



OFFICIAL ANNOUNCEMENT AWARD OF WIRELESS LOCAL LOOP LICENSES

06 September 2006
Baghdad, Iraq

The Communications & Media Commission (CMC) of the Republic of Iraq hereby announces the successful conclusion of its tender to award licenses for the provision of local telecommunications services through the deployment of wireless local loop (WLL) technologies.

I. OVERVIEW.

The CMC initiated the tender to provide WLL services in Iraq in April of 2005 with its publication of a request for information (RFI) on prospective approaches associated with deploying WLL services in Iraq. An initial field of 26 commercial entities, or consortia thereof, expressed their interest in providing WLL services in Iraq. From this field, 17 entities were invited by the CMC to prepare and submit detailed technical, operational, business, and financial plans pertaining to their proposed deployment in accordance with comprehensive requirements and specifications, as defined by the CMC. In response thereto, a total of 10 Applications for License were received by the CMC in accordance with the tender requirements and specifications. From this competitive field, seven (7) applicants were invited by the CMC to participate in auctions for national licenses or to negotiate provincial licenses.

The respective national and provincial licenses to provide local telecommunications services through the deployment of WLL technologies (as discussed in greater detail below), establish a unified and comprehensive framework for the oversight and regulation of wireless local loop services in Iraq, as well as the specific rights and obligations assumed by duly authorized licensees.

Licensees are authorized to establish operations to provide local telecommunications services through the deployment of WLL technologies, and to utilize assigned spectral frequencies allocated in the 450 MHz, 800 MHz, 1900 MHz, and 3.5 GHz bands, in a manner consistent with ITU designated allocations. Licensees have committed to utilizing advanced, state-of-the-art technologies for their deployments, including CDMA 2000 1x and EV-DO. Additionally, WiMAX (IEEE 802.16) will be deployed as both an access and transmission technology.

The three (3) national WLL licensees and three (3) provincial WLL licenses authorized by the CMC to provide WLL services in Iraq will join the existing GSM mobile licensees as licensed Telecommunications Service Providers in Iraq. [Note: The CMC tender for long-term licenses to provide mobile telecommunications services in Iraq is ongoing and anticipated to conclude in the fall of 2006.]

II. ACHIEVEMENTS.

The Communications & Media Commission's tender for licenses to provide local telecommunications services through the provision of WLL services has achieved the following:

- **NETWORK COVERAGE:** Over the course of the next five years, 92 percent of Iraq's citizens will have access to voice service and affordable, advanced (3G+) telecommunications services, such as broadband Internet service. Coverage will extend throughout all of Iraq, including its rural and traditionally underserved communities;
- **NATIONAL REVENUE:** Iraq will realize more than US\$80,000,000 in License Fees and an estimated US\$500,000,000 over the next ten years under gross revenue sharing arrangements with licensees;
- **ECONOMIC DEVELOPMENT:** This license tender will result in hundreds of millions of dollars in additional economic impact to Iraq by spurring direct investment in telecommunications networks, the hiring and training of Iraqi personnel, and catalyzing ancillary economic activity;
- **FOREIGN INVESTMENT.** This tender represents the most significant accomplishment to date in securing private sector finance for the reconstruction and advancement of telecommunications infrastructure since the transition of power from the CPA to the Iraq Government;
- **AGGRESSIVE DEPLOYMENT MODEL.** Amongst WLL deployments attempted internationally, this licensing ranks as one of the most aggressive in terms of its scope and is the only one which has been attempted on a national scale;
- **ELECTRONIC AUCTION.** The tender for national licenses involved the first electronic auctions for spectrum ever conducted in Iraq; and
- **ADVANCED TECHNOLOGY.** This tender will enable the first legitimate deployment of 3G technologies in Iraq, with a defined plan for migrating to 3.5G technologies, including the deployment of CDMA and the emerging WiMAX technologies.

III. NATIONAL WLL LICENSEES.

The CMC has awarded national licenses to provide WLL services to the following commercial entities:

- **NATIONAL LICENSE I:** A national license has been awarded to *Trade Links Logistics, General Trading & Construction*, the sole (100 percent) equity holder of the *Trade Links ME Consortium*, and the controlling interest in a new entity to be established in Iraq known as *KALIMAT IRAQ CORPORATION*. Trade Links secured the designation of Apparent Winner of National License I upon its placement of the highest bid in the first auction of 28 percent of its gross revenues to be shared with Iraq. Trade Links subsequently satisfied the post-auction execution requirements necessary to secure a national license, including the payment of a US\$20,000,000 license fee and securing a US\$5,000,000 bond necessary to ensure its performance under the terms of the license.

