or any of their property by reason of or resulting from an actual or asserted breach of this Agreement by ATSI, including a breach of any of ATSI's representations, warranties or covenants in this Agreement or any document delivered in connection with this Agreement.

(c) Procedures. A person seeking indemnification under this Section shall provide prompt notice of its claim for indemnification to the indemnifying party, provided, however, that failure to give prompt notice shall not affect the indemnifying party's obligations under this Section unless the failure materially prejudices the indemnifying party's rights. The indemnified person will have the right to select counsel to defend it in respect of any indemnified matter under this Section, provided, however, that the counsel selected must be reasonably satisfactory to the indemnifying party. The indemnified party will keep the indemnifying party informed of the status of any litigation or dispute resolution procedure, will give reasonable consideration to the suggestions and requests of the indemnifying party with respect to the conduct of the litigation or dispute resolution procedure, and will not settle any matter covered by this Section without the prior consent of the indemnifying party, which shall not be unreasonably withheld. Amounts due under this section shall be paid as incurred, and may be offset against amounts due the indemnifying party under this Agreement if not paid promptly.

8. Release of Claims Against Grupo and Telemarketing. Torres hereby releases Grupo and Telemarketing from any and all claims he may have against it arising under

any theory of legal liability in any jurisdiction, including contingent and unknown claims, and claims that accrue after the date of this Agreement.

9. Miscellaneous.

(a) Amendment. This Agreement may be amended, modified or supplemented only by an instrument in writing executed by all the parties hereto.

(b) Assignment. Neither this Agreement nor any right created hereby or in any agreement entered into in connection with the transactions contemplated

hereby shall be assignable by any party hereto, except by ATSI to an affiliate of ATSI.

(c) Survival. The provisions of Sections 4, 5, 7 and 9 shall survive the closing of the transactions contemplated by this Agreement (including the First Escrow Release, Second Escrow Release, Simultaneous Escrow Release, Alternative Escrow Release and Termination of Escrow) and shall continue indefinitely.

(d) Waiver. No waiver by any party of any default or breach by another party of any representation, warranty, covenant or condition contained in this Agreement, any exhibit or any document, instrument or certificate contemplated hereby shall be deemed to be a waiver of any subsequent default or breach by such party of the same or any other representation, warranty, covenant or condition. No act, delay, omission or course of dealing on the part of any party in exercising any right, power or remedy under this Agreement or at law or in equity shall operate as a waiver thereof or otherwise prejudice any of such party's rights, powers and remedies. All remedies, whether at law or in equity, shall be cumulative and the election of any one or more shall not constitute a waiver of the right to pursue other available remedies.

(e) Parties In Interest; No Third Party Beneficiaries. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective heirs, legal representatives, successors and assigns of the parties hereto. Neither this Agreement nor any other agreement contemplated hereby shall be deemed to confer upon any person not a party hereto or thereto any rights or remedies hereunder or thereunder, except for holders of ATSI Shares while such shares are "restricted securities" or have benefits under the terms of Section 5.

(f) Entire Agreement. This Agreement and the agreements contemplated hereby constitute the entire agreement of the parties regarding the subject matter hereof, and supersede all prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

(g) Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall

not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

(h) Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS (BUT NOT THE RULES GOVERNING CONFLICTS OF LAWS) OF THE STATE OF DELAWARE, U.S.A.; EXCEPT FOR MATTERS REGARDING THE CORPORATE GOVERNANCE OF GRUPO OR COMSAT MEXICO, AND REQUIRED MEXICAN GOVERNMENTAL APPROVALS, WHICH WILL BE GOVERNED BY MEXICAN LAW.

(i) Confidentiality. The parties agree that they will not disclose to any third party (except to its agents or employees with a "need to know") any of the other party's "Confidential Information," as defined below, or the fact that it has possession of any of the other party's Confidential Information, whether the Confidential Information was learned before or after the execution of the Agreement, and whether it was transmitted in oral, paper, magnetic, photographic or any other form. "Confidential Information" is any information regarding a party's assets, liabilities, costs, rates, sales strategies, business plans, suppliers, operations, financial results, identities of employees, identities of customers, trade secrets, intellectual property, and any other information not specifically listed that is commonly understood to be confidential. Provided, however, that Confidential Information does not include any information which enters the public domain legally and through no breach of this Agreement, or other agreement, is independently developed by a party, is required to be disclosed by applicable law (provided the disclosing party gives notice of the disclosure at the earliest practical time) or is disclosed as part of a bona fide legal proceeding brought by one party against the other in connection with this Agreement. Each party will use the other's Confidential Information only in connection with the performance of this Agreement, and will use at least a reasonable degree of care to protect the Confidential Information. Each party will return or destroy the other's Confidential Information on demand, and will certify in writing, if requested, that the Confidential Information has been destroyed.

(j) Captions. The captions in this Agreement are for convenience of reference only and shall not limit or otherwise affect any of the terms or provisions hereof.

(k) Gender and Number. When the context requires, the gender of all words used herein shall include the masculine, feminine and neuter and the number of all words shall include the singular and plural.

(l) Reference to Agreement. Use of the words "herein", "hereof", "hereto" and the like in this Agreement shall be construed as references to this Agreement as a

whole and not to any particular Section or provision of this Agreement, unless otherwise noted.

(m) Notice. Any notice or communication hereunder or in any agreement entered into in connection with the transactions contemplated hereby must be in

writing and given by depositing the same in the United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person or by facsimile transmission. Such notice shall be deemed received on the date on which it is hand-delivered or received by facsimile transmission or on the third Business Day following the date on which it is so mailed. For purposes of notice, the addresses of the parties shall be:

If to ATSI: American TeleSource International, Inc.
6000 Northwest Parkway, Suite 110
San Antonio, Texas 78249 U.S.A.
Attention: Arthur L. Smith
Telephone: (210) 547-1000
Facsimile: (210) 547-1001

with a copy to: Jackson Walker, L.L.P.
112 E. Pecan Street, Suite 2100
San Antonio, Texas 78205 U.S.A.
Attention: Patrick B. Tobin
Telephone: (210) 978-7700
Facsimile: (210) 978-7790

If to Torres: Alfonso Torres Roqueni
Blvd. M. Avila Camacho 184 16o. Piso,
Col. Lomas de San Isidro, C.P. 11620,
Mexico, D.F.
Telephone: (525) 281-1214
Facsimile: (525) 280-5860

Any party may change its address for notice by written notice given to the other parties in accordance with this Section.

