

CONFORMED COPY

LOAN NUMBER B-107-0

Counter-Guarantee and Indemnity Agreement

HASHEMITE KINGDOM OF JORDAN

and

JORDAN TELECOMMUNICATIONS CORPORATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 26, 1995

LOAN NUMBER B-107-0

COUNTER - GUARANTEE AND INDEMNITY AGREEMENT

This Counter-Guarantee and Indemnity Agreement, is made on September 26, 1995 between the Hashemite Kingdom of Jordan (hereinafter "Jordan") and Jordan Telecommunications Corporation (hereinafter "TCC") of the one part and International Bank for Reconstruction and Development (hereinafter "the Bank") of the other part.

WHEREAS (A) pursuant to a Subscription Agreement (hereinafter the "Subscription Agreement"), dated September 20, 1995 between (i) TCC, as Issuer of the bonds described below (ii) Banque Paribas and ANZ Grindlays Bank plc and other entities as Managers (hereinafter the "Managers"), the Managers have jointly and severally agreed to subscribe and pay for the Floating Rate Bonds due 2002 to be issued by TCC (hereinafter the "Bonds") in an aggregate amount not exceeding US\$50,000,000 upon the terms and conditions contained in the Subscription Agreement;

(B) the net proceeds of the Bonds are to be used by TCC to assist in financing the refurbishment, expansion and development of the Jordanian telecommunications network as described in Section 1.02(a) of this Counter-Guarantee and Indemnity Agreement;

(C) at the request and with the agreement of Jordan and TCC, the Bank has agreed to guarantee (hereinafter the "IBRD Guarantee") the repayment at stated maturity of the principal amount only of the Bonds (hereinafter the "IBRD Guarantee Amount"), on the terms and conditions set forth in Clause 5 of the Trust Deed (hereinafter the "Trust Deed") referred to in the Subscription Agreement; and

(D) in consideration of the Bank's agreeing to provide the IBRD Guarantee, Jordan and TCC have agreed unconditionally and irrevocably to

undertake the obligations towards the Bank as hereinafter provided.

NOW THEREFORE, the parties hereby agree as follows:

ARTICLE I

General Conditions, Definitions

Section 1.01. Sections 8.01, 9.01, 9.02, 9.03, 10.01, 10.02, 10.03, 10.04, 11.01, 11.02, 11.03 and 11.04 of the General Conditions Applicable to the Loan and Guarantee Agreements of the Bank (hereinafter the "General Conditions"), dated January 1, 1985, are hereby incorporated and constitute an integral part of this Counter-Guarantee and Indemnity Agreement, and the several terms defined in the General Conditions have the respective meanings assigned to them therein, provided, however, and unless the context may otherwise require, that: (a) references to the "Borrower" and the "Guarantor" shall be deemed to refer to "TCC" and "Jordan" respectively; (b) references to the "Loan Agreement" and "Guarantee Agreement" shall be deemed to refer to "this Counter-Guarantee and Indemnity Agreement"; (c) references to the "Loan" and the "Project" shall be deemed to refer to the "IBRD Guarantee" and the "Project"; (d) the "proceeds of the Loan" shall be deemed to refer to the "proceeds of the Bonds"; (e) principal, interest and/or charges on the "Loan" shall be deemed to refer to amounts payable to the Bank under this Counter-Guarantee and Indemnity Agreement; and (f) the "purposes of the Loan" shall be deemed to refer to the "objectives of the Project."

Section 1.02. Wherever used herein, unless otherwise defined below or unless the context otherwise requires, the several terms defined in the Preamble have those ascribed meanings and the following additional terms shall have the following meanings:

(a) "the Project" means the implementation by Jordan and TCC of the physical investment plan for the refurbishment and expansion of the Jordanian telecommunications network and described at Schedule 2 Part B of the IBRD Loan defined in (d) below.

(b) "Closing Date", "Paying Agency Agreement," and "Trust Deed" have the respective meanings set forth in the Subscription Agreement;

(c) "Eligible Expenditure" means expenditures for goods and services which are (i) reasonably required for the Project as they are actually incurred and which are not financed by the IBRD Loan and (ii) procured in accordance with the principles set out in Section 3.01(b) below.

(d) the "IBRD Loan" means Loan No. 3738-JO dated June 28, 1994 made by the Bank to TCC and guaranteed by Jordan.

