

EXECUTION COPY

MEMORANDUM OF UNDERSTANDING

dated 1st December 2010

This Memorandum of Understanding is made between:

- (1) **THE GOVERNMENT OF THE COMMONWEALTH OF THE BAHAMAS** (the "Government"); and
- (2) **CABLE & WIRELESS COMMUNICATIONS PLC** ("CWC").

This Memorandum of Understanding sets out the key terms agreed between the Government and CWC referable to (a) the acquisition by CWC or another CWC group company acceptable to the Government of 51% of the issued shares (the "Sale Shares") in The Bahamas Telecommunications Company Limited (the "Company") (the "Acquisition"), and (b) the post acquisition ongoing shareholder relationship between the Government and CWC (collectively the "Transaction"). Following the Transaction, the Government will own 49% of the issued shares in the Company (the "Government Shares").

1 CONSIDERATION

- 1.1 The consideration for the Sale Shares (the "Consideration") shall be US\$210,000,000 payable in full on completion of the Transaction ("Completion"), save as adjusted in accordance with paragraph 1.2 below.
- 1.2 The Consideration will be adjusted (on a pro rata basis) following Completion to the extent that:
 - 1.2.1 the Company's net cash (calculated by reference to cash, marketable securities and other liquid investments but excluding restricted cash and cash equivalents, such as monies ring-fenced for self-insurance purposes, against long term debt, short term debt, finance leases, other financial instruments and other borrowings in the nature of financial indebtedness but excluding normal trade credit) at Completion is greater or less than a target of B\$15,000,000; and
 - 1.2.2 there is any variance at Completion from a normalized working capital balance of the Company (excluding cash, marketable securities and other liquid investments). For the avoidance of doubt, the "normalized working capital balance of the Company" will take into account appropriately any prepayments made by the Company in relation to the Utilities Regulation & Competition Authority of The Bahamas ("URCA") and communications licences fees.

The parties acknowledge that the US\$210,000,000 figure in paragraph 1.1 is based on certain assumptions as to the implementation cost of the Workforce Restructuring and that these assumptions will be checked by CWC in its due diligence.

- 1.3 CWC will also be responsible for paying any stamp duties up to a maximum of US\$7,000,000 payable in connection with the Transaction.

2 VOLUNTARY WORKFORCE RESTRUCTURING

- 2.1 It is intended that the Company will undertake a restructuring of its workforce as soon as practicable following Completion (the "Voluntary Workforce Restructuring"), the terms of which will be detailed in a plan to be agreed between CWC and the Government (the "Voluntary Workforce Restructuring Plan") as soon as possible after signing of this Memorandum of Understanding and in any event no later than 7 January 2011.

2.2 The detail of the Voluntary Workforce Restructuring, including an agreed and appropriate downsizing plan, will be contained in the agreed Voluntary Workforce Restructuring Plan. CWC and the Government agree that:

2.2.1 it is intended that the Voluntary Workforce Restructuring will be concluded by the first anniversary of Completion;

2.2.2 there will be no further formal downsizing exercise during the two year period post-Completion (except as otherwise agreed in the Voluntary Workforce Restructuring Plan or by the Government in writing and save for any attrition of staff in the normal course of business or the ongoing exercise of the Company's early retirement programme); and

2.2.3 the Voluntary Workforce Restructuring will be based on a voluntary downsizing programme.

3 BUSINESS PLAN

3.1 CWC will prepare a business plan in relation to the Company (the "Business Plan") to be delivered to the Government as soon as possible after signing of this Memorandum of Understanding and in any event no later than 7 January 2011.

3.2 The Business Plan will cover the five year period following Completion and will also set out:

3.2.1 how CWC will contribute to the modernisation of telecommunications throughout The Bahamas (inclusive of internet-based services and the maintenance, extension and improvement of existing landlines or land based telephone facilities and services);

3.2.2 CWC's intention regarding the use by the Company of CWC's branding and/or trade names; and

3.2.3 CWC's proposal as to how service rates charged to Bahamian consumers could be reduced in the period leading up to the liberalisation of cellular services.