(n) Choice of Forum. The parties hereto agree that should any suit, action or proceeding arising out of this Agreement be instituted by any party hereto (other than a suit, action or proceeding to enforce or realize upon any final court judgment arising out of this Agreement), such suit, action or proceeding shall be instituted only in a state or federal court in the State of Delaware, U.S.A. Each of the parties hereto consents to the in personam jurisdiction of

-- -----

any state or federal court in the State of Delaware, U.S.A. and waives any objection to the venue of any such suit, action or proceeding. The parties hereto recognize that courts outside the State of Delaware, U.S.A. may also have jurisdiction over suits, actions or proceedings arising out of this Agreement, and in the event that any party hereto shall institute a proceeding involving this Agreement in a

jurisdiction outside the State of Delaware, U.S.A., the party instituting such proceeding shall indemnify any other party hereto for any losses and expenses

that may result from the breach of the foregoing covenant to institute such proceeding only in a state or federal court in the State of Delaware, U.S.A., including without limitation any additional expenses incurred as a result of litigating in another jurisdiction, such as reasonable fees and expenses of local counsel and travel and lodging expenses for parties, witnesses, experts and support personnel.

(o) Service of Process. Service of any and all process that may be served on any party hereto in any suit, action or proceeding arising out of this Agreement may be made in the manner and to the address set forth in this Section and service thus made shall be taken and held to be valid personal service upon such party by any party hereto on whose behalf such service is made.

(p) Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

20

EXECUTED as of the date first above written.

AMERICAN TELESOURCE
INTERNATIONAL, INC.

By: _____
Name: _____
Its: _____
Date: _____

Alfonso Torres Roqueni
Date: _____

GRUPO INTELCOM DE MEXICO,
S.A DE C.V.

By: _____
Name: _____
Its: _____
Date: _____

TELEMARKETING DE MEXICO,
S.A. DE C.V.

By: _____
Name: _____

Its: _____
Date: _____

21

Exhibits

1	Escrow Agreement
2(a)(1)(A)(ii)	Note
2(a)(1)(A)(iii)	Warrant
2(a)(1)(B)-1	ATSI Officer Certificate
2(a)(1)(B)-2	ATSI Secretary Certificate
2(a)(2)(A)(iii)	Telemarketing Waiver
2(a)(2)(A)(v)	Telemarketing Stock Assignment
2(a)(2)(A)(vi)	Poder General
2(a)(2)(B)	Form of Grupo and Telemarketing Secretary Certificate
2(a)(2)(C)	Poder Especial
2(b)	Officers Certificate Updating Representations and Warranties
3(h)-1	Balance Sheet of Grupo
3(h)-2	Balance Sheet of Telemarketing
3(l)	Description of Operations of Grupo and Telemarketing
3(o)	Officers of Grupo and Telemarketing
3(p)	Agents of Grupo and Telemarketing
3()	Compliance with Long Distance Concession
4(b)	Capital Stock of ATSI

22

ESCROW AGREEMENT

THIS ESCROW AGREEMENT is made and entered into as of June 6, 2000 by and among American TeleSource International, Inc., a Delaware corporation ("ATSI"), Alfonso Torres Roqueni, an individual residing in Mexico City, Mexico ("Torres") and Laredo National Bank, a national banking association with its principal offices in Laredo, County, Texas (the "Bank" or "Escrow Agent").

RECITALS

- A. Torres owns 277,082 shares of the capital stock of Grupo Intelcom de Mexico, S.A. de C.V., a Mexican corporation ("Grupo") (the "Grupo Stock");
- B. Torres owns 99.9% of the stock of Telemarketing de Mexico, S.A. de C.V., a Mexican corporation ("Telemarketing") (the "Telemarketing Stock");
- C. Rodolfo Torres Roqueni ("RTorres") owns .1% of the stock of Telemarketing ("RTorresStock");
- D. ATSI, Torres, Grupo and Telemarketing have entered into an Agreement dated effective June 6, 2000 (the "Agreement") pursuant to which Torres has sold 16,300 shares of Grupo, representing 3% of the issued and outstanding capital stock of Grupo (the "3% Stock"), to certain individuals designated by ATSI.
- E. The Agreement provides that Torres will transfer control of his remaining 260,782 shares of Grupo, representing 48% of the issued and outstanding capital stock of Grupo (the "48%Stock") to the persons designated by ATSI, and that Torres will perform certain consulting services for ATSI.
- F. The Agreement provides that in consideration for the sale of the 3%Stock, the transfer of the control of the 48%Stock to the persons designated by ATSI, and the performance of the services, ATSI will pay and deliver to Torres or the persons designated by Torres 50,000 shares of ATSI common stock (the "First ATSI Shares"), 350,000 shares of ATSI common stock (the "Second ATSI Shares"), a note in the original principal amount of \$500,000 (the "Note"), and a warrant for the purchase of 100,000 shares of ATSI common stock (the "Warrant").
- G. The Agreement provides that delivery of irrevocable instructions to ATSI's transfer agent to issue the First ATSI Shares and the Second ATSI Shares shall constitute delivery of the First ATSI Shares and the Second ATSI Shares;

- H. ATSI's transfer agent is ChaseMellon Shareholder Services, LLC or the agent that it may subsequently appoint for the purpose of serving as transfer agent for ATSI's common stock (the "Transfer Agent");

1

- I. The Agreement provides that Torres will transfer control of the 48%Stock by transferring the 48%Stock to Telemarketing, causing RTorres to Transfer the RTorres Stock to the person or person designated by ATSI, and agreeing to refrain from exercising his preemptive rights to increase the capital of Telemarketing (the "Telemarketing Waiver"); Pursuant to the Agreement, Torres has granted to the ATSI designees a security interest in the Telemarketing Stock to secure his obligation not to revoke the Telemarketing Waiver.
- J. The Agreement provides that if Torres is unable to obtain regulatory approval from the appropriate agencies of the Mexican government to achieve the transfer of control described in paragraph I above by July 31, 2000, Torres and ATSI will find an alternative way to achieve transfer of control of the 48%Stock, and Torres will grant ATSI's designees a Poder General (or general power of administration) so that they can manage Grupo until an alternative method to achieve transfer of control is obtained.
- K. The Agreement requires the 3%Stock, the 48%StockTorres, the RTorres Stock instructions to the Transfer Agent to deliver the First ATSI Shares (the "First ATSI Shares Instruction"), instructions to the Transfer Agent to issue the Second ATSI Shares (the "Second ATSI Shares Instruction"), the Note, the Warrant, the Telemarketing Waiver, the Telemarketing Stock, an assignment of the Telemarketing Stock (the "Telemarketing Stock Assignment"), and the Poder General to be held in escrow pending the resolution of certain contingencies.
- L. ATSI and Torres have requested Escrow Agent to act in the capacity of escrow agent under this Escrow Agreement, and Escrow Agent, subject to the terms and conditions hereof, has agreed to do so.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

1. Appointment of Escrow Agent. Each of ATSI and Torres hereby appoints the Bank as the escrow agent under this Escrow Agreement and the Bank hereby accepts such appointment.