ARTICLE II

Counter-Guarantee and Indemnity

Section 2.01. (a) Without limitation or restriction upon any of their respective obligations under this Counter-Guarantee and Indemnity Agreement, TCC and Jordan irrevocably and unconditionally and on a joint and several basis: (i) hereby agree to reimburse the Bank forthwith on demand or as the Bank may otherwise direct any amount paid by the Bank in accordance with and pursuant to the IBRD Guarantee provided that any reimbursement of payment of principal in respect of the Bonds shall not exceed the IBRD Guarantee Amount together with any interest payable pursuant to Section 3.05 below; (ii) to indemnify the Bank on demand and hold the Bank harmless against all actions, proceedings, liabilities, claims, losses, damages, costs and expenses suffered or incurred by the Bank in relation to or arising from the provision of the IBRD Guarantee; (b) TCC and Jordan jointly and severally irrevocably authorize the Bank to comply with any demands arising from or in connection with the IBRD Guarantee and make any payments which may be due or claimed from or made upon the Bank at any time on or after the maturity date of the Bonds under the IBRD Guarantee (the Bank shall notify Jordan and TCC of any such demand but failure to give such

notice shall in no way affect the Bank's obligations to make payment under the IBRD Guarantee or the irrevocable unconditional joint and several obligations of Jordan and TCC to reimburse and/or indemnify the Bank pursuant hereto) and further agree that it shall not be incumbent on the Bank to inquire whether or not any such demands or payments are in fact due or whether or not any dispute exists between Jordan and/or TCC and the Trustee and/or the holders of the Bonds. TCC and Jordan agree that, in the absence of any manifest error, any such demand or payment shall, as between Jordan and/or TCC and the Bank, be conclusive and binding evidence that the demand is properly made and/or payment properly due under the IBRD Guarantee; and (c) Any payment required to be made by Jordan and/or TCC to the Bank pursuant to the terms of this Counter-Guarantee and Indemnity Agreement shall be: (i) paid in the currency paid by the Bank in accordance with its obligations under the IBRD Guarantee, or if such payment shall have been made in a currency which the Bank shall have purchased with another currency for the purpose of such payment, in such other currency; (ii) paid at such places as the Bank shall reasonably request; (iii) made in such manner, and in currencies acquired in such manner, as shall be permitted under the laws applicable to the making of such payment and effecting the deposit of such currencies to the account of the Bank with a depository designated by the Bank for this purpose; (iv) paid without any restrictions or withholdings whatsoever imposed by, or in the territory of, Jordan; and (v) applied first to pay all sums due by way of indemnity to the Bank as specified in (a)(ii) above and second, after payment of the same, to pay all sums then due to the Bank as specified in (a)(i) above.

Section 2.02. (a) In further consideration of the Bank providing the IBRD Guarantee, TCC shall pay or cause payment to be made to the Bank in same day funds by telegraphic transfer on the Closing Date, a guarantee fee of US\$ 565,299. Jordan hereby unconditionally guarantees, as primary obligor and not as surety merely, the punctual payment of the said guarantee fee to the Bank.

(b) In the event that any of the Bonds ("the Redeemed Bonds") are either redeemed in full as to principal in accordance with their terms and conditions or cancelled by or on behalf of TCC in any way prior to their stated maturity date in 2002 so that the Bank's obligations in relation to the payment of principal due under the Redeemed Bonds cease entirely either by operation of law or under the terms and conditions of the Trust Deed: (i) the Bank shall make an appropriate refund to TCC of the guarantee fee in accordance with the calculations set out in Schedule 1 hereto. Such refund shall be made within 15 days of written notification to the Bank by the principal paying agent (as defined in the Paying Agency Agreement) and by TCC or Jordan that an early redemption or cancellation of Bonds has taken place and shall be prorated in the event that such redemption or cancellation does not take place at the end of any half year period shown in Schedule 1; (ii) the IBRD Guarantee Amount and the obligations of TCC and Jordan in respect thereto pursuant to Section 2.01 (a)(i) above shall be correspondingly reduced by reference to the aggregate face value of the Redeemed Bonds; and (iii) Schedule 1 hereto shall be adjusted to operate accordingly with regard to the calculation of any subsequent guarantee fee refund to TCC.

Section 2.03. (a) The obligations of Jordan and TCC hereunder shall not be in any way discharged, modified or impaired by reason of any time or other indulgence which may be granted to the Bank by the Trustee or the holders of the Bonds, by any variation of the terms and conditions of the Trust Deed or Bonds (other than to reduce principal amount due on stated maturity), or any related agreement nor by any circumstances which would or might (but for this provision) constitute a discharge or stay of or defence to Jordan and/or TCC obligations to reimburse or indemnify the Bank hereunder.