4 CONDITIONS TO SALE

4.1 Completion of the Share Purchase Agreement will be conditional upon approvals being received from The Parliament of The Commonwealth of The Bahamas ("The Bahamas") (to the extent not received prior to entry into the Share Purchase Agreement), the Central Bank of The Bahamas and URCA. It will also be conditional upon the legislative amendments referred to in paragraph 5.2 becoming effective.

4.2 The long stop date for receipt of such approvals, and the Parliamentary approval for any necessary legislative amendments referred to in paragraph 5.2 below, will be 3 months after signing of the Share Purchase Agreement.

5 REGULATORY POSITION

5.1 Save as provided in paragraph 5.2, it shall not be a condition of the Transaction that the Government amend the Communications Act, the Utilities Regulation and Competition Authority Act, the Utilities Appeal Tribunal Act, or the Sector Policy.

5.2 The Government will amend the Communications Act and the Sector Policy to the effect that: (a) no external process, to the extent controlled (directly or indirectly) by the Government, for granting the second cellular licence (including but not limited to the Government's determination of the method for allocation of the premium spectrum band, any public consultation by, or on behalf of, the Government with respect to the licensing

process or bidding charter or guidelines and the issuing by, or on behalf of, the Government of any prequalification documentation to any third party) shall be launched prior to the third anniversary of Completion; and (b) any third cellular licence shall not be issued prior to the fifth anniversary of Completion. For the avoidance of doubt, the parties acknowledge and agree that URCA is a third party, external to the Government.

- 5.3 CWC recognises that URCA has been established by the Utilities Regulation and Competition Authority Act as an independent regulator (confirmed by the Government at paragraph 25 of its Sector Policy). Accordingly the Government is not entitled to make any commitments regarding URCA.
- 5.4 CWC further recognises that the Government's role with respect to issuing further spectrum licences is limited to being "responsible for deciding the method of allocating frequencies in the premium spectrum band of the spectrum plan" (s 30 (1) of the Communications Act).
- 5.5 The Government shall undertake that no external process, to the extent controlled (directly or indirectly) by the Government, for granting the second cellular licence (including but not limited to the Government's determination of the method for allocation of the premium spectrum band, any public consultation by, or on behalf of, the Government with respect to the licensing process or bidding charter or guidelines and the issuing by, or on behalf of, the Government of any prequalification documentation to any third party) shall be launched prior to the third anniversary of Completion. The Government shall further undertake that any third cellular licence shall not be issued prior to the fifth anniversary of Completion.

6 OTHER SALE TERMS FOR THE SHARE PURCHASE AGREEMENT

6.1 Warranties

- 6.1.1 Warranties (based on Schedule 6 of the Bidding Draft of the Share Purchase Agreement dated 9 April 2010 contained in the Data Room, subject to amendments agreed between the Government and CWC) will be given as at signing and repeated at completion of the Transaction.
- 6.1.2 The warranties will be subject to any material contained in the documents fairly disclosed in the Data Room together with any information fairly disclosed in the disclosure letter to be given by the Government at signing.
- 6.1.3 The Government will consider agreeing to give a limited number of warranties additional to those referred to in paragraph 6.1.1 on a case by case basis to meet any specific and justified request by CWC arising out of its due diligence.
- 6.1.4 Provided the period between signing and completion is reasonably expected to be less than two months, the Government will not be liable for a breach of warranty as repeated at completion in respect of matters arising between signing and completion which are outside its reasonable control, e.g. acts of force majeure and any actions taken by URCA. There will be no termination right in favour of CWC or the Government other than where a condition is not satisfied by the long stop date or the other party fails to fulfil its material completion obligations on the completion date. Consequently CWC's sole remedy under the Share Purchase Agreement for breach of warranty will be damages.

