

I. Executive Summary

As part of its mandate to review the viability of a commercial fiber optic network for the Office National de l'Electricité ("ONE"), Project Finance Advisors, LLC ("PFA") has undertaken this Task Order. The purpose of this Project Structure Memorandum is to (1) determine whether ONE has the power and authority under Moroccan law to develop a commercial fiber optic network in Morocco in connection with the upcoming Agence Nationale de Règlementation des Télécommunications ("ANRT") auction for a national non-voice telephony license (the "Project"), and (2) if so, identify the appropriate business model for ONE to select to implement such a network. Elsewhere in this set of deliverables PFA examines the viability of the market (Market Assessment : Tasks 1 and & 2) and the value of ONE's Rights of Way ("ROW") (Task Order 4.1).

The results reported herein have been prepared by the project finance group of U.S. based law firm Piper Marbury Rudnick & Wolfe LLP, in cooperation with Morocco legal counsel Maria Bahnini.

This task order is supported by two additional work products that were produced in response to ONE's desire for greater clarification on some of the structural issues discussed herein. Appendix A contains a memorandum produced for ONE that identifies key government approvals required for project implementation. At the time that this task order was drafted ONE had been barred from directly investing in subsidiaries event within the power generation and transmission sector. In early July, the Prime Minister issued a decree that apparently allows ONE to make such investments in subsidiaries under its original "competence" or mission under its Enabling Law. The import of this recent decree has yet to be analyzed but it does hold some promise that ONE may be able to invest in a telecommunications subsidiary if such investment is deemed to be under its competence.

Appendix B contains a memorandum prepared for ONE outlining some of the issues involved with use of a société en participation (unincorporated joint venture) versus use of incorporated joint venture such as a joint stock company (société anonyme).

Three primary questions are examined in this Task Order:

- Does ONE have the legal authority to invest in Morocco's telecoms sector with a private sector telecommunications operator?
- If so, what is the appropriate structure to use for ONE to implement this investment?
- Does ONE's have the power to contribute access rights on its electric transmission rights of way ROW to a telecoms partner seeking a license, and if so, what consideration can ONE require for such contribution?

The key findings of this Task Order are as follows:

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