Trade Links is a service provider in the telecommunications industry, operating in Kuwait, the UAE, and the United States. Significant interests in its Application for License include *Telecom Egypt*, the operator of a

CDMA 2000 1x EVDO and WiMAX network in Algeria, and which is to serve as the operator of the network to be established in Iraq (but is neither the an owner or investor therein); **ARTEL, Inc.**, a telecommunications consulting firm based in the United States; and **Huawei** of China, which is providing network equipment and services.

- **NATIONAL LICENSE II:** A national license has been awarded to the **Munir Sukhtian Group Company, Ltd.** of Jordan, the lead entity in a joint venture consisting of itself (holding 30% of the joint venture's equity), along with **Syntagma Network Services**, a Canadian telecommunications service provider and authorized representative / bid manager for the consortium holding 10% of the equity in the joint venture; **VoEx International** of the United States providing project deployment and advisory services holding 10% of the equity in the joint venture; with the remaining equity in the joint venture to be allocated during the deployment phase to its management team and other Iraqi investors. **Lucent Technologies** of the United States, a non-equity holder in the consortium, is to provide network equipment and services to the consortium's deployment, along with **Nour Communications** of Saudi Arabia, a telecommunications contracting, systems integration, and engineering company, and a unit of the Sukhtian Group of Companies.

The Munir Sukhtian Group of Companies secured the designation of Apparent Winner of National License II upon its placement of the highest bid in the second auction of 33.4 percent of its gross revenues to be shared with Iraq. The Munir Sukhtian Group of Companies subsequently satisfied the post-auction execution requirements, including the payment of an US\$20,000,000 license fee and securing a US\$5,000,000 bond necessary to ensure its performance under the terms of the license.

- **NATIONAL LICENSE III:** A national license was granted to Iraq's incumbent telecommunications company, the Iraq Telephone & Postal Company (ITPC) in September 2005. The ITPC is deploying a national WLL network in Iraq by subcontracting to a series of independent WLL providers authorized to operate in specified geographies through sub-contractual, franchising, operations and maintenance ('O&M'), and other such agreements with the ITPC.

IV. PROVINCIAL LICENSEES.

The CMC has additionally authorized or is in the process of authorizing several provincial licensees to operate WLL networks within limited geographic areas. The objective of licensing provincial operators is to spur the development of telecommunications operations owned directly by Iraqis; to ensure aggressive, localized competition; and to ensure broad network availability and a choice of service provider for Iraqi consumers.

These provincial licensees include the following:

- **PROVINCIAL LICENSE I:** Baghdad Cooperative has received a provincial license authorizing it to establish a WLL network in the three (3) governorates of Baghdad, Wassit, and Missan, and has satisfied all financial obligations to date. Baghdad Cooperative is finalizing payment of the applicable License Fee.
- **PROVINCIAL LICENSE II:** Iraq Telecom Consortium (ITC), a consortium consisting of several existing WLL operators currently serving more than 180,000 customers in northern Iraq. Iraq Telecom Consortium received a provincial license authorizing it to establish a WLL network to serve seven (7) governorates in northern Iraq, including; Dahuk, Erbil, Sulaymaniyah, Ninewa, Tameem, Salah al-Din, and Diyala. Iraq Telecom Consortium is finalizing payment of the applicable License Fee and other conditions, including the transition of its existing operations to CMC authorized spectral frequencies.

- **PROVINCIAL LICENSE III (PROSPECTIVE):** A Memorandum of Understanding (MoU) has been executed with IRAQTEL, for a three (3) governorate region in southern Iraq including Basrah, Thi-Qar, and Muthanna. The MoU sets forth the terms by which IRAQTEL will secure a provincial license following payment of the applicable License Fee.

V. KEY TERMS OF TENDER AND LICENSE AGREEMENTS.

The tender for WLL licenses was structured in a manner to ensure competitiveness, fairness, and ultimately, the award of licenses to commercial entities of high quality, sound reputation, and the ability to robustly fulfill the potential of the opportunity awarded. As such the initial stage of the tender required those commercial entities submitting Applications for License to address in detail a comprehensive set of technical, operational, managerial, financial, and other criteria, as defined by the CMC.

The CMC incorporated into the tender a number of measures to ensure the integrity of submissions by Applicants including, for example, requiring mandatory disclosures of defined information, with the CMC reserving the right to disqualify from further consideration any Application which was incomplete, contained inaccurate or false information, or was not submitted in compliance with the requirements of the tender. The CMC instituted aggressive anti-collusion measures for purposes of ensuring that the national auctions were conducted with integrity and fairness. Furthermore, the CMC continues to hold the right to suspend, revoke, or terminate any License that was issued based upon information contained in an Application which is materially misleading, fraudulent, or otherwise falsified.