6.2 Limitations of Liability

- 6.2.1 The minimum limit for individual warranty claims (exclusive of interest and costs accrued as at the date such claim is notified) shall be B\$50,000

- 6.2.2 The threshold limit for warranty claims (after which the whole amount and not just the excess will be recoverable) shall be B\$750,000.
- 6.2.3 The maximum aggregate liability of the Government for warranty claims (other than title and capacity warranty claims) shall be 35% of the Consideration. The maximum aggregate liability of the Government for title and capacity warranty claims shall be the Consideration.
- 6.2.4 Any damages for breach of the undertakings in paragraph 5.5 shall be limited to a maximum amount of B\$100,000,000 in respect of any breaches occurring in the 12 month period ending on the first anniversary of completion of the Transaction, B\$80,000,000 in the 12 month period ending on the second anniversary, B\$40,000,000 in the 12 month period ending on the third anniversary, B\$20,000,000 in the 12 month period ending on the fourth anniversary and B\$20,000,000 in the 12 month period ending on the fifth anniversary.
- 6.2.5 The maximum aggregate liability of the Government under the Share Purchase Agreement shall be the Consideration.
- 6.2.6 Provided the parties at signing of the Share Purchase Agreement reasonably expect completion of the Acquisition to occur on or before 15 February 2011, warranty claims must be notified to the Government by 14 August 2012. If the parties at signing of the Share Purchase Agreement do not reasonably expect completion of the Acquisition to occur on or before 15 February 2011, the limitation period shall be extended by 1 (one) month for each 1 (one) month that completion is delayed after 15 February 2011.

6.3 **Governing Law and Jurisdiction**

The governing law of the Share Purchase Agreement shall be that of The Bahamas and parties will submit to the jurisdiction of the Bahamian Courts.

6.4 **Guarantee**

- 6.4.1 If the Purchaser is not CWC, the obligations of the Purchaser under the Share Purchase Agreement to pay the Consideration shall be guaranteed by CWC.
- 6.4.2 If the Purchaser is neither CWC nor a substantial CWC operating company, the obligations of the Purchaser under the Share Purchase Agreement (other than those specified in paragraph 6.4.1) shall be guaranteed by Cable and Wireless (West Indies) Limited (the "Guarantor"). If, following Completion, substantially all of the assets of the Guarantor are to be transferred out of that company, the Guarantor will, prior to such transfer, procure a substitute, substantial CWC subsidiary company as guarantor in its place and the Guarantor will provide evidence to the Government that such substitute guarantor is of similar (or better) financial standing as the Guarantor.

7 KEY TERMS FOR SHAREHOLDERS' AGREEMENT

7.1 **Role of the Company/Bahamians**

It is the parties' intention that:

- 7.1.1 the Company becomes a major part of CWC's overall regional operations and strategy, rather than merely an appendage of CWC's existing regional operations;
- 7.1.2 the Company operates in a manner so as to improve and expand upon the existing communications services in The Bahamas;

7.1.3 there is substantial Bahamian participation in the management of the Company; and

7.1.4 CWC affords Bahamians meaningful opportunities to work within CWC's regional operations.

7.2 Guarantee

If neither CWC nor a substantial operating subsidiary of CWC is to be the shareholder in the Company, the obligations of the shareholder under the Shareholders' Agreement will be guaranteed by the Guarantor. If, following Completion, substantially all of the assets of the Guarantor are to be transferred out of that company, the Guarantor will, prior to such transfer, procure a substitute, substantial CWC subsidiary company as guarantor in its place and the Guarantor will provide evidence to the Government that such substitute guarantor is of similar (or better) financial standing as the Guarantor.

7.3 Board of the Company and threshold for Government rights

7.3.1 The Board of the Company will initially comprise 7 directors - 4 appointed by CWC and 3 by the Government. CWC will have the right to appoint the Chairman and the Government will have the right to appoint the Deputy Chairman.

7.3.2 Subject to paragraph 7.3.3, each shareholder in the Company will have the right to appoint 1 director for every 15% of the shares held by it.