2. Deposit. Upon execution of this Escrow Agreement, ATSI will deliver to the Escrow Agent the First ATSI Shares Instruction, the Second ATSI Shares Instruction, the Note, and the Warrant, and Torres will deliver to the Escrow Agent the Grupo Stock endorsed in blank, the RTorres Stock endorsed in

blank, the Telemarketing Waiver the Poder General, the Telemarketing Stock endorsed in blank, and the Telemarketing Stock Assignment, all to be held by Escrow Agent in accordance with the terms of this Agreement (the "Deposit"). Escrow Agent agrees that it shall receive, hold in escrow and release the Deposit subject to and in accordance with the terms of this Agreement. The parties agree that ATSI and Grupo will determine if the form and substance of the items constituting the Deposit are sufficient and acceptable under the terms of the Agreement and that Escrow Agent shall have no responsibility whatsoever to determine if the items constituting the Deposit are valid, sufficient, or otherwise acceptable.

3. Disbursement of Deposit. Escrow Agent is hereby authorized to release the Deposit only as follows:

(a) Upon Torres' delivery of two replacement certificates for the certificate for the Grupo Stock (whereby the certificate for 277,082 shares of Grupo is to be replaced by two

2

certificates, one for 16,300 shares (representing the 3%Stock) and one for 260,782 shares of Grupo (representing the 48%Stock)) the Escrow Agent will accept the certificates for the 3%Stock and the 48%Stock as part of the Deposit, will cancel the stock certificate for the Grupo Stock by writing CANCEL on the front and back of the certificate and will return the cancelled certificate for the Grupo Stock to Torres.

(b) if the Escrow Agent receives a Release of Escrow in the form attached as Exhibit A executed by ATSI and Torres (the "First Escrow Release"),

the Escrow Agent shall:

(i) disburse the 3%Stock (or, if no replacement certificates have been provided pursuant to subparagraph (a) above, the Grupo Stock) to ATSI or the persons or persons designated by ATSI in the First Escrow Release, and

(ii) disburse the First ATSI Shares Instruction to the Transfer Agent;

(c) if the Escrow Agent receives a Release of Escrow in the form attached as Exhibit B executed by ATSI and Torres (the "Second Escrow

Release") the Escrow Agent shall:

(i) endorse the 48%Stock to "Telemarketing of Mexico, S.A. de C.V.".

(ii) disburse the endorsed 48%Stock to Torres,

- (iii) disburse the Telemarketing Waiver and the RTorres Stock to ATSI,
- (iv) disburse the Second ATSI Shares Instruction to the Transfer Agent,
- (v) disburse the Note and the Warrant to Torres or to any person or persons designated by Torres in the Second Escrow Release, and
- (vi) destroy the Telemarketing Assignment and return the Telemarketing Stock to Torres, and
- (vii) destroy the Poder General;

(d) if the Escrow Agent receives a Release of Escrow in the form attached as Exhibit C executed by ATSI and Torres (the "Simultaneous Escrow Release"), the Escrow Agent shall distribute all of the items required to be distributed on a First Escrow Release and a Second Escrow Release as provided in subparagraphs 3(b) and 3(c) above.

(e) if after July 31, 2000 the Escrow Agent receives a Release of Escrow in the form attached as Exhibit D executed by ATSI (the "Alternative Escrow Release"), the Escrow Agent shall disburse the Poder General to ATSI.

(f) If the Escrow Agent receives after the Escrow Termination Date, as defined below, the Termination of Escrow attached as Exhibit E executed by ATSI (the "Termination of Escrow") the Escrow Agent shall:

3

- (i) disburse to ATSI the First ATSI Shares Instruction (if not already disbursed to the Transfer Agent pursuant to Section 3(a) above) the Second ATSI Shares Instruction, the Note and the Warrant, and
- (ii) disburse to Torres the 3%Stock (if not already disbursed to ATSI pursuant to Section 3(a) above), the 48%Stock, The RTorres Stock, the Telemarketing Waiver, and the Grupo Waiver;

The "Escrow Termination Date" shall be August 31, 2000 or such later date specified by ATSI and Torres in a joint instruction to the Escrow Agent in form and substance satisfactory to Escrow Agent.

- (g) into the registry of the court in accordance with this

Escrow Agreement; and.

(h) in such other manner as provided in a written modification to this Escrow Agreement executed by all parties.

Disbursements by the Escrow Agent shall be made on the day it receives the original of the fully executed First Release, Second Release, the Simultaneous Escrow Release, the Alternative Escrow Release or Escrow Termination, as the case may be, via overnight mail on a "priority" basis, using Federal Express or UPS. If to ATSI or Torres, disbursements shall be made to the address appearing for ATSI or Torres in Section 9, below (or such other address given in a notice by ATSI or Torres in accordance with that Section); if to the Transfer Agent, to the address stated in the First ATSI Shares Instruction and Second ATSI Shares Instruction or to such other address provided to the Escrow Agent jointly by ATSI and Torres; and if to a person or person designated by Torres or ATSI, to the address stated in the First Escrow Release or Second Escrow Release, the Simultaneous Escrow Release or the Alternative Escrow Release, as the case may be.

4. Scope of Undertaking. Escrow Agent's duties and responsibilities in connection with this Escrow Agreement shall be purely ministerial and shall be limited to those expressly set forth in this Escrow Agreement. Escrow Agent is not a principal, participant or beneficiary in any transaction underlying this Escrow Agreement and shall have no duty to inquire beyond the terms and provisions hereof. Escrow Agent shall not be liable for any error in judgment, any act or omission, any mistake of law or fact, or for anything it may do or refrain from doing in good faith in connection herewith, except for, subject to Section 5 below, its own willful misconduct or negligence. The Escrow Agent shall never be required to use, advance or risk its own funds or otherwise incur financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

5. Reliance; Liability. Escrow Agent may rely on, and shall not be liable for acting or refraining from acting in accordance with, any written notice, instruction or request or other paper furnished to it hereunder or pursuant hereto and believed by it to have been signed or presented by the proper party or parties, provided that it verbally confirms the instruction to with the person at the telephone number provided in Section 9, below. Escrow Agent shall be responsible for holding and disbursing the Deposit pursuant to this Escrow Agreement; provided, however, that in no event shall Escrow Agent be liable for any lost profits, lost savings or other special, exemplary, consequential or incidental damages in excess of Escrow Agent's fee hereunder

and provided, further, that Escrow Agent shall have no liability for any loss arising from any cause beyond its control, including, but not limited to, the following: (a) acts of God, force majeure, including, without limitation, war (whether or not declared or existing), revolution, insurrection, riot, civil commotion, accident, fire, explosion, stoppage of labor, strikes and other

differences with employees; (b) the act, failure or neglect of any ATSI or Torres or any agent or correspondent or any other person selected by Escrow Agent; (c) any delay, error, omission or default of any mail, courier, telegraph, cable or wireless agency or operator; or (d) the acts or edicts of any government or governmental agency or other group or entity exercising governmental powers. Escrow Agent is not responsible or liable in any manner whatsoever for the sufficiency, correctness, genuineness or validity of the subject matter of this Escrow Agreement or any part hereof or for the transaction or transactions requiring or underlying the execution of this Escrow Agreement, the form or execution hereof or for the identity or authority of any person executing this Escrow Agreement or any part hereof or depositing the Deposit.

