

Auction of National Fixed Wireless Services (NFWS) Licenses

AN INFORMATION MEMORANDUM PREPARED BY
THE TRA OF THE KINGDOM OF BAHRAIN

29 August 2006

The address for responses to this document is:
Telecommunications Regulatory Authority (TRA)
P.O. Box 10353, Manama, Kingdom of Bahrain
Alternatively, email responses may be sent to the
Authority's email address at consult@tra.org.bh
**The deadline for responses is 5p.m. on 21 September
2006**

Purpose: This document outlines the auction process for two National Fixed Wireless Services Licenses in the 3.5 GHz frequency band, and is for information purposes only.



Information Memorandum

Introduction

This document outlines the auction process for two National Fixed Wireless Services Licenses in the 3.5 GHz frequency band. The document also includes a proposed timetable for the auction process, and a draft of the proposed license.

It should be noted that the information memorandum is issued for information purposes only. It is designed to assist interested parties in their assessments of whether they would want to participate in the auction. The TRA will be issuing, in due time, a formal Invitation to Tender (ITT) document. The ITT will be the official invitation to interested parties to submit their documents and financial bids.

Comments on the published Information Memorandum will be accepted by the TRA up to 21 September 2006. Comments should be addressed to The General Director, Telecommunications Regulatory Authority, P.O. Box 10353, Kingdom of Bahrain.

This Memorandum is for information purposes only. It is made available on the express understanding that it will be used for the sole purpose of assisting interested parties in deciding whether they wish to proceed with a further investigation of possible participation in the Auction.

This Information Memorandum is not intended to form the basis of any investment or other decision related to participation in the Auction and it should not be considered as an invitation on behalf of the TRA for participation in the Auction.

Information Memorandum

Content Page

Important notice	6
1 Executive summary	8
Objectives of license award	8
Scope of National Fixed Wireless Services Licenses	8
Process for awarding the licenses	9
Indicative timetable	9
2 The Bahraini economy and its telecommunications sector	11
2.1 Background	11
2.2 Telecommunications.....	12
3 The National Fixed Wireless Services (NFWS) Licenses.....	16
3.1 Objectives of Auction.....	16
3.2 The Scope of the NFWS License	16
3.3 Frequency license.....	17
3.4 FWA Spectrum	17
3.5 Licensing terms.....	18
3.6 Additional obligations of the Licensees.....	19
3.7 Duration of the License	19
3.8 Revocation of a License	20
3.9 Network deployment requirements	20
3.10 Launch of commercial services	21
3.11 Spectrum for FWA infrastructure	21
3.12 Licensed Radiocommunications Equipment.....	21
3.13 Access and inspection	22
3.14 Geographical boundaries of the NFWS Licenses.....	22
3.15 Spectrum clearance.....	22
3.16 Harmful interference management	22
3.17 License trading and ability for licensing concession ..	23
3.18 Annual Fees	23
4 The NFWS License Auction.....	24
4.1 Overview of the Auction and indicative timetable	24
4.1.1 Advisers to the TRA	25
4.1.2 Indicative timetable	25

Information Memorandum

4.2	Parties eligible to enter the Auction	26
4.3	Publication of, and questions on, The ITT	28
4.4	The Evaluation of the Qualification Documentation ..	28
4.4.1	Payment of Entry Fee.....	28
4.4.2	Compliance with the Qualification Criteria.....	28
4.4.3	Information to be provided in the Qualification Documentation	30
4.4.4	Confirming that no person has a material interest in more than one Bidder	36
4.4.5	Announcement of Qualified Bidders.....	37
4.5	The Evaluation of the Financial Bids	37
4.5.1	The contents of each Financial Bid	37
4.5.2	Reserve price	38
4.5.3	Determination of Successful Bidders in the case of a tie	38
4.5.4	Cessation of the Auction prior to completion.....	38
4.5.5	Announcement of Successful Bidders	38
4.5.6	Award and payment of fees	39
4.6	Exclusion of bidders; termination of auction and liability	39
5	Regulatory and policy issues.....	41
5.1	Duties and Powers of the TRA.....	41
5.2	Management of Spectrum.....	43
5.3	Market analysis and dominance tests in development of regulations	44
5.4	Protection of Competition	44
5.5	Preventing anti-competitive practices in the access markets and related markets	45
5.6	Price control regulation	46
5.7	Interconnection and access	46
5.7.1	Interconnection	47
5.7.2	Access	47
5.7.3	Combined Reference Offer from Batelco	49
5.7.4	Dispute resolution	49
5.8	Universal Service.....	49
5.9	The use of public and private property.....	49

Information Memorandum

5.10 Numbering issues50

5.11 Consumer Protection.....51

5.12 Issues related to the Protection of Public Health51

Annexe 1: Glossary 52

Annexe 2: Draft NFWS License 58

Annexe 3: Draft Frequency License..... 59

Important notice

This Information Memorandum (“Memorandum”) has been prepared by the Telecommunications Regulatory Authority of the Kingdom of Bahrain (TRA) in connection with the Auction for two national Licenses in the 3.5 GHz band for provision of Fixed Wireless Access (FWA) services in the Kingdom of Bahrain. These Licenses are referred to as the National Fixed Wireless Services (NFWS) Licenses.

This Memorandum is for information purposes only. It is made available on the express understanding that it will be used for the sole purpose of assisting interested parties in deciding whether they wish to proceed with a further investigation of possible participation in the Auction.

This Information Memorandum is not intended to form the basis of any investment or other decision related to participation in the Auction and it should not be considered as an invitation on behalf of the TRA for participation in the Auction. Interested parties wishing to proceed with a further investigation of their participation in the Auction should conduct their own independent assessment of the potential value of the License after obtaining independent advice from such sources as they consider appropriate and making such investigations as they may deem necessary in order to determine whether to participate in the Auction. This Information Memorandum does not constitute the basis of any agreement that in due time could be concluded in relation to the Auction or in respect of any award of NFWS Licenses.

While the information contained in this Memorandum is believed to be accurate at the time of publication, it has not been independently verified by the TRA. Neither the TRA nor any of the TRA’s advisers nor any of their respective directors, partners, officers or employees make any representation or warranty (express or implied) nor accept nor will accept any responsibility or liability as to, or in relation to, the accuracy or completeness of the information contained in this Memorandum or any other written or oral information made available to any interested party or its advisers. Any liability in respect of any such information or any inaccuracy in this Memorandum, or omission from this Memorandum, is expressly disclaimed. In particular, but without prejudice to the generality of the foregoing, no representation or warranty is given as to the achievement or reasonableness of any estimates or prospects contained in this Memorandum.

Information Memorandum

All information contained in this Information Memorandum is subject to updating and amendments until the publication of the Invitation to Tender.

This Memorandum has been published in the English language only.

The Memorandum is available only on the TRA Website at www.tra.org.bh. In the event of divergences between different versions, the latest published version on the TRA website is definitive.

1 Executive summary

OBJECTIVES OF LICENSE AWARD

The Telecommunications Law of the Kingdom of Bahrain (issued through Legislative Decree No. 48 in October 2002) is the basic law that regulates telecommunications markets. The Law established the Telecommunications Regulatory Authority (TRA) as an independent regulatory authority overseeing the telecommunications sector. Section 3 of the Law describes the duties and powers of the TRA, including the promotion of effective and fair competition among new and existing licensed operators.

The TRA is aware that the use of Fixed Wireless Access (FWA) technologies could enable the provision of a range of new/innovative services, and allow the tailoring of services to meet consumer needs. The TRA would therefore expect the award of the licenses and the deployment of FWA networks to support the development of new and more innovative products and solutions to meet customer needs and to facilitate the emergence of a wider range of competitively priced services.

The TRA is of the view that the level of competition in the provision of access to communications services throughout the Kingdom of Bahrain could also be strengthened further, to the benefit of all consumers of communications services in the Kingdom. It therefore considers that an important objective of the Auction is to enhance the likelihood of such competition emerging and strengthening.

SCOPE OF NATIONAL FIXED WIRELESS SERVICES LICENSES

The TRA intends to grant two (2) National Fixed Wireless Services (NFWS) licenses in the 3.5 GHz band which can be used for provision of Fixed Wireless Access (FWA) services in the Kingdom of Bahrain. These licenses are referred to as the NFWS licenses. Each of the NFWS licenses will be awarded for a period of fifteen (15) years.

The licenses will be awarded for the provision of voice and data services to the end-user. So long as the licensee offers end-user services, the licenses can also be utilized for the provision of alternative fixed and or nomadic services, and any other services that are in line with the technical and legal parameters and co-ordination requirements for FWA set out in the NFWS License.

The NFWS licenses considered in this process are restricted to the provision of National Fixed Services (NFS) and nomadic services, as specified in the license, using the allocated 3.5GHz Spectrum. Additional licenses will be required for the provision of services not

Information Memorandum

covered by the NFWS License, such as for the provision of international calls and internet services.

Each Licensee will be entitled by the NFWS license to be granted an exclusive Frequency License, with frequency spectrum as described below:

License I: 3410 MHz – 3455 MHz paired with 3500 MHz – 3545 MHz

License II: 3455 MHz – 3500 MHz paired with 3545 MHz – 3590 MHz

In this document references to the "NFWS License" refers to the license permitting the provision of FWA licenses and references to "Frequency License" refer to the related frequency license.

PROCESS FOR AWARDING THE LICENSES

The Auction for the award of the licenses for the provision of FWA services, as approved by the Board of Directors of the TRA during their meeting of 6 July 2006, will be by way of an auction. The process consists of a single round, pay-as-bid, sealed bid auction. The Invitation to Tender (ITT) will include the final form of the rules regarding the Auction. A summary of the most important of these rules is presented in the main body of this Information Memorandum.

In order to participate in the Auction, a Bidder must submit simultaneously both the Qualification Documentation and the Financial Bid in accordance with the Instructions to Bidders to be included in the ITT. The Qualification Documentation will be evaluated in accordance with the Qualification Criteria described in the Information Memorandum. In order for a Bidder to qualify they must demonstrate that:

- they have the financial capacity to meet the obligations of the NFWS License (including, but not limited to, the network coverage obligation and the required scope of services), and
- they will have the technical capacity to meet the obligations of the NFWS License.

The Qualified Bidder with the highest Financial Bid will be given a NFWS License and the first choice of Frequency License (I or II), with the remaining NFWS License and Frequency License awarded to the Bidder with the second highest Financial Bid.

INDICATIVE TIMETABLE

An indicative timetable for the award of the two NFWS licenses is presented below.

Information Memorandum

Item	Actual / Indicative dates
Deadline for submission of comments on the Information Memorandum	September 21 st , 2006
Issue of the Invitation to Tender (ITT)	October 5 th , 2006
Deadline for registration of interest and the receipt of questions on the ITT	October 15 th , 2006
Latest date by which TRA will respond to questions on the ITT	October 30 th , 2006
Submission of qualification documentation and bids. Deadline for the TRA to announce the composition of the panel of external experts	November 12 th , 2006
TRA to publish a list of companies who have submitted documentation and sealed bids	November 13 th , 2006
Publication of a list of parties with a material interest in Bidders or Bidders' Representatives, and Evaluation of Qualification Documentation	November 12 th – December 3 rd , 2006
TRA to publish a list of those qualified to bid	December 4 th , 2006
TRA to open Financial Bids at public meeting	December 4 th , 2006
Two highest Valid Financial Bids declared as winners of the Auction, and highest Bidder chooses which License to take	December 4 th , 2006
Incorporation of Bidder, if required, and payment of required fee	December 28 th , 2006
Licenses granted by the TRA	No later than January 3 rd , 2007
Bank Guarantees of unsuccessful Bidders returned.	Following effective date of licenses and clearance of required payments
Table E1: Indicative time schedule for the award of NFWS Licenses	

Interested parties should note that the working days and opening hours for the public of the TRA are as follows: 9.00 am – 5.00pm Sunday to Thursday excluding public holidays.

2 The Bahraini economy and its telecommunications sector

This section of the Information Memorandum provides an introduction to the Kingdom of Bahrain and in particular its telecommunications sector.

The table below presents some of the key demographic and economic indicators of the Kingdom of Bahrain.

Area (2004)	711 sq km
Population (July 2006 est.)	698,585
Population growth (2006 est.)	1.45%
Percentage population under 14 (2006 est.)	27.4%
GDP (2005 est.)	\$11.58 billion
GDP growth rate (2005 est.)	5.9%
GDP per capita (2005 est.)	\$20,500
Exchange rate (average H1 2006)	USD 1 = BHD 0.376
Table 1: Key indicators of the Kingdom of Bahrain <i>Source: Economic Development Board, Bahrain Monetary Agency</i>	

2.1 BACKGROUND

The Kingdom of Bahrain gained independence in 1971 and became a member of the Arab League and the United Nations. In 1981, the Kingdom of Bahrain joined Saudi Arabia, Oman, Kuwait, the United Arab Emirates and Qatar in the Gulf Cooperation Council.

His Majesty, King Hamad bin Isa Al Khalifa, ascended the throne on the 6 March 1999. In February 2001, Bahraini voters approved a referendum on the National Action Charter, which formed a key element of His Majesty's program for political liberalization. This program was expanded in 2002, when His Majesty announced plans to reform the Kingdom of Bahrain into a constitutional monarchy with an elected parliament and an independent judiciary. The first municipal elections took place in May 2002 and parliamentary elections followed five months later.

