

Meridian Int'l Telecom Memorandum

To: All MIT Partners & Damir Fazlic of Virtu Group Int'l LTD
CC:
From: Steve Slavin, Partner, MIT
Date: Actual meeting date – 9/20/069/25/14
Re: MIT & Virtu Group Partnership Meeting for Albanian Telecom

Working notes from meeting. All accuracy not verified. No detailed background of this Albanian deal is necessary since everyone is up to speed on it.

Present: All above (Damir Fazlic, Tony Altavilla, George Grkinich, Rick Suder, Tim Ginn, Alan Shoaf, and Steve Slavin)

Location: MIT Headquarters, Carmel, IN

PURPOSE OF MEETING:

The purpose of the meeting is: 1) Meet Damir in person to better see if the joint venture is a good fit for all, 2) state our intentions of meeting his requirements, 3) Damir wanted verbal confirmation that our technicians and sales force can meet his requirements, 4) confirm timeline and next action items, and 5) explore further joint ventures.

BACKGROUND:

- Damir gave us further background on his education (Harvard) and experience to date in the region. Emphasis was on key pre-public information of future policy changes, and his access and exclusivity in the region.
- On November 1, 2006 the Albanian Parliament is to recognize that VoIP is legal. As of October 1, 2006 Damir has been given permission to have a team in place and terminate VoIP calls in/out of the country.
- Original goal is to get to 220MM minutes/yr in volume (18MM min/month) by end of 2007
 - Realistic target (factor 30%) is 150MM min/yr
- Pirating now is around 5MM min/month. Used to be about 9 pirates, now there is only 4. With our deal implemented correctly these others will close down eventually.
- 52-54% of Int'l calls currently coming into Tirana, ROC is other
 - Realistic assumption: 55% Tirana, and 45% ROC

PRICING BREAKDOWN

- Tirana: 3.9-4.2 cents/p/min to consumer (use 4.0 cents as avg)

CONFIDENTIAL

- Cost : 2.75 cents,
- Profit : 1.25 cents
- Further Breakdown: 1.25 to us, .75 to locals, 2.00 to PTT
- ROC: 7 c/p/m
 - Cost : 4.00 cents
 - Profit: 3.00 cents
 - Further breakdown: 1.25+1.75 to us, 2.00 to locals, and 2.00 to PTT
- PTT will track volume too. 15 days to pay them and they track 30 days out (?? Missed this in the notes)
- Forecast: (using Realistic assumption: 55% Tirana, and 45% ROC, and 150mm/yr realistic adjusted target) Damir estimates a \$3.050MM profit target in 2007.
- CONFUSION RESOLVED: Initially we thought this \$3MM profit was 100% going to MIT and its partners, but this is not true. Damir made it clear Rick misunderstood. MIT and Damir are sharing this amount 50/50.
- CONFUSION RESOLVED: Initially we were told that the first \$500k pre-payment to Damir will be shortly after contracts are signed. Now we're being told the other \$500k will be due to him by December 15th of this year. This was agreed upon.
 - Why so fast: though the current PM is set for another 3 years, we really need the right local govt people to win. This helps that cause before the end of the year elections.
 - Prepayments are first to be paid back (regardless of % breakdown) with proceeds.
- Rates of 4cpm have been at the level for 1.5yrs now. MIT will be competitive at this pricing matrix.
- Confirmed with Damir that we are doing nothing illegal with this operation. The rates are market based (backed by 4 company's research), the contracts are iron clad, and the opportunity is before us because of his legal relationships. Not to mention this is very good for Albania.

INFINITE NETWORKS: OUR TECHNICAL/SALES TEAM

- MIT is partnering with Infinite Networks to be our service provider.
- Elie Maalouf (sales/technical matters) confirmed via conf call that he can deliver the sale of 500MM min/day in volume.
 - He also mentioned he needs 2 or 3 backup line capability if there's a problem with our main line
 - Confirmed via Damir that this may not be necessary since our equipment will be tied directly to the Albanian Telecom Backbone with it's own standalone generator.
 - They hoped we had a strong contract with the govt – we confirmed.
- Damir said they need these guys to make sure it works, collect \$, and get him paid. That's about it. We've outlined much the same to them.
- Damir to give complete access to these guys to get things installed and for technical needs by end of the week.