6. Right of Interpleader. Should any controversy arise involving the parties hereto or any of them or any other person, firm or entity with respect to this Escrow Agreement or the Deposit, or should a substitute escrow agent fail to be designated as provided in Section 12 hereof, or if Escrow Agent should be in doubt as to what action to take, Escrow Agent shall have the right, but not the obligation, either to (a) withhold delivery of the Deposit until the controversy is resolved, the conflicting demands are withdrawn or its doubt is resolved or (b) institute a petition for interpleader in any court of competent jurisdiction to determine the rights of the parties hereto. In the event Escrow Agent is a party to any dispute, Escrow Agent shall have the additional right to refer such controversy to binding arbitration. Should a petition for interpleader be instituted, or should Escrow Agent be threatened with litigation or become involved in litigation or binding arbitration in any manner whatsoever in connection with this Escrow Agreement or the Deposit, ATSI and Torres hereby jointly and severally agree to reimburse Escrow Agent for its attorneys' fees and any and all other expenses, losses, costs and damages incurred by Escrow Agent in connection with or resulting from such threatened or actual litigation or arbitration prior to any disbursement hereunder.

7. Indemnification. ATSI and Torres hereby jointly and severally indemnify Escrow Agent, its officers, directors, partners, employees and agents (each herein called an "Indemnified Party") against, and hold each Indemnified Party harmless from, any and all expenses, including, without limitation, attorneys' fees and court costs, losses, costs, damages and claims, including, but not limited to, costs of investigation, litigation and arbitration, tax liability and loss on investments suffered or incurred by any Indemnified Party in connection with or arising from or out of this Escrow Agreement, except such acts or omissions as may result from the willful misconduct or gross negligence of such Indemnified Party. IT IS THE EXPRESS INTENT OF EACH OF ATSI AND TORRES TO INDEMNIFY EACH OF THE INDEMNIFIED PARTIES FOR, AND HOLD THEM HARMLESS AGAINST, THEIR OWN NEGLIGENT ACTS OR OMISSIONS.

8. Compensation and Reimbursement of Expenses. ATSI and Torres agrees to each pay one half of the Escrow Agent's fees for its services hereunder in accordance with Escrow Agent's fee schedule as in effect from time to time and to each pay one half of all expenses incurred by Escrow Agent in connection with the performance of its duties and enforcement of its rights hereunder and otherwise in connection with the preparation, operation,

administration and enforcement of this Escrow Agreement, including, without limitation, attorneys' fees and related expenses incurred by Escrow Agent. The foregoing notwithstanding, ATSI and Torres shall be jointly and severally liable to Escrow Agent for the payment of all such fees and expenses.

5

9. Notices. Any notice required or permitted to be given under this Escrow Agreement must be in writing and shall be sent via facsimile with the original to deposited with Federal Express or UPS for priority next day delivery on the same day that the facsimile is sent. Provided the original of the notice is delivered by Federal Express or UPS on the following day, notices will be considered given and received on the date sent via facsimile as shown on a written confirmation generated by the sending facsimile machine. Notices shall be sent to the following address, or to such other address provided by a party by a notice in accordance with this section:

If to Escrow Agent:

Laredo National Bank
914 Hidalgo Street
Laredo, Texas 78040
Telefax: (956) 723-1151
Telephone: (956) 764-1592

If to ATSI:

American TeleSource International, Inc.
6000 Northwest Parkway, Suite 110
San Antonio, Texas 78249
Attn: Arthur L. Smith
Telefax: (210) 547- _____
Telephone: (210) 547-1000

If to Torres:

Alfonso Torres Roqueni
Renato Leduc No. 321
Col. Toriello Guerra, 01450
Mexico, Distrito Federal
Telefax: (5) 528-2100
Telephone: (5) 528-2321

10. Consultation with Legal Counsel. Escrow Agent may consult with its counsel or other counsel satisfactory to it concerning any question relating to its duties or responsibilities hereunder or otherwise in connection herewith and shall not be liable for any action taken, suffered or omitted by it in good faith upon the advice of such counsel.

11. Choice of Laws. THIS ESCROW AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN

ACCORDANCE WITH THE SUBSTANTIVE LAWS (BUT NOT THE RULES GOVERNING CONFLICTS OF LAWS) OF THE STATE OF DELAWARE, U.S.A. The parties agree that any action in connection with this Escrow Agreement may be brought only in a state or federal court in Delaware, U.S.A., and the parties waive any objection to the venue of any such suit. The parties irrevocably consent to the service of process of any such courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, return receipt requested, to the party at the address set forth in this Escrow Agreement, and agree that such service shall become effective ten (10) days after such mailing. However, nothing herein shall affect the right of a party to serve process in any other manner permitted by law.

6

12. Resignation. Escrow Agent may resign hereunder upon ten (10) days' prior notice to ATSI and Torres. Upon the effective date of such resignation, Escrow Agent shall deliver the Deposit to any substitute escrow agent designated by ATSI and Torres in writing. If ATSI and Torres fail to designate a substitute escrow agent within ten (10) days after the giving of such notice, Escrow Agent may institute a petition for interpleader. Escrow Agent's sole responsibility after such 10-day notice period expires shall be to hold the Deposit (without any obligation to reinvest the same) and to deliver the same to a designated substitute escrow agent, if any, or in accordance with the directions of a final order or judgment of a court of competent jurisdiction, at which time of delivery Escrow Agent's obligations hereunder shall cease and terminate.

13. Assignment. This Escrow Agreement shall not be assigned by either of ATSI or Torres without the prior written consent of Escrow Agent (such assigns of ATSI or Torres to which Escrow Agent consents, if any, and Escrow Agent's assigns being hereinafter referred to collectively as "Permitted Assigns").

14. Severability. If one or more of the provisions hereof shall for any reason be held to be invalid, illegal or unenforceable in any respect under applicable law, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and this Escrow Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, and the remaining provisions hereof shall be given full force and effect.

15. Termination. This Escrow Agreement shall terminate upon the disbursement, in accordance with Sections 31; provided, however, that in the event all fee, expenses, costs and other amounts required to be paid to Escrow Agent hereunder are not fully and finally paid prior to termination, the provisions of Section 8 shall survive the termination and, provided further, that the provisions of Section 9 shall, in any event, survive the termination hereof.