Bahrain is the current President of the United Nations General Assembly. The official language is Arabic. English is very widely spoken and is the principal language of commerce.

The total area of The Kingdom of Bahrain is approximately 711 square kilometers. It is an archipelago of 40 islands in the Arabian Gulf midway between the Qatar peninsula and Saudi Arabia. Bahrain

Information Memorandum



Island is the largest island, a pear-shaped land mass 48 km long and 16 km wide, where Manama, the capital, is located. It represents about 83% of the total area of the country. Bahrain is connected to Saudi Arabia by the 23-km King Fahad causeway, which opened in November 1986.

Plans have been announced recently for the construction of a causeway connecting Bahrain with Qatar.

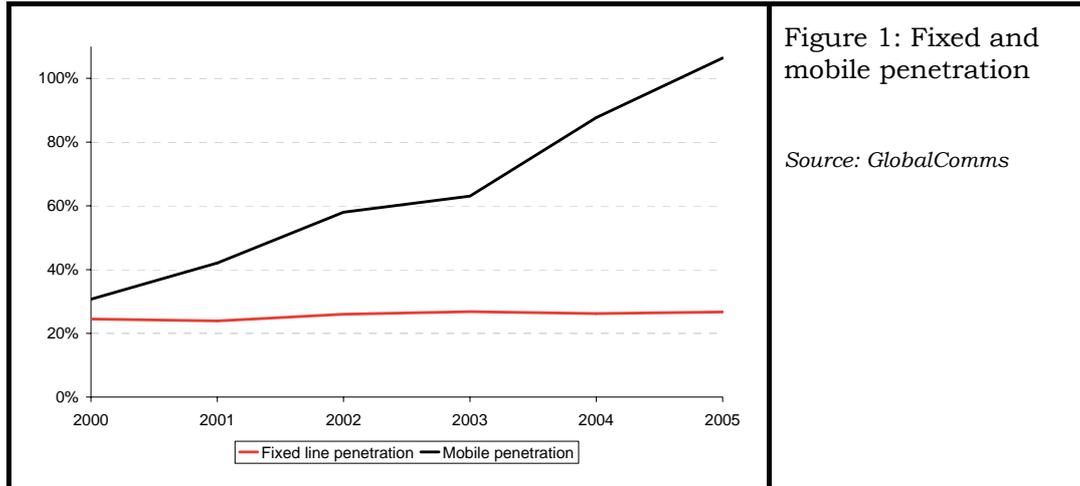
2.2 TELECOMMUNICATIONS

The Kingdom of Bahrain's telecommunications market is governed by the Telecommunications Law (promulgated by Legislative Decree No. 48) which came into force in October 2002. The TRA was set up as the independent regulator under the Telecommunications Law, and was given the responsibility of liberalizing the market, as well as the general power to regulate the market. The Government's public strategy and plan for the three-year period from 2003 is set out in the National Telecommunications Plan, decision no. 33 of 2003. A new National Telecommunications Plan setting out the Government's strategy is expected to be published by the Ministry of Transportation in due course.

A more detailed description of the regulations and market facts affecting the Auction is contained in Section 5. Interested parties are advised to also read the material on the TRA's website which includes legal documents and regulatory decisions issued by it. This section provides a general overview of the telecoms market in the Kingdom of Bahrain.

Figure 1 below shows the general evolution of the telecoms sector, in terms of the penetration of fixed and mobile telephony services. This shows a rapid increase in the penetration of mobile telephony services since 2000.

Information Memorandum



Fixed line sector

The introduction of competition in the fixed line market and the licensing of new players was initially planned for the end of 2004. Liberalization actually happened earlier than planned, in July 2004, when the local telephony, the domestic long distance and the international telephony market were liberalized.

Prior to the liberalization of the fixed line market, Bahrain Telecommunications Company (Batelco) operated as a monopolist in the provision of fixed line telecommunications services. Additional operators have since been licensed to enter the Bahraini fixed line telecoms sector.

Mobile sector

The mobile sector has experienced rapid growth in the last five years, with mobile penetration reaching an estimated 106% by the end of 2005. In the mobile sector, there are at present two operators active: Batelco, which launched the first mobile network in 1986, and MTC-Vodafone Bahrain (MTC-VB), which was granted a License in 2003. The MTC-VB License also included the right to offer 3G services. MTC-VB has rolled out commercial 3G services, and in December 2004 started to offer 3G services with nationwide coverage. Batelco has also recently been granted 3G Spectrum. In addition, both operators offer data services over EDGE networks.

Figure 2 shows the market split between the two operators.

Information Memorandum

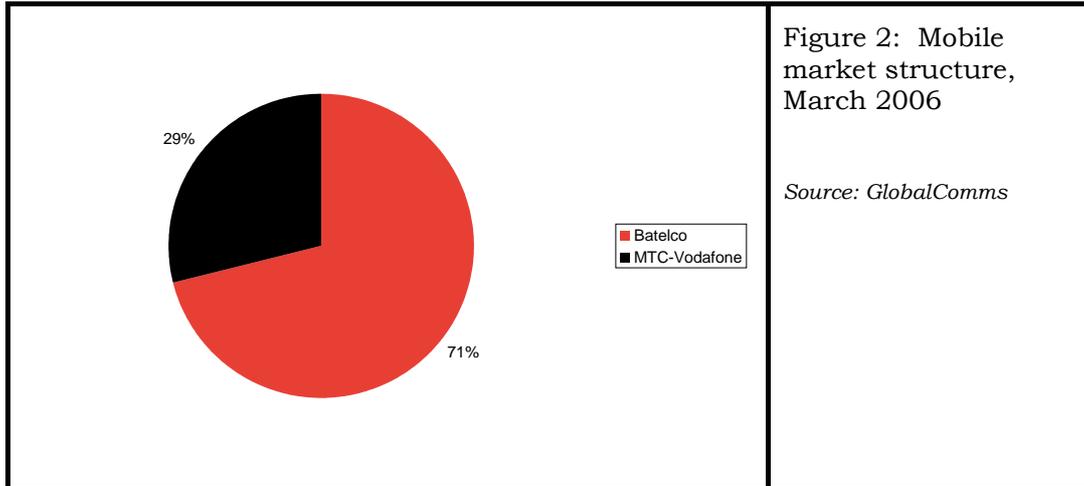


Figure 2: Mobile market structure, March 2006

Source: GlobalComms

The TRA has recently published a consultation document on the possibility of issuing additional licenses in the mobile sector. These could take the form of Mobile Network Operator (MNO) and or Mobile Virtual Network Operator (MVNO) licenses. A copy of the consultation document, on which the closing date for comments is 31 August 2006, can be found on the TRA's website at:

http://www.tra.org.bh/en/pdf/Third_Mobile_consultation_final.pdf

Broadband sector

Broadband services have achieved a penetration of only 7%, and there is scope for further growth. The evolution of broadband penetration is shown in Figure 3.

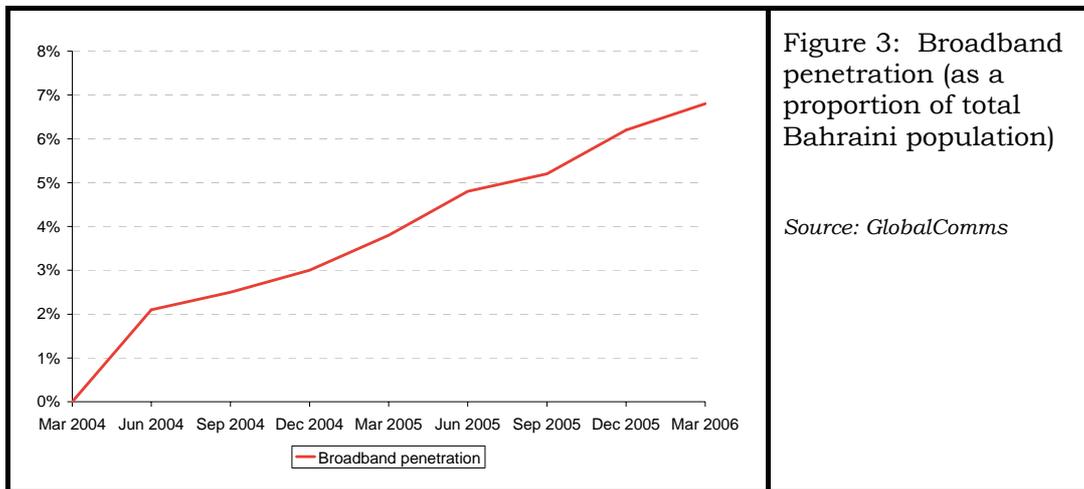


Figure 3: Broadband penetration (as a proportion of total Bahraini population)

Source: GlobalComms

The government is committed to the promotion of the take-up of broadband services and e-Commerce by businesses in the Kingdom of Bahrain. The Ministry of Industry and Commerce and the Economic Development Board (EDB) of Bahrain have taken a number of initiatives to encourage companies to take advantage of the benefits from emerging communication technologies and new services.

Information Memorandum

By August 2006 there were 19 ISPs holding licenses for the provision of internet services in the Kingdom of Bahrain. Alternative technologies to the fixed line broadband internet access, such as satellite access, were also in use.

3 The National Fixed Wireless Services (NFWS) Licenses

The TRA intends to grant two (2) National Fixed Wireless Services (NFWS) Licenses and related spectrum licenses in the 3.5 GHz band for provision of Fixed Wireless Access (FWA) services in the Kingdom of Bahrain. These Licenses are referred to as the NFWS Licenses. Each of the NFWS Licenses will be awarded to the winners of the Auction for a period of fifteen (15) years.

The accompanying Frequency License will be granted for the same period of time. The Frequency License will cease to operate upon the NFWS License ceasing to operate for any reason, and vice versa.

3.1 OBJECTIVES OF AUCTION

The Telecommunications Law of Bahrain (issued through Legislative Decree No. 48 in October 2002) is the basic statute that regulates telecommunications markets and all issues regarding relevant markets. The Telecommunications Law established the TRA as an independent regulatory authority overseeing the telecommunications sector. Section 3 of the Law describes the duties and powers of the authority, including the promotion of effective and fair competition among new and existing licensed operators.

The previous section provided a summary of the state of the telecommunications sector in the Kingdom of Bahrain. The TRA is aware that the use of FWA technologies would facilitate the provision of a range of new/innovative services and allow the tailoring of services to meet consumer needs. The TRA would therefore expect the award of the licenses and the deployment of FWA networks to support the development of new and more innovative products and solutions to meet customer needs and to facilitate the emergence of a wider range of competitively priced services.

The TRA is of the view that the level of competition in the provision of access to communications services throughout the Kingdom of Bahrain could also be strengthened further, to the benefit of all consumers of communications services in the Kingdom. It therefore considers that an important objective of the Auction is to enhance the likelihood of such competition emerging and strengthening and the meeting of the needs of the end-users be they business or individuals.

3.2 THE SCOPE OF THE NFWS LICENSE

The winners of the Auction (i.e. the Successful Bidders) will be awarded NFWS Licenses. Subject to the clearance of the appropriate

Information Memorandum

bank guarantees and the successful incorporation of Bidders (if any), the NFWS Licenses will be granted as soon as is practicable after the completion of the Auction in accordance with the above mentioned timetable. From the moment of the grant of the NFWS Licenses, the Bidders will be considered the Licensees.

The NFWS Licenses considered in this process are restricted to the provision of National Fixed Telecommunications Services (NFS) and nomadic services as specified in the NFWS License, using the allocated 3.5GHz Spectrum (see next subsection). Additional Licenses will be required for the provision of services not covered by the NFWS License, such as for the provision of international calls and internet services, however there is no limit to the number of such licenses.

The License is granted for the provision of voice and data services to the end-user. So long as the Licensee offers end-user services, the License can also be utilized for the provision of additional fixed services and any other services that are in line with the technical and legal parameters and co-ordination requirements for FWA set out in the NFWS License.

3.3 FREQUENCY LICENSE

Each Licensee will be entitled by the NFWS License to be granted an exclusive Frequency License, with frequency spectrum (or 'bands') as described below¹:

License I: 3410 MHz – 3455 MHz paired with 3500 MHz – 3545 MHz; or License II: 3455 MHz – 3500 MHz paired with 3545 MHz – 3590 MHz

3.4 FWA SPECTRUM

The policy of the Kingdom of Bahrain in the area of spectrum management and allocation can be found in the Spectrum Policy and Planning report recently published by the TRA and Ministry of Telecommunications (MoT), on:

http://www.tra.org.bh/en/pdf/spectrum_policy_TRA_MOT_final.pdf

(English)

or

http://www.tra.org.bh/ar/pdf/spectrum_policy_arabic_fian2Jul2006l.pdf

(Arabic).

Interested parties are advised to review this document, which covers all aspects of spectrum policy, including award mechanisms.

FWA technologies are defined as ways of making fixed connections between users' premises and telecommunications networks, replacing

¹ Annexe 3 provides a draft Frequency Licence.

Information Memorandum

the traditional copper with wireless technology. They can deliver a complete range of electronic traffic, including telephony, high-speed data, and multimedia services. Frequency Bands between 2 and 40 GHz have been allocated to Fixed Services by the ITU, but only some of these have been allocated to FWA. A list of available Frequency Bands for the Fixed Services in the Kingdom of Bahrain is also included in the aforementioned report.

