

PROGRAM FOR THE DEVELOPMENT OF BUSINESS IN THE FIELD OF SPACE COMMUNICATIONS IN THE MEMBER COUNTRIES OF THE ORGANIZATION

I. GENERAL

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, among other things, 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 by communications as well as by radio and television broadcasting via satellites.¹

The Program for the Development of Business in the Field of Space Communications in the Member Countries of the Organization (Program) is another tool, which helps attain Intersputnik's goals.

II. INVESTMENT FUND AND PROVISION OF FINANCING

To implement *the Program* there has been established a special-purpose investment fund (Investment Fund) financed out of the Development Fund of the Organization.

Purpose of the Investment Fund: provision, to the companies interested, of inexpensive outside financing for the development of business in the field of space communications² in the member countries of the Organization. Such financing is provided to companies incorporated in the member countries of Intersputnik.³ In exceptional cases financing may be provided to a company incorporated in a country other than a member country provided that such company does the bulk of its industry-specific business in a member country of the Organization and that national legal entities and/or natural persons of the concerned member country of the Organization have shares in the authorized capital of the company, which are sufficiently large to efficiently control the company's financial and economic performance.

Amount provided: financing may be allocated out of the Investment Fund in the amount of up to Seven Hundred Fifty Thousand (750,000.00) US dollars. Larger financing is subject to the Operations Committee's prior approval.⁴

Conditions of provision of financing: the applicant must meet the requirements of *the Program* and be admitted to the tender; the applicant must be recognized as the winning bidder; there must be signed legally binding documents in the form required by the Directorate and on the terms and

¹ See paragraphs 2 and 3 of the Preamble, sections 1 and 2, Article 1 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" (herein also "industry-specific" business) means, *inter alia*, business related to satellite telecommunications services, satellite radio and television broadcasting, manufacture of space systems and telecommunications equipment, construction and upgrading of the ground segment of satellite telecommunications infrastructure as well as associated activity.

³ A list of the member countries of the Organization is available on Intersputnik's official website (www.intersputnik.com).

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*).

conditions satisfactory to the Directorate (the principal terms and conditions of such documents are specified in an attachment to this *Program*).

Periodicity of provision of financing: tenders for financing are called for at least once a year, but, as a rule, not more often than two times a year, provided that there are sufficient resources in the Investment Fund and that there is an applicant (applicants) for such financing. There may be no winning bidder in a single tender or one or more winners thereof, even from a single country.

III. OPTIONS OF PROVISION OF FINANCING

There are two options of provision of financing:

- (1) As a loan granted by the Organization for a period of up to five years. The loan must be ensured (using a bank guarantee, security, deposit, including a deposit of a share (shares) in the authorized capital, or other means approved by the Directorate). As a rule, the loan must start to be repaid not later than two years after it has been granted.
- (2) Holding by the Organization of a share (shares) in the authorized capital of the company concerned: purchase of a share (shares) on the condition of either Organization's blocking shareholding and/or holding of a share (shares) sufficient for decision-making concerning the company's profit distribution.

If required by the Directorate, the documents that are signed with the recipient of the financing may specify certain financial indicators (or other circumstances or conditions), which need to be attained (occur or be met). Otherwise, the recipient of the financing would face unfavorable consequences, including the obligation to return the loan ahead of schedule in full or in part, realization of the surety measures by the Directorate, an obligatory buyback of the share (shares) for a price agreed in advance, and other consequences.

All documents signed with the recipient of the financing are to include clauses making sure that the recipient's financial and business operations are conducted in good faith and corruption is countered.

IV. MONITORING OF THE USE OF THE FINANCING

The Directorate will monitor if the recipient of the financing fulfills the terms and conditions of the provision of the financing and the spending of the financing for the intended purpose. For this purpose the Directorate may, among other measures, request and the recipient of the financing must present upon request any documents proving the intended expenditure of the financing (including contracts, statements of acceptance of goods, work or services provided, invoices for payment, payment orders, and other documents), quarterly and annual financial reports, independent auditor's opinions, information on the status of a bank account, licenses (authorizations, certificates, and other documents) required for the participation in an industry-specific business, extracts from a state (commercial) register, or similar documents. Such documents must be presented as their originals or certified copies while the Directorate reserves the right to review the originals at the place of business of the recipient of the financing and the recipient of the financing must present them for review upon the Directorate's request.

Whichever option of the provision of the financing is implemented, the Directorate may require that the Organization and the recipient of the financing sign a Directorate monitoring agreement giving the Directorate the right to monitor if the recipient fulfills the terms and conditions of the provision of the financing and spending of the financing for the intended purpose, including potential annual remuneration of the Organization in an amount up to the level of LIBOR in the case of US dollars.

To monitor if the recipient of the financing fulfills the terms and conditions of the provision of the financing and spending of the financing for the intended purpose, the Directorate may at its own discretion use expert companies and independent experts, including those from the recipient's country. All charges resulting from the use of such persons are to be paid out of the Organization's remuneration under the Directorate monitoring agreement, if any, or, in the absence of such agreement, by the recipient of the financing subject to its prior written consent.

In the event that the applicant presents a written recommendation of the Member of the Organization concerned and/or national telecommunications administration or other competent government authority (paragraph 9, section VI) in order to participate in *the Program*, the Directorate may, when monitoring if the recipient of the financing fulfills the terms and conditions of the provision of the financing and spending of the financing for the intended purpose, approach the Member of the Organization concerned and/or national telecommunications administration or other competent government authority for information on progress in the implementation of the business project by the winning bidder and/or assistance in the discharge of the obligations of the winning bidder specified in *the Program* and the effective legally binding documents.