16. General. The section headings contained in this Escrow

Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Escrow Agreement. This Escrow Agreement and any affidavit, certificate, instrument, agreement or other document required to be provided hereunder may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute but one and the same instrument. Unless the context shall otherwise require, the singular shall include the plural and vice-versa, and each pronoun in any gender shall include all other genders. The terms and provisions of this Escrow Agreement constitute the entire agreement among the parties hereto in respect of the subject matter hereof, and neither ATSI, Torres, nor Escrow Agent has relied on any representations or agreements of the other, except as specifically set forth in this Escrow Agreement. This Escrow Agreement or any provision hereof may be amended, modified, waived or terminated only by written instrument duly signed by the parties hereto. This Escrow Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, devisees, executors, administrators, personal representatives, successors, trustees, receivers and Permitted Assigns. This Escrow Agreement is for the sole and exclusive benefit of ATSI, Torres, and the Escrow Agent, and nothing in this Escrow Agreement, express or implied, is intended to confer or shall be construed as conferring upon any other person any rights, remedies or any other type or types of benefits.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

7

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement to be effective as of the date first above written.

American TeleSource International, Inc.

By: _____
Name: _____
Title: _____
"ATSI"

Alfonso Torres Roqueni

"TORRES"

Laredo National Bank

By: _____
Name: _____
Title: _____
"ESCROW AGENT"

8

EXHIBIT A

FIRST ESCROW RELEASE

re: Escrow Agreement dated effective as of June 6, 2000 between American TeleSource International, Inc. ("ATSI"), Alfonso Roqueni Torres ("Torres"), and Laredo National Bank (the "Escrow Agreement").

Date: _____

Capitalized terms shall have the meanings given in the Escrow Agreement.

The undersigned parties to the Escrow Agreement hereby direct the Escrow Agent to:

- (i) disburse the 3%Stock to ATSI or the persons or persons designated by ATSI below, and
- (ii) disburse the First ATSI Shares Instruction to the Transfer Agent.

3%Stock to: _____ (Name)
_____ (Address)
_____ (Telephone)

American TeleSource International, Inc.

By: _____
Arthur L. Smith,
Chief Executive Officer

Alfonso Roqueni Torres

9

EXHIBIT B

SECOND ESCROW RELEASE

re: Escrow Agreement dated effective as of June 6, 2000 between American TeleSource International, Inc. ("ATSI"), Alfonso Roqueni Torres ("Torres"), and Laredo National Bank (the "Escrow Agreement").

Date: _____

Capitalized terms shall have the meanings given in the Escrow Agreement.

The undersigned parties to the Escrow Agreement hereby direct the Escrow Agent to:

- (i) endorse the 48%Stock to "Telemarketing of Mexico, S.A. de C.V.".
- (ii) disburse the endorsed 48%Stock to Torres,
- (iii) disburse the Telemarketing Waiver and the RTorres Stock to ATSI,
- (iv) disburse the Second ATSI Shares Instruction to the Transfer Agent,
- (v) disburse the Note and the Warrant to Torres or to the person or persons designated by Torres below, and
- (i) destroy the Grupo Waiver.

Note and Warrant to: _____ (Name)
_____ (Address)
_____ (Telephone)

American TeleSource International, Inc.

By: _____
Arthur L. Smith,

Alfonso Roqueni Torres

10

EXHIBIT C

SIMULTANEOUS ESCROW RELEASE

re: Escrow Agreement dated effective as of June 6, 2000 between American TeleSource International, Inc. ("ATSI"), Alfonso Roqueni Torres ("Torres"), and Laredo National Bank (the "Escrow Agreement").

Date: _____

Capitalized terms shall have the meanings given in the Escrow Agreement.

The undersigned parties to the Escrow Agreement hereby direct the Escrow Agent to:

- (i) disburse the 3%Stock to ATSI or the persons or persons designated by ATSI below,
- (ii) disburse the First ATSI Shares Instruction to the Transfer Agent,
- (iii) endorse the 48%Stock to "Telemarketing of Mexico, S.A. de C.V..".
- (iv) disburse the endorsed 48%Stock to Torres,
- (v) disburse the Telemarketing Waiver and the RTorres Stock to ATSI,
- (vi) disburse the Second ATSI Shares Instruction to the Transfer Agent,
- (vi) disburse the Note and the Warrant to Torres or to the person or persons designated by Torres below,
- (vii) destroy the Telemarketing Assignment and return the Telemarketing Stock to Torres, and
- (iv) destroy the Poder General..

3%Stock to: _____ (Name)

By: _____
Arthur L. Smith,
Chief Executive Officer

Alfonso Roqueni Torres

13

EXHIBIT E

TERMINATION OF ESCROW

re: Escrow Agreement dated effective as of June 6, 2000 between American TeleSource International, Inc. ("ATSI"), Alfonso Roqueni Torres ("Torres"), and Laredo National Bank (the "Escrow Agreement").

Date: _____

Capitalized terms shall have the meanings given in the Escrow Agreement.

ATSI hereby directs the Escrow Agent to:

- (i) disburse to ATSI the First ATSI Shares Instruction (if not already disbursed to the Transfer Agent pursuant to Section 3(b) of the Escrow Agreement) the Second ATSI Shares Instruction, the Note and the Warrant, and
- (ii) disburse to Torres the 3%Stock (if not already disbursed to ATSI pursuant to Section 3(b) of the Escrow Agreement), the 48%Stock, the Telemarketing Waiver, and the Grupo Waiver.

American TeleSource International, Inc.

By: _____
Arthur L. Smith,
Chief Executive Officer

14

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND MAY NOT BE OFFERED FOR SALE, SOLD OR TRANSFERRED UNLESS A REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS SHALL BE EFFECTIVE WITH RESPECT THERETO, OR AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE IN CONNECTION WITH SUCH OFFER, SALE OR TRANSFER.

Warrant to Purchase
100,000 Shares

Issue Date: June 7, 2000

WARRANT TO PURCHASE COMMON STOCK

of

AMERICAN TELESOURCE INTERNATIONAL, INC.

THIS CERTIFIES that Alfonso Torres Roqueni (the "Initial Holder") or any subsequent holder hereof (the Initial Holder and any subsequent holder referred to herein as the "Holder"), has the right to purchase from AMERICAN TELESOURCE

INTERNATIONAL, INC., a Delaware corporation (the "Company"), up to One Hundred

Thousand (100,000) fully paid and nonassessable shares of the Company's common stock, par value \$.001 per share (the "Common Stock"), subject to adjustment as

provided herein, at a price equal to the Exercise Price (as defined below), at any time beginning on the date on which this Warrant is issued (the "Issue

Date") and ending at 3:00 p.m., central time, on the date that is the third

(3rd) anniversary of the Issue Date (the "Expiration Date"). This Warrant is

issued, and all rights hereunder shall be, subject to all of the conditions, limitations and provisions set forth herein and in the Agreement of even date herewith by and among the Company, Alfonso Torres Roqueni, Grupo Intelcom de Mexico, S.A. de C.V., and Telemarketing de Mexico, S.A. de C.V. (the "Agreement").

The following capitalized terms shall have the following meanings when used in this Warrant:

"Business Day" shall mean any day on which The American Stock Exchange is

open for business.