7.3.3 Notwithstanding paragraph 7.3.2, the Government will have the right to appoint up to two directors when its shareholding is more than 24% and less than 30% of the issued share capital of the Company, and CWC will have the right to appoint up to 4 directors when its shareholding is more than 50% but less than 75% of the issued share capital of the Company.

7.3.4 The threshold shareholding requirement for the various rights in favour of the Government (as set out in the Shareholders' Agreement) will be 15%.

7.4 Corporate Governance

7.4.1 The Company will have an audit committee. The membership of the audit committee, and any other committee established by the board from time to time, shall reflect the constitution of the board of the Company such that CWC will have the right to appoint a majority of members on any committee(s) for as long as it has, or is entitled to have, a majority of directors on the board of the Company and the Government will have the right to appoint the remaining members of any committee(s) for as long as it has, or is entitled to appoint, the remaining directors on the board of the Company.

7.4.2 Subject to paragraph 7.4.3 below, the board of the Company will establish processes, whether by nomination committee or remuneration committee or other processes as may be set out in the Shareholders' Agreement, in respect of overseeing (a) senior executive remuneration and benefits; and (b) senior executive recruitment.

7.4.3 The recruitment of the Company's chief executive officer, chief operating officer and finance director shall be undertaken by CWC and approved by the board of the Company.

7.4.4 Although the day to day administration, operation and management of the Company will remain substantially in The Bahamas, the parties acknowledge that certain aspects of the Company's administration, operation and management will following the Acquisition be provided through CWC's One

Caribbean operational model ("**One Caribbean**"). The functions to be provided by One Caribbean immediately following the Acquisition will be agreed between CWC and the Government and set out in the Voluntary Workforce Restructuring Plan and Services Agreements (as defined in paragraph 7.8 below). The board of the Company, having regard to the best interests of the Company and subject to the Government's veto rights referred to in paragraph 7.5 below, will consider from time to time providing any further aspects of the Company's administration, operation and management through One Caribbean.

7.5 Veto Rights

The Government will, so long as it holds 15% of the Company's issued share capital, have the right to veto certain matters. Such matters will be based on the Bidding Draft of the Shareholders' Agreement which is contained in the Data Room, subject to amendments agreed between the Government and CWC. In particular:

- 7.5.1 the veto rights will be amended to reflect paragraphs 7.8.7 and 7.8.8 below;
- 7.5.2 there will be no veto right in relation to any proposed change to the auditors (provided that any new auditors are CWC's current global auditors or have a substantial presence in The Bahamas)
- 7.5.3 there will be no veto right in relation to any proposed change to the financial year end of the Company (or any subsidiary of the Company); and
- 7.5.4 the limit on borrowings shall be 2.5 times the Company's EBITDA.

The veto rights will not apply to any matters that are specifically and expressly set out in, permitted by, or otherwise agreed pursuant to the Voluntary Workforce Restructuring Plan, the initial Business Plan and the Services Agreements (each as may be amended by agreement between the Government and CWC).

The veto rights shall only be exercisable by one entity, be it the Government or any single permitted transferee of 15% or more of the Government Shares. Those veto rights that are transferable (as referred to in paragraph 7.11.1) shall not be transferable to persons becoming shareholders pursuant to the operation of paragraph 7.10.7.

7.6 Dividend Restrictions

For each of the first two financial years following Completion, no more than 60 per cent. of the Company's after-tax profits (before taking account of exceptional charges and non-cash exceptional income) will be distributed.

7.7 Further Shareholder Finance

Neither CWC nor the Government will be obliged to provide any further finance, guarantee, bond or other financing arrangement.

