

Memorandum of Understanding

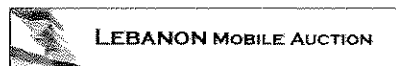
This Memorandum of Understanding (“MOU”) is entered into between:

Parties:

- (1) the Telecommunications Regulatory Authority of the Republic of Lebanon (“TRA”); and
- (2) the Higher Council for Privatization of the Republic of Lebanon (“HCP”).

Introduction:

- (A) Law No. 228 of 2000 (the “**Privatization Law**”) established the HCP to set up and implement privatization programs. Law No. 431 of 2002 (the “**Telecommunications Law**”) established the TRA for the monitoring and regulation of the Lebanese telecommunications market.
- (B) Lebanon currently has two GSM mobile service operations. One is managed by Mobile Telecommunications Company (“**MTC**”) and the other by Detecon International (“**Detecon**”), in each case under a Network Operation Agreement entered into with the Republic of Lebanon in 2004. In each case, the physical assets, intellectual property rights, contracts with suppliers, customers, and other parties, other tangible and intangible assets, obligations and liabilities related to the networks, their operation and the provision of mobile services (collectively, the “**Mobile Assets**”) belong to the Republic of Lebanon.
- (C) The Telecommunications Law provides for telecommunications services, including mobile services, to be provided under a license issued pursuant to that law. The Privatization Law provides for privatization of public projects of the Republic of Lebanon.
- (D) The Republic of Lebanon intends to conduct an application and auction process to identify two successful bidders each of which will be issued a license including the right to provide mobile services and use radio frequencies under the Telecommunications Law (each a “**License**”) and acquire one of the two sets of Mobile Assets.
- (E) The Telecommunications Law is a law regulating the telecommunications sector and establishing the TRA as an independent body with the mandate to regulate telecommunications.. However, Article 2 of the Privatization Law requires an additional law to serve as the basis for the transfer of the Mobile Assets.



- (F) Each of the HCP and the TRA has a relevant role under the Privatization Law and the Telecommunications Law, respectively. The HCP and the TRA wish to set out the manner in which they will cooperate in the preparation and conduct of the auction and the transfer of ownership of the Mobile Assets.

1. Cooperation between HCP and TRA

- 1.1 The HCP and the TRA will prepare a single, combined application and auction process for the transfer of the Mobile Assets and the award of the licenses. This process will be clear and simple, use objective criteria and minimize scope for arbitrary decision-making.
- 1.2 The HCP and the TRA will establish a joint working group to apportion and supervise the work contemplated in this MOU. The joint working group will be comprised of six persons. The HCP and the TRA will each appoint three persons, who may include advisers. Decisions requiring the approval of the HCP or the Board of the TRA will be determined in meetings between the HCP and the Board of the TRA to be organized as and when required.
- 1.3 Unless it is agreed by both parties that a meeting is unnecessary, the joint working group will meet at least every two weeks from the date of this MOU until the completion of the auction process, which is defined as the issuance of the licenses and the transfer of the Mobile Assets as per a Sales and Purchase Agreement. The joint working group may invite financial, legal and other advisers and consultants to attend meetings if required.
- 1.4 Where this MOU refers to the HCP and the TRA acting jointly, representatives of both institutions will attend meetings and make decisions consensually, and the signatures of both institutions will be required for all approvals.
- 1.5 The HCP and the TRA will keep each other generally informed of its relevant plans and schedules, will respond to the other's requests for information to the extent reasonable and practicable, and will strive to recognize and resolve any problems arising in the course of implementing this MOU.
- 1.6 Each of the HCP and the TRA will respect the other's principal area of responsibility, and where there is overlap, will seek to work together in an open and constructive manner.
- 1.7 The TRA is committed to transfer half of the non-refundable entry fee of US\$50,000 to the HCP within a maximum period of two weeks from the date of collection of this amount by the TRA.
- 1.8 The HCP and the TRA will appoint a designated individual each (from their respective institutions) who will meet to resolve any difficulties or disagreements that arise between the HCP and the TRA in the course of implementing this MOU. Each designated individual will have the authority of his respective institution for this purpose.