"Closing Sale Price" on any day means the closing sale price of the Common

Stock on The American Stock Exchange, or the principal national security exchange or quotation system on which the Common Stock is listed or quoted if other than The American Stock Exchange (closing bid price in the case of a quotation system), or if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the closing bid price of the Common Stock on the over-the-counter market as reported by Bloomberg LP, or a similar generally accepted reporting service, as the case may be.

"Market Price" on any day means the average Closing Sale Price for the

twenty (20) consecutive trading days immediately preceding such day.

1. Exercise.

(a) Right to Exercise; Exercise Price. The Holder shall have the right to exercise this Warrant at any time and from time to time during the period beginning on the Issue Date and ending on the Expiration Date as to all or any part of the shares of Common Stock covered hereby (the "Warrant Shares"). The

"Exercise Price" payable by the Holder in connection with the exercise of this

Warrant shall be equal to six U.S. dollars (\$6.00) per share of Common Stock; provided, however, that on the one-year anniversary of the Issue Date, the

Exercise Price shall be reset to seventy-five (75%) of the Market Price. If the Market Price on that date is less than eight U.S. dollars (\$8.00).

(b) Exercise Notice. In order to exercise this Warrant, the Holder shall send by facsimile transmission, at any time prior to 3:00 p.m., central time, on the Business Day on which the Holder wishes to effect such exercise (the "Exercise Date"), to the Company a copy of the notice of exercise in the form

attached hereto as Exhibit A (the "Exercise Notice") stating the number of

Warrant Shares as to which such exercise applies. The Holder shall thereafter deliver to the Company the original Exercise Notice, the original Warrant and the Exercise Price.

(c) Cancellation of Warrant. This Warrant shall be canceled upon its exercise and, if this Warrant is exercised in part, the Company shall, at the time that it delivers Warrant Shares to the Holder pursuant to such exercise as provided herein, issue a new warrant, and deliver to the Holder a certificate representing such new warrant, with terms identical in all respects to this Warrant (except that such new warrant shall be exercisable into the number of shares of Common Stock with respect to which this Warrant shall remain unexercised); provided, however, that the Holder shall be entitled to exercise

all or any portion of such new warrant at any time following the time at which

this Warrant is exercised, regardless of whether the Company has actually issued such new warrant or delivered to the Holder a certificate therefor.

-2-

2. Delivery of Warrant Shares Upon Exercise. Upon receipt of a Exercise

Notice pursuant to paragraph 1 above, the Company shall no later than the close of business on the later to occur of (i) the fifth (5th) Business Day following the Exercise Date set forth in such Exercise Notice and (ii) such later date on which the Company shall have received payment of the Exercise Price (the "Delivery Date"), issue and deliver or caused to be delivered to the Holder the

number of Warrant Shares as shall be determined as provided herein. The Company shall effect delivery of Warrant Shares by delivering to the Holder or its nominee physical certificates representing such Warrant Shares, no later than the close of business on such Delivery Date. The Warrant Shares delivered to the Holder shall bear a restrictive legend identical to the legend appearing at the top of this Warrant.

3. Failure to Deliver Warrant Shares.

(a) Exercise Default. In the event that, as a result of any action or failure to act on the part of the Company (including without limitation a failure by the Company to have a sufficient number of shares of Common Stock authorized and reserved for issuance pursuant to exercise of the Warrants), the Company does not deliver to a Holder certificates representing the number of Warrant Shares specified in the applicable Exercise Notice on or before the Delivery Date therefor and such failure continues for ten (10) Business Days, the Company shall pay to the Holder an amount equal to the highest Closing Sale Price for the Common Stock during the period from the Delivery Date until the date delivery occurs, less the Closing Sale Price on the Delivery Date, times the number of Warrant Shares that are not delivered on the Delivery Date. Amounts payable under this subparagraph 3(a) shall be paid to the Holder in immediately available funds on or before the fifth (5th) Business Day of the calendar month immediately following the calendar month in which such amount has accrued. THE PAYMENTS DESCRIBED IN THIS SECTION ARE THE SOLE AND EXCLUSIVE REMEDY THE HOLDER HAS AGAINST THE COMPANY FOR FAILURE TO DELIVER WARRANT SHARES ON A DELIVERY DATE.

(b) Holder of Record. Each Holder shall, for all purposes, be deemed to have become the holder of record of Warrant Shares on the Exercise Date of this Warrant, irrespective of the date of delivery of such Warrant Shares. Nothing in this Warrant shall be construed as conferring upon the Holder hereof any rights as a stockholder of the Company prior to the Exercise Date.

4. Payment of the Exercise Price. The Holder shall pay the Exercise

Price in by delivery of immediately available funds.

5. Anti-Dilution Adjustments; Distributions; Other Events. The Exercise

Price and the number of Warrant Shares issuable hereunder shall be subject to adjustment from time to time as provided in this Section 5. In the event that any adjustment of the Exercise Price or number of Warrant Shares as required herein results in a fraction of a cent or fraction of a share, as applicable, such exercise Price or number of Warrant Shares shall be rounded up or down to the nearest cent or share, as applicable.

-3-

(a) Subdivision or Combination of Common Stock. If the Company, at any

time after the initial issuance of this Warrant, subdivides (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) its shares of Common Stock into a greater number of shares, then after the date of record for effecting such subdivision, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced. If the Company, at any time after the initial issuance of this Warrant, combines (by reverse stock split, recapitalization, reorganization, reclassification or otherwise) its shares of Common Stock into a smaller number of shares, then, after the date of record for effecting such combination, the Exercise Price in effect immediately prior to such combination will be proportionally increased. In the event of any adjustment to the Exercise Price arising from an event specified in this subparagraph (a), the number of shares of Common Stock into which this Warrant is exercisable will be proportionately increased or reduced, as the case may be.

(b) Distributions. If the Company or any of its subsidiaries shall at any

time distribute to holders of Common Stock cash, evidences of indebtedness or other securities or assets (other than cash dividends or distributions payable out of earned surplus or net profits for the current or the immediately preceding year) including any dividend or distribution in shares of capital stock of a subsidiary of the Company (collectively, a "Distribution") then the

Company shall reserve or cause to be reserved an amount of the Distribution equal to the amount that would have been issued to the Holder had all of the unexercised portion of this Warrant (the "Unexercised Portion") been exercised on the Business Day prior to record date for determining the amount of assets to be issued to Common Stock holders (the "Record Date"), and to be issued to the Holder on the exercise of the Warrant following the Record Date the percentage of the reserved assets equal to the percentage of Unexercised Portion then being exercised.

(c) Consolidation or Merger. In the event of a merger, business

combination, tender offer, exchange of shares, or other similar event, as a result of which shares of Common Stock of the Company shall be changed into the

same or a different number of shares of another entity or there is a sale of all or substantially all the Company's assets (a "Corporate Change"), then this

Warrant shall be exercisable into such class and type of securities or other assets as the Holder would have received had the Holder exercised this Warrant immediately prior to such Corporate Change.