For purposes of the CMC's ongoing role in overseeing and regulating the WLL deployments and operations by the WLL licensees, the applicable legal rights and obligations are defined by the terms and conditions of their respective national or provincial license agreements with the CMC, in addition to the applicable law of Iraq.

Core terms and conditions of these license agreements include, amongst numerous others, the following:

TERM National licenses are for an initial term of ten (10) years, with an optional renewable term of five (5) years. Provincial licenses are for an initial term of eight (8) years, with an optional renewable term of two (2) years.

ASSIGNMENT *Period of Non-Assignability:* Licensees may not assign, sub-license, transfer, or otherwise dispose of, its license agreement, or any right derived therefrom, to a third party for a two-year period following the Effective Date.

Period of Assignability: Following the conclusion of the second year of performance following the Effective Date, the Licensee may assign its license agreement or a right derived therefrom, but only with the prior written approval of the Licensor.

Any direct or indirect change in the control of a 'Significant Interest' in the licensee, i.e., an interest holding five percent or more of the equity or voting rights in the Licensee, represents a breach of the license agreement unless approved in advance by the CMC.

Without regard to the form of the assignment or transfer of an interest in the license agreement, the Licensee remains responsible for the acts or

omissions of its subsidiaries, affiliates, agents, and/or contractors.

FIXED ACCESS AND LIMITED MOBILITY

Licensees shall only provide telecommunications services on a fixed access or limited mobility basis. In other words, Licensees may not provide full mobility, nomadic, or roaming services, but rather may offer network access to subscribers within a small geographic area based upon technical parameters defined in the license agreement. The CMC may audit a licensee's technical records, systems, documentation, or conduct other investigatory actions to ensure that these restrictions are observed by the licensee.

INTERCONNECTION

Licensees are required to enable interconnection between their networks and those of other Telecommunications Service Providers which are both licensed and currently in good standing with the CMC, including other licensed WLL providers and mobile service providers.

ROAMING

In order to ensure that Iraq realizes the benefits of having multiple telecommunications networks simultaneously able to serve Users within the same geographic areas, and as a measure to ensure the creation of a distinct class of full mobility telecommunications service providers relative to local telecommunications service providers, WLL licensees are prohibited from permitting roaming on their networks by other network operators, or roaming on the networks of others.

USE OF SPECTRUM

Licensees are assigned specific spectral frequencies for their utilization, and may use such only for the specified and limited purposes set forth in the License Agreement.

All spectrum assigned to the licensee must be productively utilized by that licensee within 180 days of the Effective Date of their respective license agreements.

LICENSE FEES

All licensees were obligated to pay a one-time, fixed, non-refundable License Fee to the CMC in consideration of their use of assigned frequencies and as a condition precedent to securing their respective license agreements.

REGULATORY FEES

All licensees are obligated to pay regulatory fees to the CMC throughout the term of their respective license. The regulatory fee is premised upon a revenue-sharing arrangement between the CMC and the licensee. These fees are based upon a percentage of the licensee's gross revenues being payable to the CMC on a bi-monthly basis. A licensee's gross revenues include the total revenues realized by the Licensee or any of its controlled or controlling interests from the provision of telecommunications services in Iraq, including revenues from services, equipment, or other goods or services of value. The revenue-sharing approach is premised upon 'gross revenues', less permissible deductions for the cost of interconnection with other licensed Telecommunications Service Providers, and not on 'net revenue' so as

to reduce the incentive of licensees to utilize various financial, operational, or structural techniques to impermissibly reduce fees due and owing to Iraq as consideration for the opportunity to operate in Iraq.

PERFORMANCE GUARANTEES

All licensees were required to secure bonds for a five-year term from the Effective Date of their respective licenses from creditworthy international or Iraqi financial institutions naming the CMC as the beneficiary of such guarantee. The objective of these bonds is to ensure that licensees meet all terms and conditions of their license agreements. In the event that a licensee fails to meet those terms and conditions, either in whole or in part, the CMC is authorized to demand payment under the guarantee as part of the suite of remedies and enforcement mechanisms it is afforded.

GOVERNING LAW

All licenses are governed by the law of the Republic of Iraq.

NETWORK COVERAGE

All licensees have assumed aggressive network coverage commitments to be evaluated on an annual basis by the CMC. Licensees' coverage obligations are applicable to all 18 Iraqi governorates, including all metropolitan and rural areas within such governorates.