7.8 Services Agreements between the Company and CWC

The detailed terms of the support services and brand, intellectual property, know-how agreements between CWC and the Company (the "**Services Agreements**") will be agreed between CWC and the Government prior to entry into the other Corporate Documents (as defined in paragraph 8 below). The key terms of the Services Agreements should include the following:

- 7.8.1 the main services and intellectual property expected to be provided by LIME and the CWC group to the Company;

- 7.8.2 the main services which may potentially be selected for provision by the Company to LIME (to be charged on a basis similar to that described in paragraph 7.8.3). In the Business Plan, CWC would be expected to identify which strategic services might be provided by the Company;
- 7.8.3 the LIME regional support services (as may be requested from time to time by the board of the Company) will be charged as follows:
- (a) third party costs will be passed on at cost; and
 - (b) in-house costs will be charged at cost, being the proportion of the full employment costs of the relevant LIME employees attributable to the Company (on the basis of time spent providing services to the Company) plus a margin, on wage and salary costs only, of 9.5% (or other benchmarked figure);
- 7.8.4 the services provided by the wider CWC group are expected to comprise:
- (a) special projects; and
 - (b) brand, intellectual property, know-how and entrepreneurial services.
- Any services of the nature referred to in paragraph (a) will be charged as follows:
- (i) third party costs will be passed on at cost; and
 - (ii) in-house costs (which are net of central procurement savings) will be charged at cost, being the proportion of the full employment costs of the relevant CWC employees attributable to the Company (on the basis of time spent providing services to the Company) plus a margin, on wage and salary costs only, of 6% (or other benchmarked figure);
- Any services of the nature referred to in paragraph 7.8.4(b) will be subject to a fixed fee which will be 2% of the Company's gross revenues;
- 7.8.5 provisions to aid transparency, including:
- (a) in respect of services of the nature referred to in paragraphs 7.8.3 and 7.8.4(a) only, requiring ongoing regular independent benchmarking of any margins added to the cost of those services;
 - (b) in respect of services of the nature referred to in paragraphs 7.8.3 and 7.8.4(a) only, requiring auditing of the services and the underlying cost of such services;
 - (c) requiring CWC to provide to the directors / shareholders of the Company annually (at the end of each year) a report showing (i) all services supplied to the Company during the previous year by LIME and the wider CWC group; and (ii) in respect of services of the nature referred to in paragraphs 7.8.3 and 7.8.4(a) only, the costs and benefits to the Company of such services; and
 - (d) in respect of services of the nature referred to in paragraphs 7.8.3 and 7.8.4(a) only, requiring access to the underlying relevant records for the pricing/cost of the services for review purposes;
- 7.8.6 service level arrangements;

- 7.8.7 veto rights for Government on material decisions of the Company relating to the Services Agreements (e.g. decisions regarding increasing the fixed fee referred to in paragraph 7.8.4, changes to the basis of charging, material variations and termination); and
- 7.8.8 provisions to recuse CWC's nominated directors of the Company from voting on Company decisions regarding the Services Agreements in respect of material non-performance, material disputes, termination for cause and sub-contracting and assignment outside the CWC group.

7.9 Pensions

- 7.9.1 The Company's existing pension scheme will be closed to new entrants and a replacement defined contribution scheme will be put in place for new hires. The new defined contribution scheme will be put in place by the Company within 6 months of Completion and will oblige the Company to make 10% contributions and bear the expenses of the scheme. There will be no ongoing Government involvement in the funding or operation of this new scheme.
- 7.9.2 With respect to the existing defined benefit pension scheme (the "**Pension Scheme**") the intention is that the Company will have no liability to fund the Pension Scheme other than:
- (a) to pay to the Pension Scheme monthly contributions of 10% of pensionable salaries for active members (subject to the provisions of sub-paragraphs 7.9.2(a) to (d) the balance of monthly contributions will be paid by a newly established trust (the "**Feeder Trust**"));
 - (b) to pay the expenses of the Pension Scheme's administration (and the expenses of the Feeder Trust);
 - (c) to compensate the Pension Scheme directly for the funding strain on the Pension Scheme caused by a redundancy programme in any twelve month period which results in (i) 15 or more pension plan members being made redundant or (ii) a pension liability of more than B\$1,000,000; and
 - (d) as is envisaged in the second paragraph in paragraph 7.9.3 below.

The Government will be contractually obliged to meet (via the Feeder Trust - which will receive initial funding of B\$39,000,000) any balance of cost or other (ongoing or one-off) funding requirement in excess of these amounts (whether arising under Pension Scheme documentation or otherwise e.g. overriding law), through a mechanism directly enforceable by the Company.