NEW CONTRACT ACTION ITEMS:

- We agreed to his terms and Damir will now get us a new contract with the old Vision language changed to MIT. No further changes are pending.
 - Note: We are not going to be responsible for the 90 day bank guarantee in the contract.
 - Note: Damir said he'd take out the language about us having to be an FCC licensed company
- By next Wednesday we are to have the new contract signed on our end and sent overnight to Albania Telecom.
- They'll sign and return to us asap. (later that evening we had text message confirmation from Damir that Albania will sign the contract)

- The following Wednesday after the contracts are signed, we'll have the first \$500k pre-payment to Damir.
- Damir thinks the best date for the visit of our technicians for equipment set up in Albania is October 5-10th
- Target start date is October 15, 2006

WHAT COULD GO WRONG?

- Albanian Telecom is 100% owned by the government. Take comfort in this, however if relationships change anything is possible (though highly unlikely since Damir is connected to all the leadership not just 1 person)
- If Damir dies, we still have an iron clad contract for 6 months (not sure where this 6 months comes from with the contract going to year end '07 as long as we perform at 150MM/min/day)
- Politicians have a 7 yr life in govt (on avg)
- Potential when we sell the company that we get a smaller multiple than expected.
- Could be hick ups technically.
- All in all – we're on the ground floor here. (sublevel 3 to be exact) with about 18 months to really capitalize before added privatization may dilute things.

ADDITIONAL OPPORTUNITIES:

- The refiling market is one that we could clearly capture.
 - This is an area Damir doesn't really know, but he knows it's a big opportunity.
 - Refiling in ALB is 90% controlled because there is one Greek player present.
 - Market: There are 1.5MM Albanians present in Greece
 - Market: There are 2.0MM Albanians present in Italy
 - Albania is seeing signs of big growth coming
 - Bechtel working on 480MM construction project
 - Microsoft hub coming
 - Italians/Greeks all coming to region
 - All regions have 30% Albanians there: more people more traffic
- Phase 2 is bringing on mobile operations in Albania – huge market.
- Additional Markets:
 - Macedonia will be online in 3-6 months (more like 3 months)
 - Damir is helping him with elections
 - VoIP is the future here too. Minutes are selling for double here – which means we could see double profit (at the same cost structure which is likely).
 - Sees the potential of 100-150MM min/yr volume.
 - The Congo: massive market here. Damir good college friend is the President. Meetings earlier this week confirmed this is going to happen. Details to be worked out.
 - Damir said he thought this country could be live Jan 1, 2007
 - 70MM people here. 30MM are mobile users. 600MM/min/yr coming in/out of this country!
 - 500MM min/yr (1/2 billion) is likely the target volume guarantee. This is at likely 1.5cpm = 7.5 MM in profit/yr for the taking.
 - Bosnia is another key target market that Damir could bring
 - Combine Macedonia, Bosnia, and Congo and you're looking at 1.5B minutes in 2007. This is 18MM in revenue. Likely multiple to sell to a buyer of us is 6-7x.
- Idea of partial sale of our company in 1-2 yrs proposed.
 - Sell 30% to IBasis Telecom (biggest VoIP operator in Europe – maybe world). They do 15 billion minutes/month.
 - We become a key partner with a big player. Could demand a higher multiple later.

- Doing so brings in an additional 100k/min/day in volume to us. They have minutes that no one else does.

QUESTIONS

- Does MIT have to set up an offshore account? No. This is not necessary as long as Damir's money is sent directly to his BVI account.
- Is there a need for an indemnification clause w/Damir?
- Is there a need for some kind of circumvent agreement w/Damir?

MISC:

- 6 hour time difference in Albania to US East Coast
- Starting next Tuesday, Damir is in Albania for the next 10 days. 4 will be spent in Italy with his wife for their anniversary.
- Steve to email Damir all our MIT contact info.
- Steve to get all MIT personal partner contact info to our attorney.

Dinner followed at Sullivan's. Drinks followed at George's.

[end of notes]

ADDITIONS POST-MEETING:

- We heard from Damir on 9/22 that he expects contracts to us on Monday.
- He wants our tech guys in Albania on 14-15th for set up.
- After stress tests of our systems/equip, the anticipated start date is now October 23 or earlier.