NETWORK SERVICES

All licensees are obligated to provide voice telephony services for local, national, and international calling, and access to the Internet, including to the greatest extent possible, broadband access no later than 180 days following the Effective Date of their respective license agreements, and continuing on an uninterrupted basis thereafter throughout the Term of the license.

QUALITY OF SERVICE

All licensees are obligated to provide service to Users which meet or exceed defined Quality of Service (QoS) standards.

LOCAL INVESTMENT AND ECONOMIC DEVELOPMENT COMMITMENTS

All licensees are obligated to make investments; create and support local economic growth opportunities; create and support educational and training opportunities; and engage in such other activities as are necessary to support economic, social, health, and welfare objectives benefiting the people of Iraq.

CESSATION OF UNAUTHORIZED ACTIVITIES

All licensees are obligated to terminate any activities in Iraq not expressly authorized by the CMC pursuant to their respective license agreements.

TECHNOLOGY SPECIFICATIONS

All licensees are obligated to deploy telecommunications services and infrastructure which is compliant with international standards, is new and not used or refurbished, and is recognized as state-of-the-art.

TARIFFS

Licensees may establish their own pricing and terms for providing service to Users so long as such are reasonable, cost-based, market-competitive, transparent, and easily understood by such Users. The CMC reserves the right to regulate tariffs to the extent that it

subsequently finds that it is in the public interest to do so.

CONSUMER PROTECTION

Licensee shall ensure that all of its advertisements or other representations made to the market are truthful, accurate, verified and verifiable. Licensees are also required to issue public statements which correct materially misleading or inaccurate information in the market emanating either from Licensee's own communications, or those of a third party.

COMPETITIVE PRACTICES

Licensee shall not, either individually or in conjunction with others, engage in or knowingly acquiesce to any anti-competitive practices, including price fixing, efforts to restrain competition, abuse a dominant market position, and so forth.

UNIVERSAL SERVICE / UNIVERSAL ACCESS

The license agreements provide for comprehensive network coverage commitments required for each of the respective licensees. However, the CMC reserves the right to subsequently enact measures deemed necessary to further improve affordable access to telecommunications services in Iraq, including for example, universal service or universal access.

ACCOUNTING

Licensees are required to manage and report their finances in accordance with International Accounting Standards. In addition, Licensees shall report on all of its activities, including the activities of its subsidiaries and affiliates, in Iraq. Licensees are required to maintain and retain comprehensive records pertaining to its financial activities, technical information and assets, and the performance of its network.

REPORTING

Annual Reports: Licensees are required to submit comprehensive Financial and Operational Reports on an annual basis which are certified as accurate by both a senior executive of the licensee as well as its international auditor.

Monthly Reports: Licensees are required to submit comprehensive Monthly Reports to the CMC pertaining to specific technical and operational data.

Ad Hoc Reports: Licensees are required to submit periodic Ad Hoc Reports to the CMC within 30 days of any development which affects or would affect the ownership, control, or management of the Licensee, including any proposed assignment of a right or obligation under the License Agreement, changes in key management personnel, changes in the board of directors, changes in the Licensee's auditor or legal counsel of record, and so forth.

Periodic Reports: Licensees are required to provide within 14 days written reports, documents, accounts, returns, or other information specified upon request by the CMC in fulfillment of its oversight obligations.

AUDIT

The CMC has the right to inspect and audit the respective licensee's records, personnel, and property, as is deemed necessary to provide effective supervision and enforcement of the terms and conditions under the License Agreement, and as may be required under the law of Iraq. The CMC may request additional information from time to time from Licensee. The licensee must permit the CMC or its designees to physically inspect any of its facilities for purpose of inspections, review of technical data, or other financial or operational data.

FORCE MAJEURE

A force majeure act which may permissibly excuse non-performance under the license agreement includes only such events as an Act of God, insurrection or civil disorder, war or military operations, acts of terrorism, national or local emergency, and so forth, which are (i) beyond the control of the licensee, (ii) cannot be circumvented by the licensee, and (iii) were not reasonably foreseeable as of the Effective Date upon which the license agreement was executed between the CMC and the licensee.

REMEDIES

The CMC holds the following remedial powers under the license agreements, among others: (i) The levying of fines, penalties, or compensatory damages; (ii) Issuance of injunctions or demands for specific performance; (iii) Orders of public admonishment against, and/or demands for public apology by, licensees; (iv) The confiscation or seizure of equipment, software, records, or other assets; (v) Suspension, revocation, or termination of the applicable license agreement; and (vi) Such other remedial and/or enforcement powers provided under the applicable law of Iraq.