V. REQUIREMENTS OF THE PROGRAM

To participate in *the Program*, applicants must meet the following requirements:

- The company participating in *the Program* is engaged in industry-specific business, it operated in a member country of the Organization for no less than three years before applying for financing (in exceptional cases, if decided by the Operations Committee, financing may be applied for by a new company if it is established specially to receive the financing with the Organization's direct or indirect holding of a share (shares) in the company's authorized capital);
- The company has the required licenses (authorizations) to be engaged in industry-specific business in a target member country (member countries) of the Organization;
- The company has shown positive financial results in the last two years as confirmed by an independent auditor;
- The company has a stable and positive credit history;
- There is no litigation and administrative proceedings initiated against the company and no restrictions imposed on it by competent government authorities;
- The company has a feasible business project to be funded out of the financing and presents a plan for the implementation of the business project, as well as commercial, technical, and financial grounds and calculations confirming the project's feasibility and economic success;
- The company notified the Member of the Organization concerned of its intention to participate in *the Program*.

VI. LIST OF REQUISITE DOCUMENTS

To participate in *the Program*, applicants must present the following:

- An application for financing in the form recommended by the Directorate specifying the amount of the financing and option of its provision as set forth in sections II and III hereof;
- Incorporation documents; licenses (authorizations) to do industry-specific business, conformity certificates, other similar documents; information on the structure of the authorized capital and ultimate beneficiaries; information on persons authorized to act on

behalf of the company; information on the company's senior executives (education, experience, achievements, etc.);

- A description of the company's industry-specific business; information on completed projects and main partners; letters of recommendation from partners (the latter would be an asset);
- Financial reports and opinions of independent auditors for the last three years;
- A description of the business project to be funded out of the financing attaching a plan for the implementation of the business project, as well as commercial, technical, and financial grounds and calculations;
- A written guarantee of the patent purity of engineering solutions if such solutions are intended for the business project;
- A confirmation that the Member of the Organization concerned was informed of the company's intention to take part in *the Program*;
- A written recommendation of the Member of the Organization concerned and/or national telecommunications administration or other competent government authority (would be an asset);

Regardless of the availability of the confirmation of informing and/or a written recommendation (paragraphs 8 and 9 of this section), the tender board may approach the Member of the Organization concerned and/or national telecommunications administration or other competent government authority for information on the applicant

VII. TENDER BOARD

To determine the winning bidder(s), there is set up a tender board. When determining the winning bidder(s), the tender board is guided by the criteria set forth in section VIII of *the Program*.

Composition of the board: The board consists of five members with a casting vote: the chair of the Operations Committee who chairs the tender board, a representative of the Audit Committee appointed by its chairperson, and three representatives of the Directorate appointed by the Director General. The board's chair and/or the Director General may suggest that experts, including professional staff of the Directorate, be invited to sit on the board with a consultative vote.

Working procedure of the board: the board determines its working procedure on its own within the limits of the total tender duration specified in section IX. As a rule, the board works using electronic communications. If necessary, the board may hold teleconferences or meet in person.

Decision-making: to make a decision, the tender board needs at least three votes of its members in favor of the decision concerned regardless of the total number of the voting board members. Decisions of the board are formalized by a protocol signed by all board members (if a protocol cannot be signed by all board members, the protocol will be signed by the voting board members). If requested by a board member, his/her written opinion and/or the written opinion of an expert participating in the board's activity will be added to the protocol. The chair of the board is to inform the Operations Committee of decisions made by the board.

VIII. WINNING BIDDER(S) SELECTION CRITERIA

Priority is given to business projects implying the use of the Intersputnik System during the entire period of a business project's implementation or its planned expansion resulting from the completion of the project. Otherwise, priority is given to the applicant that bids the most promising and efficient business project to be funded out of the financing, best possible financials, and largest

possible share of the market segment of the industry-specific business concerned.

If several companies from a single country participate in a tender, priority is given to the applicant that is a Signatory of the Organization and/or that has a written recommendation of a Member of the Organization.

IX. PROCEDURAL MILESTONES

The procedure of provision of financing may take up to three months. It includes the following milestones:

- Submission by applicants of the documents required for participation in *the Program* (documents to be prepared at the expense of the applicant) – by the date set by the Directorate;
- Review of the documents by the Directorate, due diligence, and checking if the applicants meet the requirements of *the Program* (at the expense of the Organization), announcement of applicants admitted to the tender – up to one month after completion of the term set for the submission of the documents;
- Holding of the tender with one or more applicants; choice, by the tender board, of the winning bidder(s) and best applications by country or confirmation of a no-winner(s) outcome – up to one month;
- Announcement of the results of the tender including notification of the Members and Signatories of the Organization, agreement on and finalization of documents with the recipient(s) of the financing, provision of the financing – as a rule, within the maximum timeframe of the procedure (among other things, depending on how long it takes the Directorate and the winning bidder to agree on the legally binding documents).

X. ADVANTAGES OF THE PROGRAM

The Program offers the following advantages:

- *The Program* offers new opportunities for the development of business in the field of space communications in the member countries of the Organization, among other things, it helps expand presence of the recipient of the financing in the market segment of the industry-specific business concerned;
- *The Program* makes it possible to provide financing to several applicants from a single country;
- The procedure of provision of financing is simple and clear; it is the same for all applicants; it is public and improves the publicity of applicants' industry-specific business;
- Financing provided by Intersputnik – an international intergovernmental organization successfully doing business in the field of space communications for nearly fifty years – enhances the image of the winning companies;
- Apart from receiving financing, any applicant can count on professional consultations and support of world-class specialists of the Directorate.