

PROGRAM FOR THE DEVELOPMENT OF BUSINESS IN THE FIELD OF SPACE COMMUNICATIONS

I. GENERAL INFORMATION

As set forth in the *Agreement of 15 November 1971 on the Establishment of the Intersputnik International System and Organization of Space Communications*, the Intersputnik International Organization of Space Communications (Intersputnik, Organization) seeks to ensure cooperation and coordination of efforts in the design, establishment, operation, and development of the Intersputnik international satellite telecommunications system (Intersputnik System), as well as to contribute to the strengthening and development of relations among the member countries of the Organization through the use of communications as well as radio and television broadcasting via satellites.

The Program for the Development of Business in the Field of Space Communications (Program) is an extra tool for Intersputnik to attain its goals. *The Program* is implemented by the Directorate¹ by providing loans for the purpose of developing business in the field of space communications.² To provide financing there has been established a special-purpose investment fund (Investment Fund) financed out of the Development Fund of the Organization.

II. PROVISION OF FINANCING

Financing is provided by Intersputnik in the amount of up to One Million (1,000,000) US dollars to Intersputnik Signatories³ and up to Seven Hundred and Fifty Thousand (750,000) US dollars to bidders that are not Intersputnik Signatories. The amount of financing provided by Intersputnik cannot exceed 50% of the total amount of financing required for the implementation of the business project (at least 50% must be provided out of the bidder's own funds) and 50% of average annual turnover for the last three years. Provision of financing in larger amounts or deviating from the above limitations is possible in exceptional cases with the prior approval of the Operations Committee.⁴

Financing is provided as an interest-free loan for a period of up to five years. As a rule, repayment of any loan has to start not later than two years after its receipt. Intersputnik Signatories may repay a loan using future dividends payable by Intersputnik.

Financing is provided if a bidder meets the requirements of *the Program* and if it is admitted to take part in the tender, if it is pronounced the winner of the tender and if legally binding documents are signed (the principal conditions of such documents are specified in the annex to *the Program*).

¹ The Directorate is a permanent executive and administrative body of the Organization headed by the Director General (for more information see Articles 11 and 13 of the *Agreement of 15 November 1971 on the Establishment of the Intersputnik International System and Organization of Space Communications*).

² Business "in the field of space communications" (also, hereinafter – "industry-specific" business) means, *inter alia*, business to provide satellite telecommunications services or satellite radio and television broadcasting, manufacture space systems and telecommunications equipment, build and upgrade the ground segment of satellite telecommunications infrastructure as well as any associated activity.

³ The list of Intersputnik Signatories is available on the Organization's official website (www.intersputnik.int).

⁴ The Operations Committee is a body of the Organization for immediate examination of and decision-making on different issues related to the Organization's activity (for more information see Articles 11 and 12bis of the *Agreement of 15 November 1971 on the Establishment of the Intersputnik International System and Organization of Space Communications*).

As a rule, a tender is held once a year provided that there are sufficient resources in the Investment Fund, potential bidders show interest, and at least one bidder is willing to take part.

III. LOAN REPAYMENT SECURITY

A loan needs to be secured using methods approved by the Directorate, which may include penalty, collateral, surety, independent guarantee, etc.

If requested by the Directorate, the recipient of the financing will make sure that an amount of cash in the currency of the loan sufficient for payments to service the loan for the next fiscal year is available (reserved) in its bank account at the end of the fiscal year. In the event that under the terms of the provision of financing no repayment of the loan starts next fiscal year, the amount reserved by the recipient of the financing to service the loan may be up to 50% of the annual profit or up to 30% of the loan amount.

If requested by the Directorate, the documents signed with the recipient of the financing may specify financial indicators, including NPV⁵ (other circumstances or conditions, for example, a substantial change in the financial indicators compared to the previous reporting period) and technical criteria, which, if not attained (if occur or if not met), entail unfavourable consequences for the recipient of the financing such as the obligation to early repay the loan in full or in part, use of security measures by the Directorate or other consequences.

If requested by the Directorate, risks associated with the provision of financing need to be insured by a first-class⁶ international or national insurance company approved by the Directorate in advance, in the interests of Intersputnik at the expense of the recipient of the financing.

IV. CONTROL

From the date the financing is provided to the date the loan is repaid the Directorate will control the following: the current financial standing of the recipient of the financing as compared to the previous three years; observance by the recipient of the financing of the conditions under which it was provided and due expenditure of cash by means of analysing the business project proposed for the tender and the actual process of its implementation; efficiency of the use of assets (goods, works or services) purchased using the loan; technical criteria of the business project implementation.

The Directorate may request, and the recipient of the loan has to present documents required for control, including contracts, acceptance statements for goods, works or services provided, invoices, payment orders and other primary accounting documents, quarterly, semi-annual and annual financial statements,⁷ reports of first-class⁸ international or national independent auditors,

⁵ NPV (Net Present Value) is calculated using projected cash flows related to the planned investments by the following formula:

$$NPV = \sum_{i=1}^N \frac{NCF_i}{(1+r)^i} - Inv$$

where NCF_i means net cash flow for i-period, Inv – initial investments, r – discount rate (cost of capital attracted for the investment project).