(d) Adjustments; Additional Shares, Securities or Assets. In the event

that at any time, as a result of an adjustment made pursuant to this paragraph 5, the Holder of this Warrant shall, upon exercise of this Warrant, become entitled to receive securities or assets (other than Common Stock) then, wherever appropriate, all references herein to shares of Common Stock shall be deemed to refer to and include such shares and/or other securities or assets; and thereafter the number of such shares and/or other securities or assets shall be subject to adjustment from time to time in a manner and upon terms as nearly equivalent as practicable to the provisions of this paragraph 5. Any adjustment made herein that results in a decrease in the Exercise Price shall also effect a proportional increase in the number of shares of Common Stock into which this Warrant is exercisable.

-4-

6. Transfer of this Warrant. The Holder may sell, transfer, assign,

pledge or otherwise dispose of this Warrant, in whole or in part, as long as such sale or other disposition is made pursuant to an effective registration statement or an exemption to the registration requirements of the Securities Act of 1933, as amended, and applicable state laws. Upon such transfer or other disposition, the Holder shall deliver a written notice to Company, substantially in the form of the Transfer Notice attached hereto as Exhibit B (the "Transfer

Notice"), indicating the person or persons to whom this Warrant shall be

transferred and, if less than all of this Warrant is transferred or this Warrant is transferred in parts, the number of Warrant Shares to be covered by the part of this Warrant to be transferred to each such person and an opinion of counsel that the transfer is made pursuant to an exemption to the registration requirements of the Securities Act of 1933. Within three (3) Business Days of receiving a Transfer Notice and the original of this Warrant, and provided the opinion of counsel is satisfactory to the Company in the Company's reasonable judgement, the Company shall deliver to the each transferee designated by the Holder a Warrant or Warrants of like tenor and terms for the appropriate number of Warrant Shares. Notwithstanding the foregoing, no Holder may knowingly and voluntarily sell this Warrant (or any portion thereof) to an entity that is a competitor of the Company. The transfer of the Warrant shall be effective as of the time of delivery of the Transfer Notice to the Company.

7. Benefits of this Warrant.

Nothing in this Warrant shall be construed to confer upon any person other than the Holder of this Warrant any legal or equitable right, remedy or claim under this Warrant and this Warrant shall be for the sole and exclusive benefit of the Holder of this Warrant.

8. Loss, theft, destruction or mutilation of Warrant.

Upon receipt by the Company of evidence of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to the Company, and upon surrender of this Warrant, if mutilated, the Company shall execute and deliver a new Warrant of like tenor and date.

9. Notice or Demands.

Except as otherwise provided herein, any notice, demand or request required or permitted to be given pursuant to the terms of this Warrant shall be in writing and shall be deemed given (i) when delivered personally or by verifiable facsimile transmission (with an original to follow) on or before 3:00 p.m., central time, on a Business Day or, if such day is not a Business Day, on the next succeeding Business Day, (ii) on the next Business Day after timely delivery to a nationally-recognized overnight courier and (iii) on the Business Day actually received if deposited in the U.S. mail (certified or registered mail, return receipt requested, postage prepaid), addressed as follows:

-5-

If to the Company:

American TeleSource International, Inc.
6000 Northwest Parkway, Suite 110
San Antonio, TX 78249
Attn: H. Douglas Saathoff, Chief Financial Officer
Tel: (210) 547-1000
Fax: (210) 547-1001

If to the Initial Holder:

Alfonso Torres Roqueni
Blvd. M. Avila Camacho 184 16o. Piso,
Col. Lomas de San Isidro, C.P. 11620,
Mexico, D.F.
Tel: (525) 281-1214
Fax: (525) 280-5860

If to a subsequent Holder, to such address as shall be designated on the Transfer Notice, or to such other address designated by the Holder or the

Company in a written notice.

10. Applicable Law.

This Warrant is issued under and shall for all purposes be governed by and construed in accordance with the laws of the state of Delaware, without giving effect to conflict of law provisions thereof.

IN WITNESS WHEREOF, the undersigned has executed this Warrant as of the Issue Date.

AMERICAN TELESOURCE INTERNATIONAL, INC.

By: _____

Name: Arthur L. Smith

Title: Chief Executive Officer

-6-

EXHIBIT A to WARRANT

EXERCISE NOTICE

The undersigned Holder hereby irrevocably exercises the right to purchase _____ shares of Common Stock ("Warrant Shares") of AMERICAN TELESOURCE

INTERNATIONAL, INC. evidenced by the attached Warrant (the "Warrant"). Payment

of Exercise Price. The Holder shall pay the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

Name of Registered Holder

By: _____

Name: _____

Title: _____

Date: _____

-7-

EXHIBIT B to WARRANT

TRANSFER NOTICE

FOR VALUE RECEIVED, the undersigned Holder of the attached Warrant hereby sells, assigns and transfers unto the person or persons named below the right to purchase _____ shares of the Common Stock of AMERICAN TELESOURCE INTERNATIONAL, INC. evidenced by the attached Warrant.

Name of Registered Holder

By: _____

Name:

Title:

Date: _____

Transferee Name and Address:

PROMISSORY NOTE

\$500,000

June 7, 2000

FOR VALUE RECEIVED, AMERICAN TELESOURCE INTERNATIONAL, INC., a Delaware corporation ("Maker") hereby promises to pay to the order of Alfonso Torres Roqueni , his successors, assigns or any subsequent holder of this Note (the "Lender") at his offices located at Blvd. M. Avila Camacho 184 16o. Piso, Col.

Lomas De San Isidro, C.P. 11620, Mexico , D.F. or at such other place as may be designated in writing by Lender, in lawful money of the United States of America in immediately available funds FIVE HUNDRED THOUSAND DOLLARS AND NO 00/100'S (\$500,000.00) plus interest thereon at 6.62375 % (the "Interest Rate").

Reference is made to that Agreement dated as of June 7, 2000 between and among Maker, Lender, Grupo Intelcom de Mexico, S.A. de C.V., and Telemarketing de Mexico, S.A. de C.V. (the "Agreement"). Any term not otherwise defined in this Note shall have the meaning given it in the Agreement.

Principal and accrued interest shall be payable on demand at any time five Business Days following the Second Release, or the Simultaneous Release if the case may be. Demand shall be made by written notice accompanied by the original of this Note to Maker at its offices at 6000 Northwest Parkway, Suite 110, San Antonio, Texas 78249. Maker may prepay this Note in part or in full at any time without any fee or penalty.

Lender acknowledges that if a Termination of Escrow occurs pursuant to the Agreement, this Note will be returned to Maker, and Maker shall have no obligation to pay any sum remaining unpaid at that time. Maker's payment of \$100,000 upon a First Release pursuant to the Agreement will reduce the then outstanding principal balance of this Note.

Interest shall accrue daily based on a 365 day year.