(b) The Bank may at any time, without thereby foregoing, impairing or otherwise affecting any rights, powers and remedies hereby created or conferred upon it by this Counter-Guarantee and Indemnity Agreement, the Bonds, the Trust Deed or by law (i) offer or agree to or enter into any agreement for the extension or variation of the IBRD Guarantee without increase in the IBRD Guarantee Amount; or (ii) offer or agree to give any time or other indulgence to any person or entity from whom the Bank may seek reimbursement or indemnity in respect of sums paid under the IBRD Guarantee.

(c) Any rights, powers or remedies hereby conferred on the Bank shall be in addition to and not in substitution for or derogation of any other right which the Bank may at any time enjoy against Jordan or TCC or any other person or entity in respect of reimbursement or indemnification against payments made or liabilities incurred under the IBRD Guarantee provided always that the exercise and/or enforcement of any of these rights in conjunction with the rights, powers and remedies hereby conferred shall not result in the Bank obtaining reimbursement or indemnification which exceeds the aggregate of all amounts and matters in respect of which the Bank is entitled to reimbursement and indemnification pursuant to Section 2.01(a)(i) and (ii) above.

(d) The Bank shall not be obliged before taking steps to enforce any rights conferred on it by this Counter-Guarantee and Indemnity Agreement or exercising any of its rights, powers and remedies hereunder, the Bonds, the Trust Deed, related agreements or by law: (i) to take action or obtain any judgment or award in any court or other tribunal of competent jurisdiction against any other person or entity (including persons or entities from whom it may seek reimbursement or indemnity in respect of sums paid under the IBRD Guarantee); or (ii) to enforce or seek to enforce any other rights it may have against Jordan or TCC or its rights against any other person or entity.

Section 2.04. Without prejudice to any of their other obligations hereunder, Jordan and TCC hereby undertake to punctually perform all of their respective obligations under the Bonds, the Trust Deed, the Paying Agency Agreement and related agreements, and Jordan further agrees that any amount due to the Bank by it and by TCC jointly and severally hereunder shall be deemed, for purposes of Sections 6.02(b) and 7.01(d)(ii) of the General Conditions, to be an amount due in consequence of a guarantee extended by the Bank to a third party, with the agreement of Jordan.

ARTICLE III

Other Covenants

Section 3.01. TCC and Jordan hereby warrant jointly and severally to the Bank as follows:

(a) on the Closing Date, TCC shall use such amount from the proceeds of the Bonds as is necessary to pay: (i) the guarantee fee specified in Section 2.02(a) of this Agreement; and (ii) those amounts payable to the Managers, the Paying Agents, the Trustee and advisors engaged by TCC for the purposes of the issue of the Bonds as specified in the Subscription Agreement or as agreed with such advisors, as the case may be.

(b) the balance of the proceeds of the Bonds shall be used by TCC for the purposes of the Project. TCC shall ensure that the goods and services required for the Project and financed out of the proceeds of the Bonds: (i) shall at all times be procured with due regard to considerations of quality, reliability, economy and efficiency in accordance with procedures satisfactory to the Bank; and (ii) shall be applied exclusively for the purposes of the Project.

Section 3.02. The proceeds of the Bonds shall be managed by TCC in accordance with the following provisions:

(a) TCC shall open in its name on the books of Central Bank of Jordan on terms and conditions satisfactory to the Bank a separate freely convertible and operable United States Dollar account (hereinafter referred to as the Dollar Special Account) in which it shall, on the Closing Date, deposit the entire balance of the proceeds of the Bonds; and

(b) TCC agrees that such funds shall be held in the Dollar Special Account on terms and conditions satisfactory to the Bank, including adequate and legally effective protection against set-off, seizure or attachment and further that such funds shall only be disbursed to meet Eligible Expenditures.

Section 3.03. TCC shall ensure at all times that it:

(a) (i) maintains records and procedures adequate to identify the expenditures financed out of the proceeds of the Bonds, and (ii) responds promptly to any reasonable request from the Bank concerning the expenditure of the proceeds of the Bonds and the goods and services financed out of such proceeds including, without limitation, the provision of all such documents and other evidence as shall be adequate in the opinion of the Bank to show that amounts disbursed from the Dollar Special Account were disbursed for Eligible Expenditures as contemplated in Sections 3.01 to 3.02 above, respectively; and

(b) (i) causes the records and accounts referred to in paragraph (a) of this Section and those for the Dollar Special Account for each fiscal year to be audited (in accordance with appropriate auditing principles consistently applied) by independent auditors acceptable to the Bank; (ii) furnishes to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of said accounts for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnishes promptly to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Bank may from time to time reasonably request.