⁶ A “first-class” insurance company means an insurance company controlling at least 5% of the insurance market.

⁷ Before the start of loan repayment statements must be presented at least once a quarter; after the start of loan repayment and subject to compliance with the payment schedule statements are presented at least once every half-year.

⁸ A “first-class” independent auditor means an independent auditor controlling at least 5% of the audit services

information on the status of bank accounts, licenses (permits, certificates or other documents) required to be engaged in industry-specific business, extracts from the state (trade) register, and other similar documents. The documents should be presented as originals or certified copies while the Directorate will have the right to review the originals at the seat of the recipient of the financing while such recipient must present them for review if demanded by the Directorate.

Results of evaluating the documents required for control are recorded in a report drawn up by the Directorate and presented for review to the recipient of the financing. If the results of such evaluation are unsatisfactory, additional documents may be requested. If the results of the evaluation are satisfactory, documents required for control will, as a rule, be requested next time no earlier than after the end of a quarter or two quarters.

For control purposes the Directorate may at its discretion use independent experts, including those in the country of the recipient of the financing. Costs associated with contracting such persons will be borne by the recipient of the financing and cannot exceed the LIBOR level for US dollars in relation to the total amount provided for the entire loan period.

In the event that a bidder presented a written recommendation (paragraph 8, section VI) to participate in *the Program*, the Directorate may, when exercising control, contact the recommendation source for information on the implementation of the business project by the winning bidder and for assistance in the discharge of the winning bidder's duties specified in *the Program* and the effective legally binding documents.

V. BIDDER REQUIREMENTS

To be qualified for participation in *the Program*, a bidder needs to meet the following requirements:

- The bidder is a legal entity engaged in industry-specific business for at least three years;
- The bidder is incorporated in an Intersputnik member country⁹ or operates on an Intersputnik member country's market or uses (plans to use under its business project) the Intersputnik System;
- The bidder has requisite licenses (authorisations) to be engaged in industry-specific business;
- The bidder has shown positive financial results for the last two years, which is confirmed by the report of a first-class¹⁰ international or national independent auditor; the bidder's financial stability ratio must be at least 0.8;
- The bidder has a stable positive credit history;
- There is no litigation or administrative proceedings against the bidder nor any limitations imposed by competent government authorities;
- The bidder has elaborated the business project for which the financing is requested;
- If the bidder has received financing under *the Program* before as the winning bidder, it may repeatedly participate in *the Program* provided that it never violated any legally binding documents signed when the financing was granted and that the business project for which the financing is being requested implies the use of the Intersputnik System.

VI. LIST OF REQUISITE DOCUMENTS

market.

⁹ A list of Intersputnik member countries is available on the Organization's official website.

¹⁰ See footnote 8.

To participate in *the Program*, a bidder needs to present the following:

- An application¹¹ for financing specifying the requested amount of financing;
- Incorporation documents; licenses (authorisations) to be engaged in industry-specific business, certificates of compliance, other similar documents; information on the structure of authorised capital and ultimate beneficiaries; information on individuals authorised to act on behalf of the bidder; information on bidder's management (education, working experience, achievements, etc.);
- Description of the bidder's industry-specific business; information on projects completed and principal partners; letters of recommendation from partners (the latter is desirable);
- Financial statements and reports of a first-class¹² international or national independent auditor for the last three years;
- Description of the business project for which financing is requested, including business project implementation plan as well as commercial, technical and financial feasibility studies and calculations, including NPV¹³, confirming the feasibility and economic success of the project;
- A written guarantee of the patent purity of technological solutions if proposed as part of the business project;
- A written recommendation from a Member of the Organization, national telecommunications administration or a different competent government authority (desirable).

The documents are presented in Russian or English as originals or certified copies. The documents that are not in Russian or English are presented along with their certified translations into Russian or English. The documents will be prepared and presented at the bidder's expense.

Regardless of the availability of a written recommendation (paragraph 8 of this section) the tender board may ask the Member of the Organization, national telecommunications administration or a different competent government authority concerned for information on the bidder.

VII. TENDER BOARD

To identify the winner(s) of a tender there will be established for the tender period a tender board consisting of five members with a deciding vote: the chair of the Operations Committee who chairs the tender board, a representative of the Audit Committee chosen by its chair, and three representatives of the Directorate chosen by the Director General. The chair of the tender board or the Director General may invite experts, including specialized staff members of the Directorate, to join the tender board with a consultative vote.

The tender board will on its own determine its working procedure within the limits of the tender period specified in section IX. As a rule, the tender board uses electronic means of communications; if necessary, the tender board may hold meetings using videoconferencing facilities or face-to-face meetings.

It will take at least three votes of the members for the tender board to make a decision. Decisions of the tender board are recorded in a protocol signed by the chair. If demanded by a member of the tender board, his/her written opinion or the written opinion of a participating expert must be added

¹¹ See section "Development Program" on the Organization's official website for the form of the application.

¹² See footnote 8.

¹³ See footnote 5.

to the protocol. The chair will inform the Operations Committee of the decisions made.