If Maker shall fail to pay within one (1) Business Day after demand any amount payable under this Note, Maker shall pay to Lender additional interest on the unpaid amount at the rate of eighteen (18%) percent (18%) per annum from the due date until such overdue principal amount, interest or other unpaid amount is paid in full ((both before and after judgment) whether or not any notice of default has been delivered under the Agreement.

All amounts received for payment under this Note shall be applied first to unpaid expenses due Lender under this Note, then to accrued but unpaid interest, then to principal.

Notwithstanding any provision of this Note or the Agreement to the contrary, it

is the intent of the Lender and the Maker that the Lender shall never be entitled to receive, collect, reserve or apply, as interest, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, as amended or enacted, from time to time. In the event Lender ever receives,

collects, reserves or applies, as interest, any such excess, such amount which would be excessive interest shall be deemed a partial prepayment of principal and treated as such or, if the principal indebtedness and all other amounts due are paid in full, any remaining excess funds shall immediately be paid to the Maker and the Lender shall not be subject to any penalties provided by any laws for contracting for, charging, reserving or receiving interest in excess of the maximum lawful rate. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the highest lawful rate, the Maker and the Lender shall, to the maximum extent permitted under applicable law amortize, prorate, allocate, and spread, in equal parts, the total amount of interest throughout the entire term of the indebtedness.

Maker hereby expressly waives demand, presentment, notice, protest, all legal diligence in enforcing collection, and all other claims and defenses based on any and all delays, extensions, renewals or other modifications of this Note or any waivers of any term hereof or any failure to act on the part of Lender, and hereby agrees that no such action, failure to act or failure to exercise any right or remedy by Lender shall in any way affect or impair Maker's obligations.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF MAKER AND LENDER SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS (BUT NOT THE RULES GOVERNING CONFLICTS OF LAWS) OF THE STATE OF DELAWARE, U.S.A. The parties agree that any action to enforce this Note may be brought only in a state or federal court in Delaware, U.S.A., and Maker and Lender waive any objection to the venue of any such suit. The parties irrevocably consent to the service of process of any such courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, return receipt requested, to such Maker at the address set forth in the Agreement or to such other address as such Maker may have furnished to Lender in writing, and agrees that such service shall become effective ten (10) days after such mailing. However, nothing herein shall affect the right of Lender or any Maker to serve process in any other manner permitted by law.

In the event this Note is placed in the hands of one or more attorneys for collection, Maker agrees to pay all reasonable attorneys' fees and all court and other out-of-pocket costs incurred by Lender, which shall be due on demand and shall bear interest at the rate then payable hereunder from five (5) days after such demand is made until paid.

If any provision of this Note should for any reason be invalid or unenforceable, the remaining provisions hereof shall remain in full force and effect.

This Note may not be changed, extended or terminated except in writing. No

waiver of any term or provision hereof shall be valid unless in writing signed by Lender.

Executed as of the date first written above.

AMERICAN TELESOURCE INTERNATIONAL,
INC.

Arthur L. Smith
Chief Executive Officer

AMERICAN TELESOURCE INTERNATIONAL, INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS (LOSS) PER SHARE

	For the three months ended		For the nine months ended	
	April 30, 1999	April 30, 2000	April 30, 1999	April 30, 2000
<S>	<C>	<C>	<C>	<C>
COMPUTATION OF NET LOSS PER SHARE				
Net loss	\$ (1,344)	\$ (6,529)	\$ (3,074)	\$ (12,182)
	=====	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING	46,844	61,780	46,259	53,448
	=====	=====	=====	=====
BASIC LOSS PER COMMON SHARE	\$ (0.03)	\$ (0.11)	\$ (0.07)	\$ (0.23)
	=====	=====	=====	=====
COMPUTATION OF DILUTED LOSS PER SHARE				
Net loss	\$ (1,344)	\$ (6,529)	\$ (3,074)	\$ (12,182)
Dividends not incurred upon assumed conversion of convertible preferred stock	-	147	-	324
	-----	-----	-----	-----
Net loss applicable to common stockholders used for computation	\$ (1,344)	\$ (6,382)	\$ (3,074)	\$ (11,858)
	=====	=====	=====	=====
Weighted average number of shares of common stock outstanding	46,844	61,780	46,259	53,448
Weighted average incremental shares outstanding upon assumed conversion of options and warrants	3,575	3,072	3,060	6,065
Weighted average incremental shares outstanding upon assumed conversion of convertible preferred stock	-	2,041	-	2,041
	-----	-----	-----	-----
WEIGHTED AVERAGE COMMON SHARES AND COMMON SHARE EQUIVALENTS USED FOR COMPUTATION	50,419	66,893	49,319	61,554
	=====	=====	=====	=====
DILUTED LOSS PER COMMON SHARE AND COMMON SHARE EQUIVALENT	\$ (0.03)	\$ (0.10)	\$ (0.06)	\$ (0.19)
	=====	=====	=====	=====

</TABLE>

(a) This calculation is submitted in accordance with Item 601 (b) (11) of Regulation S-K although it is not required by SFAS No. 128 because it is antidilutive.

<TABLE> <S> <C>

<ARTICLE> 5

<MULTIPLIER> 1,000

<S>	<C>	<C>
<PERIOD-TYPE>	3-MOS	9-MOS
<FISCAL-YEAR-END>	JUL-31-2000	JUL-31-2000
<PERIOD-START>	FEB-01-2000	AUG-01-2000
<PERIOD-END>	APR-30-2000	APR-30-2000
<CASH>	0	3,947
<SECURITIES>	0	0
<RECEIVABLES>	0	5,672
<ALLOWANCES>	0	1,613
<INVENTORY>	0	72
<CURRENT-ASSETS>	0	8,981
<PP&E>	0	18,469
<DEPRECIATION>	0	7,482
<TOTAL-ASSETS>	0	26,596
<CURRENT-LIABILITIES>	0	7,789
<BONDS>	0	0
<PREFERRED-MANDATORY>	0	0
<PREFERRED>	0	0
<COMMON>	0	67
<OTHER-SE>	0	14,060
<TOTAL-LIABILITY-AND-EQUITY>	0	26,596
<SALES>	9,517	29,651
<TOTAL-REVENUES>	9,517	29,651
<CGS>	6,723	20,353
<TOTAL-COSTS>	11,779	34,584
<OTHER-EXPENSES>	(13)	(33)
<LOSS-PROVISION>	0	0
<INTEREST-EXPENSE>	363	1,471
<INCOME-PRETAX>	(2,612)	(6,371)
<INCOME-TAX>	0	0
<INCOME-CONTINUING>	(2,612)	(6,371)
<DISCONTINUED>	0	0
<EXTRAORDINARY>	0	0
<CHANGES>	0	0
<NET-INCOME>	(6,529)	(12,182)
<EPS-BASIC>	(0.11)	(0.23)
<EPS-DILUTED>	(0.11)	(0.23)

</TABLE>