Section 3.04. If at any time the Bank determines that any sum paid out of the Dollar Special Account was paid out in respect of any expenditure not eligible as contemplated by Section 3.01 (b) above, as the case may be, or was not justified by the evidence furnished pursuant to Section 3.03 above, TCC shall, promptly following written notice from the Bank, deposit in the Dollar Special Account an amount equal to such sum to replenish the account in question. Jordan hereby guarantees such replenishment.

Section 3.05. In the event that any amount is paid by the Bank pursuant to the provisions of the IBRD Guarantee, Jordan and TCC jointly and severally undertake to pay interest to the Bank on such amount, in the currency determined in accordance with Section 2.01(c)(i) above, at the rate per annum specified by the Bank based on the Bank's prevailing borrowing cost in such currency plus its applicable margin over such borrowing cost, until such amount is paid in full to the Bank by TCC and/or Jordan.

Section 3.06. (a) TCC and Jordan shall obtain the prior written consent of the Bank before agreeing to any change in the terms and conditions of the Bonds or the Trust Deed or related agreements;

(b) In the event that any of the Bonds ("the Exchanged Bonds") are at any time prior to their stated maturity exchanged or converted ("the Exchange") by the bondholders into shares, stock or other participation in TCC, and under the Exchange, Jordan and/or TCC (or their authorized agent) take possession of the Exchanged Bonds, Jordan and TCC jointly and severally undertake to effect the immediate irrevocable cancellation of the Exchanged Bonds in accordance with their terms and conditions and the provisions of the Paying Agency Agreement.

(c) Upon cancellation of the Exchanged Bonds as confirmed by the principal paying agent pursuant to the Paying Agent Agreement, the IBRD Guarantee and the obligations of TCC and Jordan set out in Section 2.01 above shall lapse automatically and the Bank and Jordan and TCC shall be forever released and discharged from any further obligation to one another hereunder with respect to the Exchanged Bonds, without prejudice always to any claims already made or liabilities already accrued hereunder: (i) in respect of any Bonds not the subject of the Exchange; and (ii) which are not definitively extinguished by the Exchange. TCC shall notify the IBRD of any Exchange as soon as reasonably practicable and in the case of an Exchange in which not all Bonds are exchanged or converted, the provisions of Section 2.02(b) shall apply, using the aggregate face value of the Exchanged Bonds.

(d) For the avoidance of doubt, and unless otherwise agreed, where the Exchanged Bonds have been exchanged and acquired by Jordan rather than converted and retired by TCC, the cancellation of the Exchanged Bonds shall not in any way affect the existence at law of the debt owed by TCC to Jordan in the amount of

the Exchanged Bonds upon the same terms as expressed therein.

ARTICLE IV

Effective Date

Section 4.01. This Counter-Guarantee and Indemnity Agreement shall come into full force and effect upon signature by the parties.

ARTICLE V

Miscellaneous Provisions

Section 5.01. (a) The Minister of Planning or his duly authorized delegate is hereby designated as representative of Jordan for the purposes of Section 11.03 of the General Conditions; and

(b) The Chairman of the Board of Directors of TCC or his duly authorized delegate is hereby designated as representative of TCC for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For Jordan:

Ministry of Planning,
P.O. Box 555
Amman
The Hashemite Kingdom of Jordan

Telex:

21319 NPC JO

Telefax: 962 6 649 341
962 6 642 247

Attention: H.E. Minister of Planning

For TCC:

Jordan Telecommunications Corporation
Jabel Amman
Amman, Jordan

Attention: Director General

Telefax: 962 6 659 666
962 6 649 882

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable Address:

INTBAFRAD
Washington, D. C.

Telex:

197688 (TRT),
248423 (MCI)
64145 (MCI)
82987 (TRT)

Telefax: (202) 477 1482

Attention: Director, Middle East and North Africa Region

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives have caused this Counter-Guarantee and Indemnity Agreement to be signed in their respective names as of the day and year first above written.

HASHEMITE KINGDOM OF JORDAN

By /s/ Rima Khalaf Hunaidi
H. E. Minister of Planning

JORDAN TELECOMMUNICATIONS
CORPORATION

By /s/ Jamal Al-Sarayrah
H. E. Minister of Communications

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Inder K. Sud
Representative Vice President/Director,
Middle East and North Africa Region
Country Department II

Schedule 1

Counter -Guarantee and
Indemnity Agreement
Guarantee Fee Calculation &
Schedule of Fee Refund