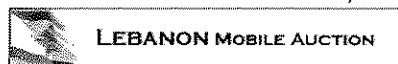


2. Preparation of a Mobile Privatization Law

- 2.1 The HCP and the TRA will jointly draft a law that provides for the transfer of the ownership of the Mobile Assets (the "**Mobile Privatization Law**") to the successful bidders under the RFA referred to in section 3 of this MOU.
- 2.2 The draft Mobile Privatization Law to be prepared by the HCP and the TRA will, in brief but sufficient terms, provide that the two sets of Mobile Assets will be transferred to two successful bidders under an auction process that combines the offer for the Mobile Assets with the offer for the Licenses. The process will have two components:
 - (a) The qualification of bidders to have their financial offers be considered; and
 - (b) The selection of the two qualified bidders who make or have made the highest financial offers.
- 2.3 The draft Mobile Privatization Law will provide that implementing decrees will be prepared by the TRA.
- 2.4 The draft Mobile Privatization Law to be prepared by the HCP and the TRA will not amend the Privatization Law or the Telecommunications Law.
- 2.5 The HCP and the TRA will jointly submit the draft Mobile Privatization Law to the Council of Ministers for it to review and submit to Parliament.
- 2.6 The HCP and the TRA will appoint a designated individual each (from their respective institutions) to respond jointly to questions from the Council of Ministers and Parliament regarding the draft Mobile Privatization law.

3. Preparation of Request for Applications

- 3.1 The application and auction process will be set forth in a Request for Applications ("**RFA**"). The TRA will lead the preparation of the RFA, which will include or have appended to it:
 - (a) procedural rules and requirements to be prepared jointly by the TRA and the HCP for the submission of applications and conduct of an auction, including the various phases of the application and auction process, requirements for a bid performance bond, bank comfort letter, bank guarantee, compliance certificate and procedure for the financial offer;
 - (b) disclosure and documentation related to the transfer of the Mobile Assets prepared by the HCP in accordance with section 4 of this MOU; and
 - (c) disclosure and documentation related to the licensing prepared by the TRA in accordance with section 5 of this MOU.
- 3.2 The HCP's Secretariat General and the TRA will jointly prepare a summary of the RFA. The HCP Secretariat General will submit that agreed summary to the HCP for its approval.
- 3.3 The HCP will submit a summary of the RFA, prepared in accordance with Section 3.2 above, to the Council of Ministers, whose approval is required in



relation to the transfer of the Mobile Assets. The TRA, whose approval is required in relation to the licensing, will also review the proposed summary of the RFA. The TRA will be invited to attend and participate in the discussions of the Council of Ministers and present its point of view.

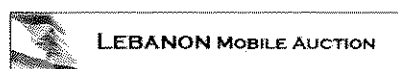
- 3.4 Upon approval by the Council of Ministers and the TRA (which is intended to be simultaneous) of the RFA, the TRA and HCP will simultaneously publish the RFA on their respective websites.
- 3.5 The RFA will provide contact details of both the HCP and TRA for questions by bidders.
- 3.6 The approval process for the RFA will be without prejudice to the TRA's mandate and responsibility under Article 19 of the Telecommunications Law to prepare the procedures and rules for issuance of mobile licenses.

4. The transfer of the Mobile Assets

- 4.1 The HCP will be responsible for preparing and implementing the transfer of Mobile Assets, including:
 - (a) identifying the Mobile Assets to be transferred;
 - (b) preparing a data room for bidders;
 - (c) preparing disclosure materials regarding the Mobile Assets, their existing operations and businesses, to be appended to the RFA;
 - (d) preparing, in non-binding consultation with the TRA, a form of Sale and Purchase Agreement and related documentation which set out the terms and conditions for, and are required to effect, the transfer of the Mobile Assets, to be appended to the RFA;
 - (e) preparing, in non-binding consultation with the TRA, a plan for transfer of the Mobile Assets from MTC and Detecon to the successful bidders without interruption or reduction in quality of the service, sales, customer service, billing and other aspects of the business;
 - (f) liaising with MTC and Detecon in relation to the transfer of the Mobile Assets;
 - (g) liaising with ministries and other governmental agencies regarding the transfer of the Mobile Assets, with TRA as an observer; and
 - (h) any other aspects that relate to the HCP's responsibilities for privatization under the Privatization Law.