Frequencies at frequency bands other than 3.5 GHz designated for Fixed Services may become available in the future following an assessment by the TRA.

3.5 LICENSING TERMS

The form of the NFWS License and Frequency License will be included as an appendix to the Invitation to Tender for the Auction. The NFWS License and Frequency License provides for inter alia:

- the minimum coverage requirements for the Licensee's NFWS network;
- the provision nationally of voice and data services;
- subcontracting licensed services;
- the provision of directory services, operator services and access to emergency services;
- the obligations as to the availability of services to end users;
- the regulation of tariffs for licensed services in the event that the Licensee has significant market power and or dominance in a relevant market;
- the provision of interconnection and access services, if appropriate;
- numbering;
- access to land and facilities sharing;
- interoperability, technical standards and inter-operator frequency dispute resolution;
- compliance with confidentiality restrictions and obligations in respect to protection of consumer privacy;
- the prevention of anti-competitive behavior;
- the requirements to provide information to the TRA as it may request in accordance with the License and/or the Telecommunications Law; and
- the conditions under which the License may be amended or suspended or revoked.

Information Memorandum

A **Draft NFWS License** and **Draft Frequency License** is contained in Annexe 2 of this Memorandum. The draft license should be read in conjunction with the Telecommunications Law and the regulations issued there under. It should be noted that the TRA has various statutory powers and rights under the terms of the license and the law to ensure the compliance of the licensee with its obligations. These include the rights to issue Orders and Determinations, impose fines, and as an ultimate penalty to revoke the licenses if Licensees fail to meet the obligations in their licenses or are in breach of the provisions of the Telecommunications Law. Further details on the TRA's right to invoke these sanctions are described below in Section 3.8.

3.6 ADDITIONAL OBLIGATIONS OF THE LICENSEES

The Licensees must comply with all the laws of the Kingdom of Bahrain including the legislation and regulations governing the telecommunications sector in the Kingdom of Bahrain, as well as any other international legislation and treaties ratified by the Kingdom of Bahrain. A non-exhaustive summary of the legal framework governing the telecommunications sector in the Kingdom of Bahrain, in those areas that may be of direct relevance for potential Bidders, is provided in Section 5 of this Memorandum.

The award of a NFWS License does not release the Licensee from the following obligations:

- a) to request all the necessary permits for the deployment of its network;
- b) to acquire from the TRA the separate necessary Individual Licenses or Class Licenses for any additional telecommunications service it may wish to pursue now or in the future; and
- c) to request any other permits or licenses it may require for any non- telecommunications operations.

3.7 DURATION OF THE LICENSE

Subject to events of default and termination, including but not limited to the non-availability of spectrum, each of the Licenses to be awarded as part of this procedure will have a duration of fifteen (15) years from their Effective Date.

In addition, the TRA shall renew the NFWS and Frequency Licenses upon request by the Licensee for an additional term of up to ten (10) years upon expiration of the License term, provided that the Licensee is not, and has not been, in material breach of the NFWS or Frequency License or the Telecommunications Law.

3.8 REVOCATION OF A LICENSE

The TRA must enforce at all times the terms of the Telecommunications Law and the NFWS and Frequency License. If it is clear to the TRA that a Licensee has been or is in material breach of any provision of the Telecommunications Law (or its NFWS or Frequency License), or that there are serious indications or evidence that a Licensee is likely to commit such a breach, the TRA shall issue an order in accordance with the provisions of the Law and take all measures it considers necessary to secure compliance by the Licensee.

Without prejudice to the above, section 27 of the draft NFWS License describes the ways in which the License may be revoked at any time. These are:

- by written agreement between the TRA and the Licensee;
- by a revocation order by the TRA in accordance with Section 35 of the Telecommunications Law; or
- automatically if the Licensee is dissolved, or enters into liquidation, bankruptcy or equivalent proceedings, or makes a general assignment for the benefit of creditors.

Failure to comply with the requirements of the NFWS License, including the failure to deploy the network and/or provide services according to the commitments of the License can therefore result in the revocation of the NFWS License (see section 4 of the Draft NFWS License).

3.9 NETWORK DEPLOYMENT REQUIREMENTS

The parties awarded the NFWS Licenses through this Auction will be subject to minimum coverage requirements, as set out below. The purpose of this is to ensure that, over time, the NFWS network(s) offer(s) an alternative source of fixed network access to a significant proportion of the population of the Kingdom of Bahrain.

Stage One

The Licensee will provide a level of radio coverage sufficient to enable at least 40% of the population of the Kingdom of Bahrain to access the telecommunications services offered by the licensed operator. This is to be achieved within 18 months of the Effective Date of the License.

Stage Two

The Licensee will provide a level of radio coverage sufficient to enable at least 65% of the population of the Kingdom of Bahrain to access the telecommunications services offered by the licensed operator. This is to be achieved within 30 months of the Effective Date of the License.

Information Memorandum

Stage Three

The Licensee will have a continuing obligation to provide a level of radio coverage sufficient to enable at least 95% of the population of the Kingdom of Bahrain to access the telecommunications services offered by the licensed operator from 48 months of the Effective Date of the License.

The timing for achieving the minimum coverage requirements shall be calculated from the Effective Date of the License and will remain in force for the duration of the license.

The TRA expects that from time to time it will require evidence to monitor the compliance of the Licensees with the above-mentioned obligations.

3.10 LAUNCH OF COMMERCIAL SERVICES

It will be a requirement that Licensees launch commercial services by at least a date referred to in each NFWS license as the commercial launch date. The TRA will endeavor for this to be the same date for each licensee to ensure that there is a "level playing field" for the licensees. However licensees will be free to launch commercial services prior to the commercial launch date.

Licensees who fail to launch commercial services by at least the date specified will be subject to penalties outlined in the license and ultimately to revocation of the license.

3.11 SPECTRUM FOR FWA INFRASTRUCTURE

The operation of FWA requires means of transmission via some form of back-haul connections, including microwave point-to-point links. If necessary, Licensees may develop the necessary point-to-point connections from within their FWA assignment. The standard telecommunications frequency application procedure should be used if point-to-point microwave links in other Frequency Bands are required for the support of FWA.

3.12 LICENSED RADIOCOMMUNICATIONS EQUIPMENT

Any equipment connected to a telecommunications network for the provision of services related to the NFWS Licenses must be approved by the TRA, by either of two processes:

- by a regulation or certificate issued by the TRA under Section 38 of the Telecommunications Law; or

Information Memorandum

- by an approved person or body through which compliance can be confirmed with the technical standards issued by international standard-setting bodies designated by the TRA.

The TRA certifies equipment on a case-by-case basis, using one of two methods. The TRA will either carry out or delegate the technical certification of radio equipment for telecommunications usage. However, in most cases, the TRA accepts the international or national certification, including self-assessment, to nationally or internationally accepted standards.

The usual practice is for operators to submit to the TRA in advance of importation proof that the equipment has been type-approved by national or international standard setting bodies, upon which the TRA can normally grant the necessary permits for the importation of the equipment.

3.13 ACCESS AND INSPECTION

The Licensees will be required to permit any person authorized by the TRA to have access to, and to inspect, the Radiocommunications Equipment specified in the NFWS License at all reasonable times, to ensure that the Licensees are using the Radiocommunications Equipment in accordance with the conditions of the NFWS License.

In the event of emergencies, the Licensee must also permit access at any time to the Radio Communications Equipment approved for the provision of services linked to the NFWS License to any person authorized by the TRA.

3.14 GEOGRAPHICAL BOUNDARIES OF THE NFWS LICENSES

The NFWS and Frequency Licenses authorize the use of the Spectrum Bands and the provision of related services within the whole of the territory of the Kingdom of Bahrain.

3.15 SPECTRUM CLEARANCE

The Spectrum included in the Spectrum Lots subject to the Auction is located in Spectrum Bands that are not currently utilized by any other service or user in the Kingdom of Bahrain.

3.16 HARMFUL INTERFERENCE MANAGEMENT

The TRA and Ministry of Transportation work together to try and ensure that harmful interference is not experienced by licensed users of radio frequencies. Licensed operators are required to cooperate with the TRA and other users of the spectrum, in order to resolve

Information Memorandum

occurrences of interference. All instances of interference originating from outside the Kingdom of Bahrain should be reported to the TRA. All equipment deployed should meet relevant international type-approval and Electromagnetic Compatibility (EMC) standards.

3.17 LICENSE TRADING AND ABILITY FOR LICENSING CONCESSION

Operators are not allowed to trade, sell or swap part or all of the rights associated with their NFWS and Frequency Licenses. Any trade involving the rights associated with the NFWS Licenses subject to this Auction, or any modification to the Licenses, must be subject to TRA approval. Parties should also note that all mergers and acquisitions in the telecommunications sector are subject to the provisions of the Telecommunications Mergers and Acquisitions Regulation, regulation no. 3 of 2004, and such transactions, if they fall within certain parameters, are also subject to TRA approval.

3.18 ANNUAL FEES

Upon being awarded a License, a Licensee will become liable to pay the following fees:

- An initial License Fee, payable to the TRA, to contribute to the administrative costs of the TRA. This covers the license fee for the period between the date of the award of the License and 31 December of the year that the License has been granted. This will be the amount of the successful bid that the Licensee will have specified and upon which it was awarded the License. This will be paid in two installments, as explained below.
- A License Fee, payable to the TRA, to contribute to the administrative costs of the TRA following 31 December of the year of the Effective Date. It is set at 1% of the annual gross revenue of the Licensee, from the calendar year after the year in which the NFWS license is awarded, in line with all other Licenses under the Telecommunications Law in the Kingdom.
- A Spectrum Fee, payable to the Ministry of Transportation, to contribute to the administrative and Spectrum management costs of the Ministry. For NFWS Licensees, the TRA expects that this will be set at BD 28,000 per annum.

4 The NFWS License Auction

The Auction for the award of the Licenses for the provision of FWA services consists of a single-round, pay-as-bid sealed bid Auction. The Invitation to Tender (ITT) will include the final form of the rules regarding the Auction. A summary of the most important of these rules is presented in this section. Notwithstanding that this Information Memorandum is for information purposes only and is not legally binding, in the event of any discrepancy between the ITT and the Information Memorandum, Bidders should note that the ITT shall take precedence. All terms used in this Section of the Information Memorandum are defined in Annexe 1.

4.1 OVERVIEW OF THE AUCTION AND INDICATIVE TIMETABLE

In order to participate in the Auction, a Bidder must submit simultaneously both the Qualification Documentation and a Financial Bid in accordance with the Instructions to Bidders to be included in the ITT.

The Qualification Documentation will be evaluated in accordance with the Qualification Criteria described below in Section 4.3. Please note that these will be formally described in the Auction Rules included in the ITT. Only those Bidders having submitted Qualification Documentation that passes the Qualification Stage will proceed to the Financial Evaluation Stage. The Financial Bids from Bidders who do not pass the Qualification Stage will be returned unopened. The NFWS Licenses will be awarded to the two Qualified Bidders that have submitted the two highest Valid Financial Bids.

Under section 23 of the Telecommunications Law, the General Director and staff members of the TRA are prohibited from divulging any information that comes directly or indirectly to their knowledge during the course of their work. As such, with the exception of publication of certain information relating to the persons interested in Bidders or Bidders' Representatives, detailed in paragraph 4.4.5 below, and information subject to any other waiver of confidentiality that the TRA may require from all Bidders and Bidders' Representatives, the TRA will treat as confidential all information that is submitted by Bidders in the course of the Auction, unless this information is in the public domain at the time of its submission or enters the public domain after its submission for reasons other than a breach of the TRA's obligations. The TRA's obligations extend to all its employees, consultants and advisors that are involved in the preparation and performance of the Auction.

Information Memorandum

4.1.1 Advisers to the TRA

Bidders and Bidders' Representatives are not permitted to receive advice on matters related to the Auction from any person who was an employee of the TRA within the 12 months prior to the publication of the ITT, or from any person who has been retained as an adviser to the TRA (or a sub-contractor to such an adviser) in relation to the Auction. Advisers to the TRA in this regard so far are:

- Haya Rashed Al Khalifa, Attorneys at Law and Legal Consultants
- Frontier Economics Limited
- Bird & Bird Solicitors
- Charles Russell LLP Solicitors

4.1.2 Indicative timetable

An indicative timetable is presented in Table 2. Please note that the TRA reserves the right to amend the list of items and/or the timing of any/all elements of the Auction.

Item	Actual / Indicative dates
Deadline for submission of comments on the Information Memorandum	September 21 st , 2006
Issue of the Invitation to Tender (ITT)	October 5 th , 2006
Deadline for registration of interest and the receipt of questions on the ITT	October 15 th , 2006
Latest date by which TRA will respond to questions on the ITT	October 30 th , 2006
Submission qualification documentation and bids. Deadline for the TRA to announce the composition of the panel of external experts.	November 12 th , 2006
TRA to publish a list of Bidders	November 13 th , 2006
Publication of parties with a material interest in Bidders or Bidders' Representatives, and Evaluation of Qualification Documentation	November 12 th – December 3 rd , 2006
TRA to publish a list of Qualified Bidders	December 4 th , 2006
TRA to open Financial Bids at public	December 4 th , 2006

Information Memorandum

meeting	
Two highest Valid Financial Bids declared as winners of the Auction, and highest Bidder chooses which License to take	December 4 th , 2006
Incorporation of Bidder, if required, and payment of required fee	December 28 th , 2006
Licenses granted by the TRA	No later than January 3 rd , 2007
Bank Guarantees of non-Successful Bidders returned.	Following effective date of licenses and clearance of required payments
Table 2: Indicative time schedule for the award of NFWS Licenses	

In the remainder of this section, the TRA describes the following key elements of the Auction:

- the eligibility of parties to enter the Auction;
- the Evaluation of Qualification Documentation;
- the Evaluation of the Financial Bids, including the award and payment of the Auction Price.