This Government obligation (and legal limitation on the Company's obligations) will not be capable of termination without the Company's agreement, and the Government acknowledges that the Company would only consider giving that agreement if the Government makes a one-off payment to the Pension Scheme sufficient in the Company's prudent view having taken appropriate actuarial advice to meet all future liabilities under the Pension Scheme other than those which are for the Company's account. For the avoidance of doubt, any consultation or veto rights under 7.9.3 below will cease upon any such termination becoming effective.

- 7.9.3 As a result of this ongoing funding relationship, the Government will retain consultation and veto rights over those 'reserved matters' set out in paragraphs 15.6.1 to 15.6.10 of the Bidding Draft of the Shareholders' Agreement (on the basis that 15.6.2 shall be amended to make clear that it is not intended to

restrict the making of redundancies (subject always to paragraph 2.2.2 above), but rather any changes to the pension terms applying to such redundancies which is contained in the Data Room, but the Government's consultation and veto rights for 'reserved matters' 15.6.1, 15.6.2 and 15.6.3 shall not apply where the pension "on costs" associated with any decision taken under the relevant 'reserved matter' are borne (and continue at all times to be borne) solely by the Company.

Any operation of any of the 'reserved matters' set out in paragraphs 15.6.1 to 15.6.10 of the Bidding Draft of the Shareholders' Agreement which is exercised without the approval of the Government-appointed directors because it is considered at the time to be cost-neutral to the Pension Scheme but which has, or which subsequently has, a negative impact on the funding of the Pension Scheme, shall be reimbursed by the Company.

7.9.4 As the Pension Scheme will bear the cost of certain redundancy pension benefits, the Government via the Feeder Trust will (for the avoidance of doubt and without limiting the principle at 7.9.2) be responsible for the funding strain caused by:-

- (a) the Voluntary Workforce Restructuring Plan; and
- (b) any redundancy programme where the costs are not borne by the Company under 7.9.2(c) above.

7.9.5 Post Completion the Company will work with the Government to design a programme to offer existing members the opportunity to transfer their defined benefit pension entitlements to the new defined contribution scheme on the basis of enhanced transfer terms.

The costs of this programme (including without limitation):-

- (a) the costs of pension transfer enhancements; and
- (b) design and implementation costs (e.g. professional advisors' fees and the costs of providing appropriate independent financial advice to members as to their options);

will be borne by the Company and reimbursed to the Company in full by the Government.

Implementation of the programme by the Company will be subject to:-

- (i) the Company being satisfied that the terms of the programme are sufficient to mitigate any reasonable legal or reputational risks; and
- (ii) subject always to (i) above, that the Government retains control over the exercise (including for the avoidance of doubt, member communications, the timing of the exercise and the level of pension transfer enhancement required).

7.10 Transfer of Shares

Each of the Government and CWC, or any applicable transferee of shares, shall be prevented from transferring its shares in the Company for a period of 5 years post completion of the Acquisition, except with the prior agreement of the other shareholders (subject to certain exceptions as listed at paragraphs 7.10.1, 7.10.7 and 7.10.9 below). The provisions on share transfers shall reflect the following:

- 7.10.1 Transfers within the CWC group or within Government departments etc will be permissible.
- 7.10.2 There will be pre-emption rights on the issue and transfer of new shares and an obligation to disclose the identity of a pre-identified transferee (if any).
- 7.10.3 The encumbering or pledging of shares will be prohibited in the first 5 years and thereafter will trigger the pre-emption rights.
- 7.10.4 CWC will only be able to transfer its shares in the Company (without the Government's prior consent) to an entity which is either (a) an established telecommunications company with substantial operations; or (b) a consortium in which such a telecommunications company has a substantial economic and operating interest, and for the purposes of (a) and (b) above:
- (a) an entity shall be "an established telecommunications company with substantial operations" if it (or its group): (i) is the holder of telecommunications licences in at least 3 other jurisdictions, (ii) has at least 1 million customers or subscribers, in aggregate, and (iii) either has net assets or a market capitalisation of at least B\$750,000,000; and
 - (b) "a substantial economic and operating interest" means the right to control at least 20% of the shares or other equity or participating interests of the relevant consortium.
- 7.10.5 The Government will have a right of approval of any intra-group transfer of the Purchaser's shares to a company not being 100% owned directly or indirectly by CWC.
- 7.10.6 The provisions of paragraphs 7.10.4 and 7.10.5 are without prejudice to the Government's powers under any exchange control and/or national investment policies or legislation of The Bahamas from time to time.
- 7.10.7 The Government will have the right to effect a partial listing of the Government Shares on BISX (or its successor or replacement) provided that:
- (a) prior to the third anniversary of Completion, the Government may effect listing(s) of such number of Government Shares as represents a maximum of 9% of the Company's issued share capital for the time being; and
 - (b) at any time after the third anniversary of Completion, the Government may list further Government Shares provided that the total number of Government Shares listed represents no more than 25% of the Company's issued share capital for the time being.
- 7.10.8 There will be tag along rights triggered by a proposed sale of CWC's shares.
- 7.10.9 The Government will have a right to require a sale of CWC's shares in certain limited circumstances, namely on the occurrence of (a) an insolvency event affecting any relevant member(s) of the CWC group (being any parent company, direct or indirect, of the Company), (b) the sale by CWC of the Company's immediate parent company or any intermediate company between the Company and CWC (except where such sale is part of a wider sale by CWC of all or a material part of its Caribbean or wider operations)¹, (c) an unremedied material or persistent breach of the Shareholders' Agreement by CWC. The price for such shares would be the fair value (as independently

¹ The intention is that a holding company sale cannot be used to circumvent the pre-emption provisions.

determined) subject to an appropriate cap agreed between the parties (to be the greater of: (a) 24.99% of the market capitalisation of CWC on the date of Completion and (b) 24.99% of the market capitalisation of CWC on the date the call option is exercised).

7.11 Assignment

- 7.11.1 Save as provided in the last sub-paragraph of paragraph 7.5 and paragraphs 7.11.3, 7.11.4 and 7.11.5 below, the rights in the Shareholders' Agreement attributable to the Government Shares and the Sale Shares will be capable of assignment.
- 7.11.2 The Government shall be entitled to agree with any transferee or transferees of any of the Government's shares in the Company as to how it will exercise its rights under the Shareholders' Agreement.
- 7.11.3 The Government shall not be permitted to assign or transfer those rights and obligations referred to in paragraphs 7.9, 7.10.4 and 7.10.7.
- 7.11.4 The Government's rights described in paragraph 7.10.5 and 7.10.9 shall only be transferable to, and exercisable by, one entity that acquires at least 15% of the Company's issued share capital and that grants to CWC equivalent rights over its shares in the Company in the relevant deed of adherence (save that if the transferee is not listed on any stock exchange the reference to a cap in paragraph 7.10.9 shall be ignored).
- 7.11.5 It is recognised that certain of the Government's rights under the Shareholders' Agreement are to be included solely due to the strategic importance of the Company to The Bahamas (e.g. the Government's right of veto over the appointment of auditors not having a substantial presence in The Bahamas and over the relocation of the Company's business or assets overseas). Accordingly, such rights shall not be assignable by the Government.
- 7.11.6 Nothing in this paragraph 7.11 shall prohibit the Government from being able to transfer its shares to another Government body together with the Government's rights under the Shareholder's Agreement.

7.12 Governing Law and Forum for Disputes

The governing law of the Shareholders' Agreement will be that of The Bahamas. The parties will submit any disputes to be referred to and finally resolved by arbitration in accordance with the Arbitration Act, 2009, (as amended from time to time) of The Bahamas.