5. The licensing

- 5.1 The TRA will be responsible for preparing and implementing the licensing, including:
 - (a) preparing disclosure materials regarding the Lebanese telecommunications market and regulatory environment, to be appended to the RFA;



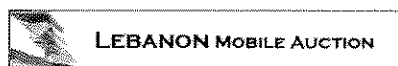
- (b) preparing a form of License, to be appended to the RFA;
- (c) preparing, in non-binding consultation with the HCP, conditions and prerequisites relating to bidders' experience and capabilities, and their technical, commercial, business and financing plans, in order to evaluate the suitability of each bidder to become a licensed mobile services provider in Lebanon;
- (d) reviewing, with the HCP participating as an observer, bidders' applications and determining which bidders are eligible to receive a License under the conditions and prerequisites referred to in paragraph (c);
- (e) liaising with ministries and other governmental agencies regarding the licensing, with HCP as an observer; and
- (f) any other aspects that relate to the TRA's responsibilities under the Telecom Act for the development and regulation of the telecommunications market.

6. Questions from bidders

- 6.1 The RFA will provide bidders an opportunity to ask questions about the transfer of the Mobile Assets and the licensing.
- 6.2 The HCP and the TRA will consult with one another in order to achieve a consistent style and joint publication of answers to questions.
- 6.3 The HCP will prepare answers to the questions relating to the matters set out in section 4, and the TRA will prepare answers to the questions relating to the matters set out in section 5 of this MOU. The HCP and TRA will prepare answers to questions about all other matters jointly.

7. Review of applications

- 7.1 TRA shall define the pre-qualification or qualification criteria for the auction and shall review all applications to determine which bidders are eligible (i.e., the bidders that meet the pre-qualification or qualification criteria).
- 7.2 The HCP and the TRA will each appoint individuals to a review committee which will receive copies of pre-qualified or qualified bidders' applications. The review committee shall review the bidders' applications for compliance with the terms and conditions of the RFA.
- 7.3 The review committee will prepare a compliance checklist and will review bidders' applications against this checklist to verify that bidders have submitted the required documentation.
- 7.4 The TRA will inform the HCP of which bidders it has determined (as provided in section 5.1(d) of this MOU) are eligible to receive a License.
- 7.5 The HCP and the TRA will jointly inform the Minister of Telecommunications and the Council of Ministers of which bidders (i) have submitted the required documentation, and (ii) the TRA has determined are eligible to receive a License.



No financial offer will be valid if made by a bidder which the review committee has determined (as provided in section 7.3 of this MOU) has not complied with the requirements of the RFA or which the TRA has determined (as provided in section 5.1(d) of this MOU) does not qualify to hold a License.

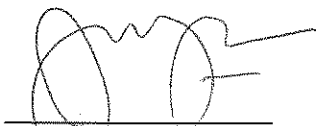
8. Advisers

- 8.1 The HCP and the TRA will jointly engage, sign contracts with and instruct financial advisers to provide financial advice regarding the transfer of the Mobile Assets and the licensing. The HCP and the TRA will jointly represent the Republic of Lebanon as the client of the financial advisers. Any amounts payable to the financial advisers that are not to be paid from the proceeds of the transfer of the Mobile Assets and licensing will be borne by HCP.
- 8.2 The HCP and the TRA may jointly engage other financial, legal and other advisers and consultants from time to time as they agree.
- 8.3 Each of the HCP and the TRA may engage financial, legal and other advisers and consultants under its own budget to advise on matters under its area of responsibility as set out in this MOU.

9. Confidentiality and public announcements

- 9.1 Consultations pursuant to this MOU and other communications between the HCP and the TRA in relation thereto, including plans and intentions concerning the terms and conditions of the transfer of the Mobile Assets and the licensing, will be confidential, unless otherwise agreed by them.
- 9.2 Press releases, other public statements and any communications with the media regarding the transfer of the Mobile Assets and the licensing must be agreed by the HCP and the TRA.

HIGHER COUNCIL FOR
PRIVATIZATION



By: Mr. Ziad hayek

Title: Secretary General

Date: 2/11/2007

TELECOMMUNICATIONS
REGULATORY AUTHORITY



By: Dr. Kamal Shehadi

Title: Chairman and CEO of the TRA

Date: Nov. 2,2007