4.2 PARTIES ELIGIBLE TO ENTER THE AUCTION

Under Section 26 of the Telecommunications Law, at the time of the grant of the license, the entity to which the license will be issued must be a juristic entity incorporated in the Kingdom, or a branch of a foreign company licensed to operate in the Kingdom in accordance with the Commercial Companies Law of the Kingdom, in order to be considered eligible to receive a NFWS License.

The TRA appreciates that not all parties seeking award of a license will necessarily wish to meet this requirement prior to knowing whether or not they have been successful in the Auction. The TRA will therefore consider Bids from parties who undertake, if successful in the Auction, to cause the creation of a corporation or branch meeting these requirements as soon as is practicable after completion of the Auction (but no later than 25 days after the completion of the auction), such that there is an entity to whom the NFWS License can legally be granted.

The TRA's direct concern will be with the fitness, and financial and technical capacity of the Bidder. The TRA's assessment will depend on the fitness and financial and technical capacity of the Bidder (if

Information Memorandum

already a legal entity) or of all associated parties if still to be incorporated. Therefore the TRA shall require information to be included in the Qualification Documentation pertaining to the Bidder and to the Bidder's associates.

As per section 3(b)(2) of the Telecommunications Law, the TRA is obliged when carrying out its duties to do so in a manner best calculated to promote effective and fair competition among new and existing licensed operators. In addition, Section 29(c) of the Telecommunications Law requires that the TRA, before giving a final decision with respect to an application for an individual license, will have particular regard to whether in approving the Licensee, competition amongst licensed operators will be promoted.

For this reason, no person with 'material interest' in any Bidder shall be entitled to have a 'material interest' in another Bidder.

For this purpose, "material interest" means the relationship between a person, whether legal or natural, and a Bidder and/or Bidder's Representative and or associate, where:

- that person directly or indirectly holds ten percent or more shares in a Bidder and/or Bidder's Representative and or associate, or through the exercise of options will directly or indirectly hold ten percent or more shares in a Bidder and/or Bidder's Representative and or associate, whether or not in the case of a Bidder that Bidder is incorporated at the present time; or
- the consent or acquiescence of that person is required, or in the case of an unincorporated Bidder will be required upon incorporation of the Bidder, to cast ten percent or more of the votes entitled to be cast at a general meeting of the Bidder and/or Bidder's Representative and or associate; or
- that person directly or indirectly holds any shares in the Bidder and/or Bidder's Representative and or associate, or in the case of an unincorporated Bidder will hold relevant shares in the Bidder upon its incorporation, and has or will have the ability to appoint or remove one or more directors of the Bidder and/or Bidder's Representative and or associate; or
- that person may by rights, contracts or any other means, having regard to the considerations of fact or law involved, exercise decisive influence on a Bidder and/or Bidder's Representative and or associate, in particular by ownership or the right to use all or part of the assets of any undertaking, or rights or contracts which confer decisive influence on the composition, voting or decisions of the organs of an undertaking.

Information Memorandum

4.3 PUBLICATION OF, AND QUESTIONS ON, THE ITT

The ITT and all related documentation will be published on the TRA website. Bidders interested in the auction and in submitting questions on the ITT must register with the TRA by paying a non-refundable registration fee of BD 2000,² and providing the following information:

- company name, registered office, date and place of incorporation, and current excerpt from the companies register (if applicable);
- description of principal business activity and principal place of business;
- the following contact details for at least one Authorized Person: email address, postal address, direct dial telephone number and fax number.

Any questions on the ITT must be in writing and the TRA will respond in writing to the registered parties only. The TRA will publish on its website responses to anonymized questions which it deems could affect the validity of all bids. The TRA will disregard any questions received from parties which are not registered as explained above.

4.4 THE EVALUATION OF THE QUALIFICATION DOCUMENTATION

4.4.1 Payment of Entry Fee

In order for its Bid to be considered, each Bidder must include within its Bid a Bankers' Draft for payment to the TRA of an Entry Fee for participation in the Auction of BD2,000.

The Entry Fee shall not be refunded to unsuccessful Bidders or Bidders that do not comply with the Qualification Criteria and also shall not be subtracted from the Bid Price to be paid by Successful Bidders. The entry fee is waived for parties registered to ask questions concerning the ITT as explained above.

4.4.2 Compliance with the Qualification Criteria

In order for a Bidder to qualify for consideration of its Financial Bid, its Bid must comply with the Qualification Criteria. Those Bids that do not comply with the Qualification Criteria will be disqualified from the Auction. In order for its Bid to comply with the Qualification Criteria, a Bidder must demonstrate that the Bidder:

² Please note that the non-refundable registration fee will be offset against the non-refundable fee for taking part in the action as described below. Thus the fee of BD 2000 will only be paid once.

Information Memorandum

- has the financial capacity to meet the obligations of the NFWS License (including, but not limited to, the network coverage obligation and the required scope of services);
- has the technical capacity to meet the obligations of the NFWS License; and
- will be managed by fit and proper persons to hold such positions.

In addition, to comply with the Qualification Criteria, a Bidder (and where applicable, the Bidder's Representative) must also:

- not have a material interest in any other Bidder or Bidder's Representative participating in the Auction;
- provide a signed statement that the Bidder will cause the formation of the Bidder substantially in accordance with its representations made in its Bid and in response to requests for additional information during the course of the Auction and cause the Bidder to accept the terms of the NFWS License that it will be awarded if it is successful; and
- pay the required Entry Fee (the entry fee will be waived for registered parties).

Please note that in order to progress to the Evaluation of the Financial Bids, a Bidder must meet all of the above.

The TRA, with its advisors, will undertake the assessment of the compliance of the Bidders' Qualification Documentation with the Qualification Criteria. Where a Bidder is deemed by the TRA to have failed to comply with the criteria, a panel of three independent recognized experts, who shall be appointed by the TRA and whose names shall be published on the TRA's website prior to the last day for submission of bids, will review the grounds for such failure. The panel will come to a view as to whether such assessment was appropriate. If the panel considers that the applicant meets the criteria, the panel will advise the General Director that the said applicant should be added to the list of the Qualified Bidders. The ultimate determination of whether a Bidder meets the Qualification Criteria will be made by the General Director of the TRA, based upon the advice of the TRA and the panel. The General Director's decision will be final. For the avoidance of doubt, only Bidders that are deemed to have failed to meet the Qualification Criteria by both the TRA and the panel will be excluded from the Evaluation of the Financial Bids stage. The General Director will accept in all cases the advice of the experts unless there are exceptional reasons why he/she should not do so. If the General Director for any such reason does not accept the advice of the experts it will make this known to the experts and the party concerned.

Information Memorandum

4.4.3 Information to be provided in the Qualification Documentation

This section sets out the information that should be provided as part of a Bidder's Qualification Documentation. Bidders wishing to qualify for consideration of their Financial Bids should submit Bids in accordance with the requirements stated in the Invitation to Tender. Bid forms, including detailed instructions for their completion, will be included in the Invitation to Tender. Bidders that fail to provide all the required information will be disqualified from the Auction.

A Bidder must provide sufficient information to enable the TRA to assess fully the Bidder's compliance with each and every the Qualification Criteria. In particular, it must provide the following:

1) Identification of Bidder and authority to bid

Each Bidder must provide the following information. Where the Bidder is a consortium and intends to incorporate or register a branch office in the Kingdom of Bahrain should it succeed in bidding for the License then each member of the consortium must provide the same details:

- i) company name, registered office, date and place of incorporation, and current excerpt from the companies register (if applicable);
- ii) description of principal business activity and principal place of business;
- iii) the following contact details for at least one, and no more than three, Authorized Person(s): email address, postal address, direct dial telephone number and fax number;
- iv) confirmation that it has agreed to the appointment of a Bidder's Representative (if necessary) and the following contact details of the Bidder's Representative: contact person, email address, postal address, direct dial telephone number and fax number;
- v) any other matter which Bidders consider the disclosure or non-disclosure of might materially affect the TRA's identification of the Bidder and its authority to bid;
- vi) that the Bidder is legally capable of becoming a Licensee; and
- vii) that should the Bidder become a Successful Bidder that it will cause the Bidder to come into being in such form as will be legally capable of becoming a Licensee.

Information Memorandum

Each Bidder must also provide an original letter from the Bidder's Authorized Person (and in the case of a consortium, an Authorized Person from each member of the consortium) setting out:

- i) the name, nationality, passport number and capacity of the Authorized Person in the company. The letter should refer to the date of the Board of Director's resolution (if any) and/or cite the relevant provisions of any law granting the Authorized Person such power;
- ii) in the case of a consortium, confirmation that the member is subject to an agreement, understanding or arrangement with the members of consortium, stating the names and details of the other members. Where possible, a certified true copy of the original written agreement (e.g. Joint Venture Agreement, Memorandum of Understanding, Contract etc.) evidencing the agreement, understanding or arrangement with the members of the consortium; and
- iii) in the case of a consortium, confirmation that such agreement, understanding or arrangement is to, inter alia, bid in the Auction.

Each Bidder's Representative must provide an original letter setting out the name, nationality, passport number, company or firm name (if any) and capacity in the company or firm (if any). The letter should refer to the date and number of the Board of Directors' resolution (if any) and/or legal instrument granting the Bidder's Representative the authority to act on behalf of the Bidder;

The letters of each Bidder, Authorized Person and Bidder's Representative must also confirm that:

- i) it is legally capable of entering the Auction
- ii) the information submitted to the TRA is to the best of its knowledge true, accurate and complete;
- iii) it has read and understood – and agrees to be bound by – the Auction Rules.

It is advisable that every company submit copies of the company incorporation documents including any official registration certificate.

All such letters will be acknowledged by the TRA by written reply.

All parties involved in Auction, whether as Bidders, Authorized Persons or Bidder's Representatives should note that these letters will be considered as subject to the provisions of Article 391 of the Penal

Information Memorandum

Code of the Kingdom of Bahrain, whereby obtaining a property or instrument by reliance upon a fraudulent method, or by assuming a false name or improper capacity the relevant person is punishable by imprisonment. If the subject of the offence is property owned by the State this shall be deemed an aggravating circumstance.

As such the TRA will consider that any false, incorrect, misleading or otherwise untrue information provided, or any information that was required to be provided but was omitted, deliberately or otherwise, may be considered fraudulent and, should a Bidder succeed in the Auction where it would have otherwise not have been entitled to bid had it not acted in such a fraudulent manner, the matter may be referred to the Office of Public Prosecution of the Kingdom of Bahrain and, if relevant parties are convicted by a court of law, the TRA may revoke the licenses.

All Bidders' Representatives will be required to sign a declaration to the effect that the information that they are providing is true and correct and that they have answered all questions asked by the TRA correctly and to the best of their knowledge. Bidder Representatives should therefore be aware that they may be criminally liable for misrepresentations regarding, *inter alia*, identity and/or capacity to represent a Bidder.

2) A summary of the Bidder's plans for offering telecommunications services

Each Bidder representative should provide the TRA with a detailed description of the Bidder's business plan for the provision of FWA services nationally throughout the Kingdom of Bahrain. This should include:

- i) a description of its proposed rollout strategy;
- ii) a description of its proposed marketing strategy;
- iii) a description of its target level of market share and its strategy for achieving its market share;
- iv) a description of the elements of its business plan that rely on interconnection with other licensed operators and access to the networks of other licensed operators;
- v) a financial plan showing the viability of the proposed business plan, its forecast revenues, market share, capital expenditure and operating expenses, and contingencies if the out-turn is different from the plan. This should be shown for a minimum of the first three years of the NFWS License term; and
- vi) a coverage plan for network roll-out.

Information Memorandum

3) Acceptance of License terms

A Bidder must include in its Qualification Documentation a statement signed by the Authorized Person, and in the case of a consortium by an Authorized Person from each member of the consortium, that it will cause the Bidder, once formed if applicable, to accept the terms of the License and spectrum license as set out in the ITT. Please note that a draft NFWS License is included in the Information Memorandum in Annexe 2.

4.4.4 Additional information to be included in the Qualification Documentation

In addition to the above mandatory information, a Bidder should also provide sufficient information to enable the TRA to assess the fitness, financial and technical capacity of the Bidder and to ensure that neither the Bidder nor the Bidder's Representative has a Material Interest in any other Bidder or Bidder's Representative participating in the Auction, and that no other Bidder or Bidder's Representative has a material interest in it. A Bid that does not include sufficient information will be deemed to fail to meet the Qualification Criteria and be disqualified from the Auction. Such information could be in the form of the following:

1) Evidence that the proposed directors of the Bidder are fit and proper persons to hold those positions;

Under Article 173 of the Commercial Companies Law of the Kingdom of Bahrain, a member of the Board of Directors of a BSC Company must fulfill the following conditions:

- i) a) he/she must have legal capacity to act;
- ii) b) he/she must not have been convicted for an offence of bankruptcy by default or fraud nor for any crime affecting his or her honor or integrity nor for an offence by reason of his or her breach of the provision of the Commercial Companies Law of the Kingdom of Bahrain unless he or she has been reinstated;
- iii) c) he or she must personally own a number of shares the nominal value of which shall be at least ten thousand Bahraini Dinars or the person he or she represents must own a number of shares representing not less than 1% of the company's capital whichever is higher, unless the company's articles of association provide for a higher amount.