VIII. WINNING BIDDER(S) SELECTION CRITERIA

Priority will be given to the bidder, whose business project will use the Intersputnik System or, when implemented, will result in an expansion of the Intersputnik System.

Otherwise, priority will be given to the bidder that submitted for tender the most promising and efficient business project for which financing is requested, with the best financial indicators and the largest share on the relevant industry-specific market.

When several bidders from a single country participate in a tender, priority will be given to the bidder, which is an Intersputnik Signatory or has a written recommendation from an Intersputnik Member.

There may be none, one or more winners of a single tender, including those from a single country.

IX. PRINCIPAL MILESTONES

The procedure of provision of financing includes the following milestones:

- Acceptance of tentative bids to evaluate the level of interest shown by potential bidders in holding a tender under *the Program* – on dates to be specified by the Directorate;
- Submission, by bidders, of documents for participation in *the Program* – on dates to be specified by the Directorate;
- Review of the documents by the Directorate, due diligence of the bidders and vetting for compliance with the requirements of *the Program*, identification of the bidders admitted to take part in the tender – up to one month upon completion of the submission of the documents;
- Holding of the tender with one or more bidders; identification by the tender board of the winner(s) of the tender or acknowledgement that no winner(s) was(were) selected – up to one month;
- Announcement of the results of the tender, agreement on and signing of requisite documents with the recipient(s) of the financing, provision of the financing – as a rule, up to one month (depending on how long it takes the recipient of the financing to review the legally binding documents).

X. ADVANTAGES OF THE PROGRAM

The Program has the following advantages:

- *The Program* opens up new opportunities for developing business in the field of space communications, among other things, by increasing the share of the recipient of the financing on the industry-specific market;
- *The Program* allows several bidders from a single country to receive financing;
- The procedure of provision of financing is simple, clear and the same for all bidders; it is public and, consequently, serves as additional advertising of the bidders' industry-specific business;
- Receiving financing from Intersputnik – an intergovernmental organization successfully operating in the field of space communications for fifty years – is an important component of the winner's image;

- Apart from receiving financing, the bidder can count on professional consulting by world-class specialists of the Directorate.

Annex

PRINCIPAL CONDITIONS OF LEGALLY BINDING DOCUMENTS SIGNED WITH THE WINNING BIDDER

- The financing is provided under an interest-free loan agreement; prior to the execution of the agreement the recipient of the financing must make sure that the originals or certified copies of documents are presented to the Directorate under Section VI of the *Program*;
- Loan repayment period: up to five years; * the recipient must start repaying the loan, as a rule, not later than two years after its receipt; * loan repayment procedure: by instalments, the payment schedule is to be agreed by the Directorate with the recipient of the financing and, as a rule, provides for equal monthly or quarterly payments;
- The recipient's representations concerning circumstances that are substantial for the execution, performance or termination of the agreement (no encumbrances, proscriptions, judicial claims or claims by third parties, compliance with applicable laws, good-faith financial and business operations in accordance with the generally accepted principles and standards, including corruption control, or any other circumstances at the discretion of the Directorate); the right of the Directorate to withdraw from the agreement if any representations, including those identified by the Directorate, are false;
- Security of the obligations of the recipient of the financing to repay the loan: to be provided using the methods approved by the Directorate * while the Organization may demand provision of additional (new) security if the initial security was lost or deteriorated; reservation of an amount in loan currency in a bank account to service the loan as specified in *the Program*; control by the Directorate as specified in *the Program*;
- If requested by the Directorate, the loan agreement must specify financial indicators, including NPV¹⁴ (other circumstances or conditions, for example, a substantial change in the financial indicators compared to the previous reporting period) and technical criteria, which, if not attained (if occur or if not met), entail unfavourable consequences for the recipient of the financing such as the obligation to early repay the loan in full or in part, use of security measures by the Directorate or other consequences specified in the agreement; *
- Liability of the recipient of the financing for breaching the conditions of its provision and other legal consequences for breaching the agreement: a late payment penalty at a rate of 0.1% of the overdue amount for each day in arrears; early repayment of the loan within ten days of receipt of the relevant demand; other penalties at the discretion of the Directorate as permitted by applicable law or specified the agreement;
- Assignment of claims: the rights (claims) vested in (owned by) the Organization by virtue of the loan agreement may be assigned to a third party under the relevant agreement without the consent of the recipient of the financing;
- The set of legally binding documents may include insurance, security, surety, independent guarantee agreements or other documents;
- Relations between Intersputnik and the recipient of the financing under legally binding

* This condition is specified in *the Program*.

¹⁴ See footnote 5.

documents are governed by the laws of the Russian Federation; disputes are settled by the Arbitration Court of the city of Moscow or the International Commercial Arbitration Court under the Chamber of Commerce and Industry of the Russian Federation as chosen by the Directorate;

- The recipient of the financing warrants that the requirements of *the Program* can be met and that the obligations assumed under the legally binding documents are valid, *inter alia*, by ensuring timely receipt of requisite approvals including corporate consents or other authorisations required under applicable laws.