8 DOCUMENTATION

The principal documentation referable to this transaction will comprise:

- (a) Share Purchase Agreement;
- (b) Disclosure Letter;
- (c) Shareholders' Agreement;
- (d) New Memorandum and Articles of Association of the Company;
- (e) Pension Feeder Trust documentation;
- (f) Services Agreements;
- (g) Voluntary Workforce Restructuring Plan; and

(h) Business Plan.

(the documents at (a) and (e) above being the "Corporate Documents").

The Corporate Documents will be based on the Bidding Drafts dated April 9, 2010 which are in the Data Room, subject to the amendments highlighted above and any other amendments agreed between the Government and CWC.

9 **TIMETABLE**

The parties will use their reasonable endeavours to meet the deadlines set out in the following timetable:

<u>Activity</u>	<u>Deadline</u>
Signing of Memorandum of Understanding	November 30, 2010
Access for Due Diligence in The Bahamas	November 30, 2010
Finalise Voluntary Workforce Restructuring Plan	January 7, 2011
Presentation of 5-year Business Plan	January 7, 2011
Finalise Additional Due Diligence	January 7, 2011
Finalise draft Corporate Documents	January 7, 2011
Finalise draft Services Agreements	January 15, 2011
Completion of the Transaction	February 15, 2011 (or, if commercially impracticable, by April 4, 2011)

10 **STATUS OF THIS MEMORANDUM OF UNDERSTANDING**

10.1 Apart from the obligation on each party under paragraph 9 to use its reasonable endeavours to meet the deadlines set out therein, and the provisions of this paragraph 10 and paragraphs 11, 12, 13, 14 and 15 (all of which are binding on the parties), the terms of this Memorandum of Understanding are subject to contract, non-binding and do not create any legally binding relationship between the parties or any legal rights or duties on either of the parties.

10.2 This Memorandum of Understanding shall not oblige any party to enter into the Transaction (or any other transaction).

11 **COSTS**

Each party shall bear its own costs and expenses in connection with the Transaction.

12 **WAIVER**

No neglect, delay or indulgence on any party in enforcing the terms of this Memorandum of Understanding shall be construed as a waiver thereof.

13 **CONFIDENTIALITY AND ANNOUNCEMENTS**

Without prejudice to the terms of the Non Disclosure Letter dated March 31, 2010 and the terms of the Procedure Letter dated March 15, 2010, CWC shall:

13.1 hold confidential the existence and contents of this Memorandum of Understanding as well as all actions referable to the Transaction, unless the disclosure of such information is required by law or pursuant to any stock exchange or other rules or regulations or by any court decision; and

13.2 not make, or permit any person to make, any public announcement concerning the existence and contents of this Memorandum of Understanding as well as all actions referable to the Transaction, unless the disclosure of such information is required by law or pursuant to any stock exchange or other rules or regulations or by any court decision.

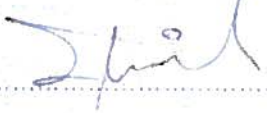
14 ACKNOWLEDGEMENT BY CWC

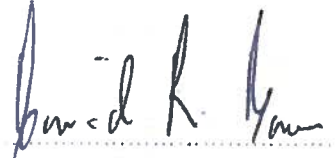
CWC acknowledges that it will continue to be bound by the Procedure Letter dated March 15, 2010, and in particular the sections headed "General", "No liability for Costs", "Securities Laws" and "General Acceptance and Waiver".

15 GOVERNING LAW AND JURISDICTION

15.1 This Memorandum of Understanding shall be governed by and construed in accordance with the laws of The Bahamas.

15.2 In relation to any legal action or proceedings arising out of or in connection with this Memorandum of Understanding, each of the parties irrevocably submits to the exclusive jurisdiction of the courts of The Bahamas and waives any objection to proceedings in such courts on the grounds of venue or on the grounds that proceedings have been brought in an inappropriate forum.

Signed by )
for and on behalf of)
the Government of The Commonwealth of The Bahamas)

)

Signed by)
for and on behalf of)
Cable & Wireless Communications plc)

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Signed by Tony Rice)
 for and on behalf of) W.A. Rice
 Cable & Wireless Communications plc)