In addition to applying to BSC companies, items (a) and (b) above also apply to WLL companies.

The Ministry of Industry and Commerce can also specify minimum levels of experience that the directors of companies may require for specific activities. The Bidder's local legal counsel and the Ministry of

Information Memorandum

Industry and Commerce can provide specific information in this regard.

Directors of the branch offices of foreign companies must also satisfy items (a) and (b) above and also satisfy the specific minimum levels of experience requirements of the Ministry of Industry and Commerce, if any.

As such, the TRA will require each person proposed to be a director of the Licensee to declare that he or she complies with the requirements provided in (a) and (b) above. Again, such information will be considered to be legally binding and the provision of misleading or false information or the failure to provide the information requested could lead to disqualification from the Auction, revocation of any License awarded and/or criminal prosecution.

2) Additional information on the financial capacity of the Bidder

Each Bidder should provide demonstrable evidence of the Bidder's financial capacity to meet the NFWS License obligations and its financial plan. This could take the form of, inter alia:

- i) equity funding: initial sources of equity capital; timing and sources of future equity capital including any proposals for public flotation, plus any independent supporting documentation that is available to provide evidence that equity funding sources can be relied on;
- ii) debt funding and lines of credit, including interest rate arrangements, security provided, the term of the credit facility and the sources of finance for all borrowing for the first three years; indications of longer term borrowing requirements, proposed sources of finance and security offered;
- iii) guarantees and undertakings in terms of the nature, details and amount of any guarantee given by the Bidder and the purpose of such guarantees;
- iv) the issued share capital of each class of shares plus details of shareholders as at the date of lodging the Bid, along with any proposals in this area;
- v) shareholder/other agreements that bestow any control rights which vary from the equity rights;
- vi) a copy of the last three years' annual audited accounts (if any);
- vii) summaries of financial results for the last five years (if any);
- viii) details of principal creditors and amounts which they are owed; and

Information Memorandum

- ix) any other matter which Bidders consider the disclosure or non-disclosure of might materially affect the TRA's decision to make the award of the License.

3) Additional information on the technical capacity of the Bidder

Each Bidder should provide demonstrable evidence of the Bidder's technical capacity to meet the NFWS License obligations. This could take the form of, inter alia:

- i) an organization chart showing the main proposed functions in the organization of the Bidder, together with nominees for proposed key positions;
- ii) brief resumés of all (proposed) directors and senior managers of the Bidder;
- iii) evidence that it has relevant experience in the provision of telecommunications services. This could be described in relation to each domestic or international market in which Bidder operates or provide service, either independently or as part of a consortium/alliance, and could include:
 - a. a description of the activities of the entity;
 - b. a description of the market;
 - c. the number of customers served by the entity;
 - d. size of network; and
 - e. experience with FWA technology;
- iv) in addition to the above, where the Bidder is a group or a consortium joint venture, information on the role and contribution of each consortium member in terms of resources, experience or expertise; and
- v) any other matter which the Bidder considers the disclosure or non-disclosure of might materially affect the TRA's decision to make the award of the License.

4) Additional information on the ownership structure and independence of the Bidder

Each Bidder should provide evidence to enable the TRA to assess the ownership structure of the Bidder and their independence of other Bidders or Bidders' Representatives. This could take the form of, inter alia:

- i) For each major (proposed) shareholder, holder of options, warrants, preference or loan capital or other security issued by the Bidder and to include other parties that would have a stake in the Bidder:
 - a. name, registered office, date and place of incorporation;

Information Memorandum

- b. principal place of business and description of principal business activity;
 - c. nature of relationship with Bidder (e.g. number and class of shares or securities held); and
 - d. ultimate holding company;
- ii) Where the Bidder is a group or a consortium joint venture, in addition to the above:
- a. the nature of the relationship between members, including a copy and details of any joint venture agreement, memorandum of understanding or shareholder agreement etc.; and
 - b. the Bidder's details for the proposed management structure and corporate governance in the event it is awarded a License.

4.4.5 Confirming that no person has a material interest in more than one Bidder

To qualify for Evaluation of its Financial Bid, each Bidder and Bidder's Representative must be independent of other Bidders and Bidder's Representatives. Each Bidder and Bidder's Representative will have a continuing obligation from the submission of bids to the grant of the licenses to ensure that:

- it does not have a material interest in any other Bidder or Bidder's Representative; and
- any person that has a material interest in it does not have a material interest in another Bidder or Bidder's Representative.

Section 4.2 of the Information Memorandum sets out how the TRA proposes to define 'material interest'.

Following receipt of all Applications, the TRA will publish, on its website, a list of all the Bidders and Bidder's Representative and persons with a material interest in any Bidders or Bidder's Representative. Each Bidder will then be expected to inform the TRA as to whether it complies with the above requirements.

In the case that any of the listed persons has a material interest in more than one Bidder and/or Bidder's Representative, the concerned Bidders and Bidders' Representatives must provide the TRA with structural or behavioral undertakings that demonstrate to the satisfaction of the TRA the independence of the Bidders' and Bidders' Representatives during the Auction and, specifically in the Bidders' cases, were they to be successful in obtaining an NWFS license.

Information Memorandum

In the event that such related Bidders and Bidders' Representatives do not submit undertakings to the satisfaction of the TRA, or where all but one of the related Bidders and/or Bidders' Representatives do not withdraw from the Auction, none of the related Bidders will qualify for the Evaluation of the Financial Bids.

The award of the license will be conditional on the Bidder and Bidders' Representatives having met the above continuing obligations.

4.4.6 Announcement of Qualified Bidders

Upon completion of the evaluation stage of the Qualification Documentation of all Bidders, the TRA will inform all Bidders of whether they qualified for the Evaluation of their Financial Bids. The TRA will subsequently publish on its website the list of Bidders that qualify for Evaluation of their Financial Bids.

4.5 THE EVALUATION OF THE FINANCIAL BIDS

The NFWS Licenses will be awarded through a single-round,³ pay-as-bid, sealed-bid auction. The Qualified Bidder with the highest Valid Financial Bid will be given the first choice of Frequency License (I or II), with the remaining License awarded to the Qualified Bidder with the second highest Valid Financial Bid.⁴

As set out above, sealed Financial Bids should be submitted at the same time as the Qualification Documentation. The Financial Bid must specify the amount a Bidder will pay for a NFWS License.

The Financial Bids of Bidders that do not qualify for the Evaluation of the Financial Bids will be returned unopened to the Bidders.

4.5.1 The contents of each Financial Bid

For each Bidder, the Financial Bid should include:

- a completed copy of the Financial Bid Form to be included in the ITT, signed by the Bidder's Representative. This will include the Bid Price, and
- three separate Bank Guarantees as follows:
 - 1st bank guarantee: the value of the first year's Spectrum fees to be payable to the TRA for the benefit of the Ministry of Transportation, valid for 90 days from the closing date for submission of Bids to the TRA;

³ In the event of more than one Bidder submitting the same Bid Price there may in effect be a second round.

⁴ Section 1 describes the frequency available in each Licence under offer in this Auction.

Information Memorandum

- 2nd bank guarantee: 50% of the value of the Bid Price, payable to the TRA and valid for 90 days from the closing date for submission of Bids to the TRA; and
- 3rd bank Guarantee: 50% of the value of the Bid Price, payable to the TRA, and valid for 455 days from the closing date for submission of Bids to the TRA.

If any of these elements is missing from a Qualified Bidder's Financial Bid that Financial Bid will be declared invalid. That Bidder will then be disqualified from the Auction.

In order to reduce the risk of a tie, the TRA will require all Bid Prices to be submitted in Dinars and Fils (with no Fils digits equal to zero).

4.5.2 Reserve price

The TRA proposes to set a reserve price for each NFWS License of BD20,000. A Financial Bid will only be considered valid if in addition to it meeting the conditions described in Section 4.5.1 its Bid Price is higher than the value of the reserve price.

4.5.3 Determination of Successful Bidders in the case of a tie

In the event that there are two, and only two, Successful Bidders but their Financial Bids are tied, the right to make the choice of Frequency License will be decided by lot.

Any other form of tie between Successful Bidders will be resolved by a supplementary auction that seeks to determine which of the tied bidders places the greatest value on the License.

4.5.4 Cessation of the Auction prior to completion

If at any time during the Auction the TRA is certain that there will be no more than one Qualified Bidder with a Valid Financial Bid, the TRA will stop the Auction and declare the Auction void. In this case the TRA will in due course prepare a new process for the sale of one or more NFWS Licenses. The terms of the NFWS License or Licenses may also be amended.

4.5.5 Announcement of Successful Bidders

The TRA will announce the identity of the two Successful Bidders of the Auction. The Bank Guarantees of non-Successful Bidders will be returned after the grant of the Licenses, subject to the procedure outlined in paragraph 4.5.6 below and the clearance of required payments.

Information Memorandum

4.5.6 Award and payment of fees

Upon the TRA announcing the Successful Bidders, the Successful Bidders must immediately cause to be done all things necessary to comply with section 26(a)(1) of the Telecommunications Law and be in compliance with section 26(a)(1) not later than 25 days after the announcement of the Successful Bidders.

The bank guarantees included in the Financial Bid will be used by the TRA as payment for award of the NFWS license. Upon a Successful Bidder satisfying the TRA in writing that it is in compliance with section 26(a) (1), the TRA shall cause the 1st and 2nd Bank Guarantees of each Successful Bidder to be drawn upon.

The TRA will notify the Successful Bidder in writing once the Bank Guarantees have been drawn upon and will ask the Successful Bidder to specify a date upon which it would prefer the NFWS License to be granted (which must be a business day), but in any case being no later than 3 January 2007.

As far as practicable the TRA will grant the NFWS License to the Successful Bidder on the date requested by it, which will become the Effective Date of its license.

The TRA will present the 3rd Bank Guarantee within 10 days of the commencement of the next calendar year from the year the NFWS License is granted. Parties should note that this 3rd bank guarantee does not in any form or manner affect the responsibility of the Successful Bidders to pay the license fees and spectrum fees for their second year of operation.

In the event that the TRA is unable, for whatever reason, to draw the 1st and/or 2nd Bank Guarantees of any Successful Bidder as specified above, and/or that a Successful Bidder fails to satisfy Condition 26(a)1 of the Telecommunications Law by the specified time, the TRA may withdraw the award of a Licence to that Bidder (or those Bidders) but retain the right to draw on the 1st, 2nd and 3rd Bank Guarantees as it sees fit. The TRA will then: in the case of the likelihood that it will only be possible to award one Licence, discontinue the award process; or, where it expects to be able to award the available Licence(s) to a Valid Bidder(s), re-open the award process in a manner and according to a timescale that the TRA considers appropriate.

4.6 EXCLUSION OF BIDDERS; TERMINATION OF AUCTION AND LIABILITY

The TRA reserves the right, which it may exercise in its sole discretion, to exclude any Bidder or Bidder Representative who acts in material breach of the Auction Rules and/or performs or omits to perform an act with the intention or effect of actually or potentially

Information Memorandum

materially disrupting the auction process or another person's ability to qualify, where such action or omission was performed without their consent.

The TRA provides no undertakings that the Auction process will be completed. The TRA may, at its sole discretion, terminate the Auction process at any time prior to opening Bidders' financial bids.

The TRA has no liability to Bidders, Bidders' Representatives or other interested parties whether for any actual or anticipated costs or direct or indirect losses, including but not limited to direct or indirect loss of profits. Subject to the Auction Rules, the sole remedy for Bidders, Bidders' Representatives or other interested parties will be limited to the return of the Bidders' bank guarantees.

5 Regulatory and policy issues

The key texts govern the telecommunications sector in the Kingdom of Bahrain are:

- the Telecommunications Law promulgated by Legislative Decree No. 48 of 2002;
- the Determination on the Methodology for the Definition of Telecommunications Markets, a determination issued by the TRA on 19 April 2003;
- the Determination on the Methodology for Determining Market Power, a determination issued by the TRA on 23 May 2006;
- the Access Regulation, a Regulation issued by the TRA on 30 April 2005;
- to the extent that it has a continuing influence on the public policy of the TRA, the National Telecommunications Plan, decision no. 33 of 2003, issued by HH the Prime Minister on 20 July 2003, and any subsequent National Telecommunications Plans that may be issued by HH the Prime Minister, the Council of Ministers or the Ministry of Transportation as may be binding on the TRA; and
- Spectrum Policy and Planning in the Kingdom of Bahrain, a joint statement issued by the TRA and the Ministry of Transportation of the Kingdom of Bahrain on 27 June 2006.

This section of the Memorandum summarizes the relevant characteristics of the regulatory framework in the telecommunications sector of the Kingdom of Bahrain, based on the above laws, regulations and policy documents. All Regulations and Determinations issued by the TRA can be found on its web site.

5.1 DUTIES AND POWERS OF THE TRA

The Telecommunications Law of Bahrain (promulgated by Legislative Decree No. 48 in October 2002)⁵ is the primary statute that regulates the telecommunications market and all issues regarding relevant markets.

The Telecommunications Law introduced and established the TRA as an independent regulatory authority overseeing the telecommunications sector. Section 3 of the Telecommunications Law

Information Memorandum

describes the duties and powers of the authority. The powers of the TRA must be exercised in a manner best calculated to:

- protect the interests of Subscribers and Users in respect of:
 - the tariffs charged for services;
 - availability and provision of service;
 - quality of services; and
 - protection of personal particulars and privacy of services;
- promote effective and fair competition among new and existing Licensed operators; and
- ensure, when assessing applications involving the provision of Public Telecommunications Services, that any Bidder(s) or any person to whom any such service fails to be provided, shall be able to provide that service.

A non-exhaustive summary of the powers of the TRA is provided in the table box below. The TRA must carry out its duties and exercise its powers efficiently, effectively, regularly, reasonably and in a non-discriminatory and transparent manner.

Powers of the TRA

- issue regulations, orders and determinations as may be necessary for the implementation of the provisions of the Telecommunications Law;
- monitor and investigate compliance with the provisions of the Telecommunications Law and any regulations, orders and determinations made under the terms of the Telecommunications Law;
- give final decisions as to applications for Licenses in accordance with the provisions of the Telecommunications Law;
- monitor and enforce compliance with License terms by Licensees;
- propose and effect modifications to Licenses where appropriate in accordance with the provisions of the Telecommunications Law;
- set and collect application, initial, annual and renewal fees for Licenses, collect fines and fees under any License and, where appropriate, collect fees for services provided by the TRA;
- assist the authority responsible for Radiocommunications in relation to the preparation of the National Frequency Plan as it applies to Telecommunications Frequencies;
- co-ordinate Telecommunications Frequency Assignments with the competent authorities of other countries in accordance with the applicable requirements of the International Telecommunications Union;
- in co-ordination with the authority responsible for Radiocommunications, publish and update a national register of Telecommunications Frequency allocations and publish regulations related to Telecommunications frequencies;
- license Telecommunications frequencies to licensed operators in accordance with the National Frequency Plan;
- in co-ordination with the authority responsible for Radiocommunications, monitor and enforce the use of Telecommunications Frequencies in the Kingdom in accordance with the Telecommunications Law, and ensure the efficient use thereof;
- prepare and follow up the execution of the National Numbering Plan and assign numbers to licensed operators in accordance with the Plan;
- encourage, regulate and facilitate adequate Access and Interconnection and interoperability of services, including, where necessary, enforcing the sharing by Public Telecommunications Operators of the benefit of facilities and property;
- review tariffs to ensure that they are fair and reasonable and develop formulae, tariff rebalancing plans and other measures for tariff controls for inclusion in

Information Memorandum

telecommunications licenses where appropriate and determine tariffs, if necessary, including, without limitation, by benchmarking tariffs charged by a Licensee against tariffs in comparable telecommunications markets and determining the future incremental costs of providing a Telecommunications service;

- adopt and publish technical specifications and standards for the import and use of Telecommunications Equipment and for connecting Telecommunications Equipment to Telecommunications Networks and for Interconnection;
- issue approvals or entrust this to others, subject to the TRA's discretion, for the use of Telecommunications Equipment for which no relevant technical specifications or standards have been issued by the TRA and for the Connection or Interconnection thereof to a Telecommunications Network;
- examine complaints and resolve disputes arising between Licensees, Subscribers and any other Person involved in the telecommunications industry, and take any necessary and proportionate measures in relation to such matters; and
- exercise all other powers granted to the TRA under the Telecommunications Law and take all other actions as may be reasonably necessary to give effect to the provisions of the Telecommunications Law.

The full text of the Telecommunications Law is available on the TRA's website at: http://www.tra.org.bh/ar/pdf/Telecommunication_Law_Arabic.pdf as well as a non authoritative translation of the same at http://www.tra.org.bh/en/pdf/Telecom_Law_final.pdf

5.2 MANAGEMENT OF SPECTRUM

Spectrum management is necessary because Spectrum is a scarce resource and its use can be subject to interference between radio signals from different users and services.

The TRA and MoT have different roles with regard to spectrum management in the Kingdom of Bahrain. Specifically:

- the MoT keeps the Master Frequency Registry with all the details;
- the MoT allocates frequency bands for telecommunications use to the TRA; and
- frequencies are assigned by the TRA in an open, transparent and non-discriminatory manner to Licensees.

The overall use of national spectrum is defined by the country's National Frequency Plan, which is derived primarily from the ITU-R Allocation Table for the region (Region I for the Kingdom of Bahrain). Within this general allocation, individual frequencies are assigned to specific users for use in specific geographical locations. Future assignments will be based on international best practice and the best interests of consumers, the industry and the Kingdom of Bahrain as a whole.

Operators will be expected to manage their individually assigned spectrum, and also cooperate with each other regarding the management of the 3.5 GHz FWS spectrum, according to CEPT

Information Memorandum

document ECC Recommendation (04)05 – 'Guidelines for accommodation and assignment of multipoint fixed wireless systems in frequency bands 3.4-3.6 and 3.6-3.8 GHz'.

5.3 MARKET ANALYSIS AND DOMINANCE TESTS IN DEVELOPMENT OF REGULATIONS

Licensed operators that are found to be dominant in a particular market can be subject to additional requirements, such as price controls, the provision of universal service, the obligation to publish interconnection offers, the obligation to offer access, etc. As a result, the processes of market definition, market analysis and the declaration of dominance play a pivotal role in the regulatory landscape in the Kingdom of Bahrain. These processes are covered in the following determinations published by the TRA on 19 April 2003:

- methodology for the definition of telecommunications markets⁶ ; and
- methodology for determining market power⁷.

In view of the TRA's objective to promote effective and fair competition, the TRA will impose ex-ante obligations on those operators that are found to be dominant in relevant market(s). In choosing the remedies, the TRA will consider the possibility that a licensed operator may be able to leverage its market power in an adjacent market.

The overall objective of the TRA in undertaking this process will be to enhance user and consumer benefits in terms of choice, price and quality by encouraging competition in the supply of services.

5.4 PROTECTION OF COMPETITION

In addition to these ex-ante obligations on licensees, the TRA has the power of dealing ex-post with anti-competitive practices by operators. When determining whether an act or omission constitutes anti-competitive conduct, the TRA will have regard to the provisions of the Telecommunications Law and to the conditions of the Licenses under which the licensee operates.

Chapter 15, Section 65, of the Telecommunications Law establishes that *"a licensed operator shall not do or omit to do anything which has the effect of materially preventing, restricting or distorting competition in any commercial field connected with Telecommunications in the Kingdom, where such act or omission is done in the course of operating*

http://www.tra.org.bh/en/pdf/methodology_for_determining_market_power_eru_de_002_v1.0_23May2006.pdf

⁷http://www.tra.org.bh/en/pdf/ERU_CN_003_04_Methodology_for_determining_Dominance_and_SMP.pdf

Information Memorandum

a Telecommunications Network or providing a Telecommunication service, or in connection with any such matter". This is also reflected, without derogation of the above, in Condition 21 of the Draft NFWS License (see Annexe 2).

The prohibited acts or omissions include:

- the abuse of dominance;
- the conclusion of agreements or concentrated practices between undertakings that has the effect of preventing, restricting or distorting competition in the market; and
- the undertaking of anti-competitive changes of the structure of the market (especially through mergers and acquisitions).

There is a possibility that an operator may be granted an exemption in case of a restrictive agreement or concerted practice (as defined in Section 65, Paragraph b, Subparagraph 2 of the Telecommunications Law) if as a result of the activity:

- the provision of services is improved;
- technical and economic progress is fostered;
- subscribers and consumers enjoy a reasonable part of the benefit; and
- only restrictions absolutely necessary to the above are imposed and competition is not substantially reduced.

Following the investigation of the anti-competitive nature of an act or omission, the TRA shall determine whether such an act or omission is in fact anti-competitive. The TRA will issue a decision that may include:

- a notice to the licensed operator to engage or refrain from engaging in the action specified by the TRA in order to remedy, reverse or prevent the breach; or
- the imposition of a fine on the licensed operator not exceeding 10% of the annual revenue of the licensed operator.

5.5 PREVENTING ANTI-COMPETITIVE PRACTICES IN THE ACCESS MARKETS AND RELATED MARKETS

There are a number of actions that the dominant operator in a particular market may engage in, in order to affect the development of competition in that particular market as well as in related markets. These can be classified as:

- anti-competitive pricing behavior, such as excessive pricing, predatory pricing, margin squeeze and anti-competitive price discrimination; and

Information Memorandum

- other anti-competitive behavior, such as bundling of services and lock-in periods to consumers.

The TRA is vigilant regarding the potential negative impact of the behavior of dominant operators and will continue to be so in the fixed access market on the development of competition in this market and related markets (e.g. voice services, data services, etc.). For this purpose, the TRA may require that any NFWS Licensee that is declared dominant in an access (or related) market be subject to an approval system for all new service descriptions, including terms and conditions and charging principles proposed by such a licensee.

The approval system will aim at ensuring the minimum disruption of the commercial processes of licensed operators, and will therefore follow simple rules, whilst providing sufficient control to prevent a dominant operator from engaging in anti-competitive practices, be those anti-competitive pricing or other anti-competitive modes of conduct. The TRA also has and can apply ex-post controls on the conduct of dominant operators if the pre-approval system fails to prevent anti-competitive practices from taking place.

5.6 PRICE CONTROL REGULATION

Chapter 12 of the Telecommunications Law provides that a licensed operator with significant market power may be subject to tariff control in relation to any Telecommunications service for which the TRA determines that insufficient competition exists.

Under the Telecommunications Law, the TRA has the power to intervene and develop formulae for setting tariffs and tariff rebalancing plans. Currently Batelco, as a dominant operator in a number of fixed line telecommunications markets, is subject to tariff controls in the form of a tariff approval mechanism. Other operators under similar controls include Neutel Communications for the provision of Fixed Line Services in the Amwaj area. Under the current system, any changes to the current tariffs need to be approved by the TRA.

5.7 INTERCONNECTION AND ACCESS

Under section 57(a) of the Telecommunications Law, a Public Telecommunications Operator shall have the right to interconnect, and the obligation to negotiate in good faith on request the Interconnection of its Telecommunications Network to the Telecommunications Network of another Public Telecommunications Operator at any technically feasible point, in each case as specified in its License or in a regulation issued by the TRA.

Under section 57(e) of the Telecommunications Law, a licensed operator in a dominant position shall offer access to its

Information Memorandum

telecommunications network and telecommunications facilities on fair and reasonable terms to any licensed operator on request.

5.7.1 Interconnection

According to the Telecommunications Law, interconnection is defined as the physical and logical linking of Telecommunications networks used by the same or a different organization in order to allow the users of one organization to communicate with users of the same or another organization, or to access services provided by another organization.

Public Telecommunications Operators that are declared to be holding a dominant position in a relevant market must, within three months of the determination, and every six months thereafter, issue a Reference Interconnection Offer (RIO). This must include a full list of offered interconnection services, conditions and prices. The tariffs and terms must be fair, reasonable and non-discriminatory. Tariffs must be based on forward-looking incremental costs and be benchmarked with tariffs for similar services in comparable jurisdictions. The TRA can examine the above and demand changes where necessary. If the TRA does not approve the content of the RIO, it will issue an order specifying the terms and tariffs that should apply.

The dominant operator is obliged to interconnect with another licensed operator on the terms and conditions of the RIO and must notify the TRA of any such agreement, within three days of its completion.

In the Determination on Dominance in Interconnection Markets of 9 August 2003, the TRA concluded that Batelco was dominant in:

- the market for call termination to fixed networks;
- the market for mobile call termination and mobile retail services; and
- the market for international correspondent services, including international switching and conveyance.

5.7.2 Access

According to the Telecommunications Law, access is defined as the making available of telecommunications facilities and/or telecommunications services to another licensed operator for the purpose of providing telecommunications services. Access services include the connection of equipment by wire or wireless means, access to physical infrastructure including buildings, ducts and masts, access to mobile networks and access to number translation or networks offering equivalent functionality.

Information Memorandum

According to the Access Regulation (Regulation 1 of 30 April 2005), the TRA may impose, by way of an Access Order, obligations on a licensed operator that holds a dominant position in the relevant market.

A licensed operator that is dominant in the access market must:

- continue to offer, and not withdraw, access to telecommunications networks and telecommunications facilities already granted, except where justified by a widely applicable upgrade to the telecommunications network;
- negotiate in good faith with access seekers; and
- make available a Reference Access Offer (RAO).

An operator that is dominant in the market for access can only refuse to offer access based on objective criteria related to technical feasibility or maintenance of network integrity.

The Access Regulation published by the TRA sets out in detail the required contents of a RAO.⁸ This should include, inter alia, details of the access services offered; the points of access to the network; the conditions for access to ancillary, supplementary and advance services; interoperability tests; forecasting ordering and provisioning procedures; tariffs and terms of payment; maintenance and quality of access provisions, etc.

The TRA has the power to examine whether the proposed terms on which access is offered (as set out in a RAO) are fair and reasonable. It may impose tariffs and one or more of the additional access obligations as described in the Access Regulation (paragraph 3.4). Upon approval from the TRA, the RAO becomes obligatory and all access agreements concluded by the relevant operator should be concluded according to the terms of the RAO.

Depending on the market in which a licensed operator is dominant, the access obligations may include the offer of wholesale leased lines, international facilities, access to the unbundled local loop, bitstream access and access to dark fibre.

In the Determination on Dominance in the wholesale telecommunications market of 22 January 2006, the TRA found Batelco to hold a dominant position in the following access markets:

- the wholesale market for fixed access at customer premises (including high bandwidth, narrowband and broadband access);
- the wholesale market for access to transmission capacity; and
- the wholesale market for access to international facilities.

⁸ TRA Access Regulation of 30.4.2005

Information Memorandum

5.7.3 Combined Reference Offer from Batelco

As of 18 August 2006, Batelco has published on its web site, a combined RIO and RAO, as a Reference Offer detailing all services offered under interconnect services and access services. The Offer takes into account orders issued by the TRA to Batelco on 12 July 2006 and 6 August 2006 concerning the Services, including terms and conditions, and charges, that appeared in the offer. Public versions of the orders can be found at <http://www.tra.org.bh/en/LegalOrder.asp>

The current Reference Offer of Batelco can be found on its website, at <http://www.batelco.com/wholesale/referenceoffer.asp>

5.7.4 Dispute resolution

Under section 57(g) of the Telecommunications Law, a Public Telecommunications Operator may refer to the TRA any dispute that arises between it and any other Public Telecommunications Operator with respect to interconnection or access, in order for the TRA to resolve the dispute if no agreement in that respect was reached with the other operator within one month of the commencement of negotiations between the parties.

5.8 UNIVERSAL SERVICE

The Telecommunications Law provides that Universal Service includes the provision of “basic public telephone services”. These are “services that comprise technical features which are the minimum necessary to allow the establishing of a telephone channel for national and international calls supporting speech, facsimile and data, but also any other reasonable service that the TRA may determine in its sole discretion. All these may be further specified by Regulations”. The Universal Service must be offered at “the prevailing standard rates” and the obligation may be imposed on any operator of a public telecommunications network with significant market power. Further, the TRA may issue regulations or determinations concerning the establishment of a Universal Service Fund. So far no such regulation or determination has been made.

5.9 THE USE OF PUBLIC AND PRIVATE PROPERTY

Licensed operators can make use, under certain conditions, of public and private property for the construction of installations or the installation of connections required for the construction, development or maintenance of its network. Chapter 13 of the Telecommunications Law establishes the conditions under which the operator can make use of such property.

Information Memorandum

Licensed operators can make use of private real property for the construction, development or maintenance of the network, after the conclusion of the relevant agreement between the licensed operator and the owner of the property, and the payment of fair compensation. If the licensed operator and the owner fail to reach an agreement, the TRA may issue a decision enabling the operator to carry out such works, provided that, at the discretion of the TRA:

- such works are necessary for the construction, development or maintenance of the telecommunications network;
- there is no other technical or economically reasonable solution at the discretion of the TRA;
- such works do not preclude the ordinary use of the real property;
- the operator pays the owner such fair compensation as is determined by the TRA; and
- the operator adheres to the conditions and measures prescribed by the TRA for the avoidance or limitation of damage to the owner of the real property.

Operators are encouraged where possible to share masts or facilities but there is no obligation to mandate such sharing. However provisions exist in the case of the Reference Interconnection Offer and Reference Access Offer published by Batelco which may have a bearing in this respect.

5.10 NUMBERING ISSUES

The TRA has the power to prepare and follow up the execution of the National Numbering Plan and the assignation of numbers to licensed operators in accordance with the Plan.

Licensed operators have the right to be allocated telephone numbers under the National Numbering Plan. Accordingly, licensed operators may apply for, and be allocated, numbers from the National Numbering Plan. It is expected that the numbers to be allocated to successful Bidders in terms of the provision of fixed services – if not already allocated to them – will be from the range for fixed numbers.

The Telecommunications Law provides for number portability in fixed and mobile services. Number portability will be imposed once the TRA is satisfied that sufficient demand exists for such a service.

Copies of the National Numbering Plan are available on the TRA's website, at: <http://www.tra.org.bh/en/pdf/NNP.pdf> A public consultation was issued on 20 October 2005 concerning the possible review of certain aspects of the numbering plan. This document is

Information Memorandum

available on TRA's web site at
http://www.tra.org.bh/en/pdf/NNP_consultation_final_formated.pdf

5.11 CONSUMER PROTECTION

The TRA is given the authority to intervene in the market by issuing regulations in order to safeguard the interests of consumers in the telecommunications sector. Relevant provisions may also be inserted in the Individual Licenses of operators. These concern, inter alia, pricing issues and in all cases the pre-approval of the standard agreement terms to be used by the operator vis-à-vis the consumers.

In addition, in January 2006 the TRA issued a consultation on a number of consumer protection issues related to Bahrain's telecommunications sector. This consultation can be accessed via the TRA's website.

5.12 ISSUES RELATED TO THE PROTECTION OF PUBLIC HEALTH

All network and customer premises equipment are expected to meet the relevant international electrical and mechanical safety standards, such as for example EU Directive 73/23/EEC, and also carry relevant marking to indicate such conformance.

The licensee shall also ensure that non-ionizing radiation emissions from the fixed wireless access apparatus operated by the licensee are within the limits specified in the guidelines published by the International Commission for Non-Ionizing Radiation Protection ("ICNIRP") and that these comply with any radiation emission standards adopted and published by ICNIRP or its successors from time to time, and any radiation emission standards of the European Committee for Electrotechnical Standards, and any other radiation emission standards specified by law.

Annexe 1: Glossary

Application Form

The form that will be included in the Invitation to Tender and will need to be submitted by the Bidder in order to participate in the Auction.

Ascending Price Auction

An auction that proceeds through a series of rounds with an increasing asking price until the number of Bidders left in the auction equals the number of licenses to be awarded.

Auction

The Auction refers to the procedure for awarding the NFWS Licenses, as shall be set out in the Regulations of the Kingdom of Bahrain for the award and issue of Licenses

Auction Day

The date and time on which the TRA will open the received Financial Bids from those Bidders that have qualified in order to determine the Successful Bidders of the Auction.

Auction Price

The price due for each License determined by the highest and second highest Valid Financial Bid.

Authorized Person

A natural person properly authorized to bind a company in accordance with the laws of the jurisdiction in which the company is incorporated.

Band

A defined range of frequencies that may be allocated for a particular radio service, or shared between radio services.

Bank Guarantee

A guarantee provided by a bank licensed in the Kingdom of Bahrain that it will upon request pay to the holder of the guarantee the amount specified in the guarantee.

Bid

The information required for participation in the Auction. Each Bid must contain a Financial Bid and the Qualification Documentation.

Bidder

A person, whether legal or natural, or consortium of persons, whether legal and/or natural, that has submitted a Bid; and in the case where

Information Memorandum

the Bidder is not incorporated, the company that will be incorporated to hold the license in the event that the Bidder is the Successful Bidder. In the case of a consortium any reference to a requirement of the Bidder in the Auction will apply to all members of the consortium on joint and several basis.

Bidder's Representative

A person, whether legal or natural, that is authorized to represent the Bidder during the course of the Auction.

Bid Price

The amount bid by Bidders.

Business Day

A day (other than Friday and Saturday) on which banks are generally open in the Kingdom of Bahrain for normal business.

Confidential Information/Confidentiality

In relation to any Bidder, any information which is not in the public domain and which, if it were made public or disclosed to another Bidder (or Bidder's Representative), would be likely to affect the decisions that the other Bidder (or Bidder's Representative) makes in relation to the Auction.

Dominance

A position of economic power that enables an operator to prevent the existence and continuation of effective competition in the relevant market through the ability of the operator to act independently, to a material extent, of competitors, subscribers and users.

Effective Date

The date on which the TRA will grant the NFWS License to the Successful Bidder and stated in the License.

Entry Fee

The non-refundable deposit to be paid on registration or submission of a Bid.

Evaluation of Financial Bids

The procedure set out in the Invitation to Tender for the award of the Licenses, depending on the number of Qualified Bidders. The process for the award of the NFWS Licenses will be a single-round, pay-as-bid sealed bid auction of all Valid Financial Bids.

Financial Bid

The Financial Bid that will be submitted as part of the Bid for consideration in the Auction.

Information Memorandum

Financial Evaluation Stage

Stage at which the Evaluation of the Financial Bid occurs.

Fixed Wireless Access (FWA)

Fixed wireless access (FWA) systems are ways of making fixed connections between users' premises and telecommunications networks, replacing the traditional copper with wireless technology. They can deliver a complete range of electronic traffic, including telephony, high-speed data and multimedia services. Frequency Bands for the Fixed Service between 2 and 40 GHz have been allocated by the ITU, but only some of them have been designated for use by FWA.

FWA Services

The services provided using FWA systems. Under the terms of this Auction, the NFWS Licenses allow the provision of services included in the National Fixed service License (NFL). For the avoidance of doubt they include the provision of nomadic but not mobile services. Additional Licenses will be required for the provision of services not covered by the NFL, such as international calls, and internet services.

Frequency Licenses

The frequency licenses specified in Section 3.3 of the Information Memorandum.

GHz

Gigahertz: a unit of frequency equal to 1,000 million (1×10^9) Hz or cycles per second.

Information Memorandum

The current document. Its aim is to provide information to potential Bidders in the Auction.

Initial Term

With respect to a License, the period beginning on the effective date of the License and ending on the fifteenth (15th) anniversary of that date.

Interference

The effect of unwanted signals upon the reception of a wanted signal in a radio system, resulting in a degradation of performance, misinterpretation or loss of information compared with that which would have been received in the absence of the unwanted signal.

Invitation to Tender (ITT)

An invitation that will be published by the TRA, including the rules regarding the Auction.

Information Memorandum

ITU

International Telecommunications Union: an international organization within the United Nations System where governments and the private sector coordinate, discuss and agree the logistics of global telecommunications networks and services.

Licenses

The Licenses issued by the TRA under the powers granted to the TRA by the Telecommunications Law for operation in the Kingdom of Bahrain. These include the Mobile Telecommunications License, Paging Service License, Very Small Aperture Terminal (VSAT) License, Public Access Mobile Radio Service License, International Telecommunications Facilities License, National Fixed Service License, Internet Service Provider License and Value Added Service License.

License Fee

The annual fee payable by a Licensee to the TRA in accordance with the Telecommunications Law and Regulations.

Licensee

The holder of a License. From the moment of the grant of the NFWS License, the Successful Bidder will be considered the Licensee.

Memorandum

See Information Memorandum

MHz

Megahertz: a unit of frequency equal to 1,000,000 (1×10^6) Hz or cycles per second.

National Fixed Services (NFS)

Includes national fixed and data services, but excludes the provision of international connections and ISP services.

National Fixed service License (NFL)

A type of License granted by the TRA that allows the provision of national fixed voice and data services.

National Fixed Wireless Services (NFWS) Licenses

The Licenses granted by the TRA as part of this Auction for the provision of National Fixed Services (NFS), using the 3.5 GHz Spectrum Band to be assigned through a separate spectrum license. Additional Licenses will be required for the provision of services not covered by the NFS, such as international calls, and internet services.

National Licenses

See Licenses.

Information Memorandum

Nomadic Services

Wireless access application in which the location of the end-user termination may be in different places but must be stationary while in use.

Qualification Criteria

Principles against which the submitted Qualification Documentation is evaluated in order to be considered in the Evaluation of the Financial Bids.

Qualification Documentation

The information provided by a Bidder in order for the TRA to assess its compliance with the Qualification Criteria.

Qualification Stage

The stage at which it is determined which Bidders are eligible to proceed to the Financial Evaluation Stage.

Qualified Bidder

A Bidder whose submitted Qualification Documentation has complied with the Qualification Criteria.

Radiocommunications Equipment

Radiocommunications Equipment the establishment, installation, and use of which is authorized by a License granted by the TRA under the Telecommunications Law.

Reserve Price

A level set out by the TRA below which the Financial Bid will not be considered valid. For each NFWS License the TRA has set a Reserve Price of BD 20,000.

Single sealed bid auction

A single-round process by which the object of the auction is awarded to the party submitting the highest monetary bid.

Spectrum

A section of frequencies of electromagnetic radiation in the range of approximately 10 KHz to 300 GHz.

Spectrum Band

See Band.

Spectrum Trading

Process through which Spectrum License Holders are able to transfer some or all of their rights to a third party.

Submission Date

Information Memorandum

The date of receipt of all Applications in respect of the Auction as notified by the TRA.

Successful Bidder

A Qualified Bidder who has submitted one of the two highest Valid Financial Bids.

Telecommunications Law

The basic statute that regulates the telecommunications market in the Kingdom of Bahrain and all issues regarding relevant markets. The Telecommunications Law was issued through Legislative Decree No. 48 in October 2002.

Telecommunications Regulatory Authority (TRA)

The regulatory authority of the telecommunications sector in the Kingdom of Bahrain. It was created by the Telecommunications Law in 2002.

Valid Financial Bid

The information submitted to the TRA containing a completed copy of the Financial Bid included in the Invitation to Tender, the required Bank Guarantee(s), signed by one of the Authorized Persons of the Bidder.

Annexe 2: Draft NFWS License

Draft – 29 August 2006 V.1

**INDIVIDUAL NATIONAL FIXED (WIRELESS)
TELECOMMUNICATIONS LICENSE GRANTED TO**

[NAME OF LICENSEE]

Commercial Registration No. [•]

**BY THE TELECOMMUNICATIONS REGULATORY AUTHORITY
UNDER SECTION 25 AND SECTION 29 OF THE LEGISLATIVE
DECREE 48 OF 2002 WITH RESPECT TO TELECOMMUNICATIONS**

Document Number: [•] Version [•]

Date of Issue: [•]

**INDIVIDUAL NATIONAL FIXED (WIRELESS) TELECOMMUNICATIONS
LICENSE GRANTED TO [NAME OF LICENSEE] BY THE
TELECOMMUNICATIONS REGULATORY AUTHORITY**

1. GRANT OF LICENSE

1.1 The Telecommunications Regulatory Authority (the “**Regulator**”) hereby grants [NAME OF LICENSEE] Registration number [X] (the “**licensee**”) this license under section 25 and section 29 of the Telecommunication Law promulgated by Legislative Decree No. 48 of 2002, by virtue of which the licensee is authorized to install, operate and manage a national fixed (wireless) network described herein and to provide the telecommunications services in the licensed area set out herein (the “**license**”).

1.2 This license shall be subject to the provisions herein stated, the Telecommunications Law and any regulations issued thereunder.

2. DEFINITIONS

2.1 For the purposes of this license:

- (a) a meaning or definition provided for any word, phrase or expression under the Telecommunications Law shall also be applicable to such word, phrase or expression in this license, unless the context requires otherwise;
- (b) a reference to a section is, unless otherwise stated, a reference to a section of this license; and
- (c) the following terms and expressions shall have the following meanings unless the context requires otherwise:

“**Affiliate**” means, as used with respect to any person, any other person directly or indirectly controlling, controlled by, or under common control with, that person. In the case where one

person owns, directly or indirectly, 50% or more of the share capital, voting rights, securities or other ownership interest of another person, both such persons shall be deemed an affiliate;

“Basic data service” means a telecommunications service that consists of the conveyance of messages, but excluding:

- (a) any additional service having been provided in respect of the conveyance of those messages;
- (b) any deliberate removal or addition to the information content of those messages;
- (c) basic voice services;
- (d) a mobile telecommunications service; and
- (e) any service involving broadcasting.

“Basic voice service” means a telecommunications service, involving the transmission of two-way speech, but excluding:

- (a) any additional service having been provided in respect of the two-way speech conversation;
- (b) any deliberate removal or addition to the information content of that two-way speech conversation;
- (c) a mobile telecommunications service; and
- (d) basic data services.

“Call” includes any origination or communication conveying voice and data:

- (a) whether between persons and persons, things and things or persons and things;

- (b) whether in the form of speech, music or other sounds;
- (c) whether in the form of data;
- (d) whether in the form of text;
- (e) whether in the form of visual images (animated or otherwise);
- (f) whether in the form of signals; and
- (g) whether in any combination of the foregoing forms;

“Commercial launch date” means the first date on which the licensee offers licensed services to fixed wireless subscribers on a commercial basis, which for the purposes of this license shall be no later than the date in section 4.2 of this license. For the avoidance of doubt, where the licensee is offering a licensed service on a trial basis and is not charging for that service, such offering shall not constitute the commercial launch date;

“Control” means, as applied to any person, the possession, directly or indirectly, of the power to direct or cause the direction of the management of that person, whether through ownership, voting, securities or other means and **“controlling”** and **“controlled”** shall be construed accordingly;

“Effective date” means the date referred to in section 25.1;

“Emergency organization” means in respect of any locality, the relevant competent body such as; public police, fire, ambulance and coastguard services for that locality;

“Fixed wireless equipment” means any appliance, apparatus or accessory connected to a national fixed (wireless) network of the licensee to enable reception and transmission of services authorized by this license (and **“fixed wireless terminal equipment”** shall be construed accordingly);

“Fixed wireless subscriber” means any subscriber for the licensed services;

“Force majeure” means any event beyond the reasonable control of the licensee, including but not limited to fire, storm earthquake, flood or other extreme weather conditions, acts of God, lightning, war, military operations, acts of terrorism or riot;

“Frequency license” is the license referred to in section 18.1 of this license which is granted by the Regulator to the licensee for the purposes of providing the licensed services over its national fixed (wireless) network;

“International telecommunications service” means the provision of telecommunications services between the Kingdom of Bahrain and countries or territories outside the Kingdom of Bahrain, or *vice versa*;

“Internet” means integrated computer networks through which users are connected to each other by means of the TCP/IP family of protocols;

“Licensed area” means the territory of the Kingdom of Bahrain;

“Licensed services” means all telecommunications services described in section 3.1 of this document;

“Mobile telecommunications service” means any radiocommunications service the functionality of which enables continued use of applications of such service across boundaries between the different areas of radio coverage pursuant to such service with an imperceptible interruption or no interruption of such services and which, for the avoidance of doubt, includes a handover process between elements of its network but does not include a nomadic wireless service;

“National fixed telecommunications network” means a public telecommunications network which facilitates the conveyance by whatever means of signals between network termination

points at fixed locations within the licensed area but which does not comprise any telecommunications equipment for the provision of a mobile telecommunication service;

“National fixed telecommunications service” means any basic data service or basic voice service other than an international telecommunications service;

“National fixed (wireless) network” means a national fixed telecommunications network utilizing fixed wireless access technology established or to be established under and in accordance with this license by the licensee comprising radiocommunication stations, radiocommunication equipment and the use of radio frequency spectrum to establish radio links between a radiocommunication station and the locations of fixed wireless subscribers within the licensed area (whether using point-to-point or point-to-multi-point technologies);

“Nomadic wireless services” means any data services or voice services provided by means of any national fixed (wireless) network of the licensee utilizing access to such national fixed (wireless) network from multiple fixed locations (including the home, office or business premises of any fixed wireless subscriber);

“Operator assistance service” means a telecommunications service by means of which a fixed wireless subscriber may, at any time, request assistance to be connected to another person connected to a network and which is capable of providing basic voice services;

“Public emergency call service” means a telecommunications service by means of which any member of the public may, at any time and without incurring any charge or use any coin or other token, communicate with any of the emergency organizations for the purpose of notifying such organization of an emergency;

“Resale services” means licensed end-to-end retail telecommunications services offered to its subscribers by a licensed operator that are, subject to section 58 of the Telecommunications Law, purchased from the licensee by another licensed operator (which for the avoidance of doubt can be the holder of any other license issued by the Regulator) for

on-sale by such operator to end-users or other licensed operators, either alone or, together with such additional services as the other licensed operators may provide. For the avoidance of doubt, resale services shall exclude licensed services involving interconnection with the licensee's national fixed (wireless) network;

“Structural separation” for the purposes of this license includes the division of an integrated telecommunications business of a licensee into two or more separate legal entities so that each entity independently performs distinct licensed telecommunications activities and owns and has day-to-day control of the assets and operational capabilities, including employees, by means of which such activities are carried out;

“Telegraph service” means the transmission of telegraph signals via a national fixed telecommunications network;

“Telex service” means a service which is provided for the purposes of text communication only by directly transmitting text messages between terminal equipment connected to a national fixed telecommunications network; and

“Value added services” means enhanced or value added telecommunications data and/or voice services that act on the format, content, code or protocol of information in order to provide the user with additional or different information or that involve subscriber interaction with stored information, including computer and data processing services, data information and exchange services, credit card verification services but excluding those transmission services to or over the internet that require an internet service provider license.

3. LICENSED NETWORKS AND SERVICES

3.1 The licensee is authorized, on a non-exclusive basis, to provide by means of a national fixed (wireless) network the following services in the licensed area:

- (a) national fixed telecommunications services;

- (b) nomadic wireless services;
- (c) telegraph services; and
- (d) telex services.

3.2 The licensee is authorized to connect its national fixed (wireless) network to:

- (a) any telecommunications network operated under a telecommunications license; and
- (b) any telecommunications equipment approved for connection in accordance with section 38 of the Telecommunications Law and any regulations issued pursuant to the Telecommunications Law.

3.3 The licensee will not use or allow the use of any of its national fixed (wireless) network for the provision of any mobile telecommunications service.

3.4 The licensee shall not implement any technology that is intended to provide the ability or facilitate the use of any terminal equipment of any fixed wireless subscriber to receive, use or provide mobile telecommunications services utilizing any national fixed (wireless) network of the licensee.

3.5 The licensee shall on request by the Regulator demonstrate fully to the satisfaction of the Regulator that its national fixed (wireless) network is not providing any mobile telecommunications service.

3.6 The licensee shall ensure that any equipment installed by the licensee in its national fixed (wireless) network or provided by the licensee to or for users is not capable of being used for providing, transmitting or receiving mobile telecommunications services, except only to the extent necessary to facilitate interconnection of the licensee's national fixed (wireless) network with the mobile telecommunications

network of a mobile telecommunications services provider. Further, the licensee shall not give any approval to or permit the use by any other person of any equipment which it is not itself authorized to use or provide under this license.

- 3.7 The licensee may, with the prior written approval of the Regulator, provide any or all of the licensed services through an affiliate or sub-contract the provision of any or all of the licensed services to another person; provided, however, that the licensee shall continue to be fully liable for any obligation arising in relation to the provision of such licensed services. The Regulator may revoke its approval at any time by providing reasonable advance notice to the licensee in writing.

4. COVERAGE REQUIREMENTS, COMMERCIAL LAUNCH AND SUBSCRIBER CONNECTION

- 4.1 Using its national fixed (wireless) network, the licensee shall:

(a) within 18 months of the effective date of this license provide coverage of at least the 40% of the population in the licensed area;

(b) within 30 months of the effective date of this license provide provide coverage of at least the 65% of the population in the licensed area; and.

(c) within 48 months of the effective date of this license provide coverage of at least the 95% of the population in the licensed area.

- 4.2 The licensee shall launch and offer licensed services on a commercial basis on or before *[insert date]* [**“commercial launch date”**].

- 4.3 The licensee must provide the licensed services to any Person that requests services offered on a commercial basis (the **“Requested Services”**), subject to the licensee having an objective reason for not being in a position to offer the Requested Services to that Person. The licensee must provide the Regulator and the Person that requested

the Requested Services with a written statement outlining the objective reason/s why it cannot provide those services. The Regulator may issue an order to the licensee to connect the Person that requested the Requested Services if the Regulator is not satisfied that the licensee has objective reasons to not connect that Person. The licensee shall not be required to provide the Requested Services where in the Regulator's view it is not reasonable to require the licensee to provide the Requested Services.

- 4.4 Without derogating from section 57(e) of the Telecommunications Law, but subject to any regulation regarding the sharing of telecommunications facilities and section 17.2, the licensee shall ensure that coverage is primarily provided through its national fixed (wireless) network.

4.5 Without derogating from section 35 of the Telecommunications Law and any right of the Regulator generally, the licensee shall be liable for the payment of the following penalties to the Regulator when due in immediately available funds in relation to the following obligations of the licensee under this license:

License Provision	Penalty
Section 4.1(a) – 40% population coverage within 18 months of the effective date.	BD XXXXX for every late month or any part thereof, up to a maximum of BDXXXXX
Section 4.1(b) – 65% population coverage within 30 months of the effective date.	BD XXXXX for every late month or any part thereof, up to a maximum of BDXXXXX
Section 4.1(c) – 95% population coverage within 48 months of the effective date.	BD XXXXX for every late month or any part thereof.
Section 4.2 – failure to launch and offer licensed services on a commercial basis by the commercial launch date.	BD XXXXX for every late month or any part thereof, up to a maximum of XXXXX and, at the sole discretion of the Regulator, revocation of license per section 35 of the Telecommunications Law if licensed services are not launched and offered on a commercial basis within YYY months from the date specified in section 4.2 of this license

(a) The dates in the foregoing table assume the effective date of the license to be no later than **[3 January 2007]** and will be adjusted, on a day-for-day basis, for every day that the effective date is later than **[3 January 2007]**.

(b) Any penalty is payable 30 days from the determination of the liability and late payment shall be charged a further penalty at a rate of **[eight percent (8%)]** per annum.

5. PROVISION OF PUBLIC EMERGENCY CALL SERVICE

5.1 The licensee shall ensure, by means of its national fixed (wireless) network, that any end-user using fixed wireless equipment connected to the licensee's national fixed (wireless) network shall have access to a public emergency call service.

5.2 The licensee shall ensure that "999", "112" and any other numbers as are designated by the Regulator from time to time as public emergency call service numbers are continuously available without restriction so that any end-user connected to the licensee's national fixed (wireless) network dialling such number is provided with a public emergency call service at any time.

6. PROVISION OF DIRECTORY INFORMATION SERVICES

6.1 The licensee shall provide directory information services upon request to its fixed wireless subscribers. The licensee shall update directory information used for its directory information service promptly and shall provide directory information services upon request to any end-user to the licensee's national fixed (wireless) network, and the tariff, if any, charged therefore shall be approved in writing in advance by the Regulator. The obligation to provide directory information services shall not apply in respect of any fixed wireless subscriber who has requested the licensee not to include its subscriber information in any directory information service.

6.2 The licensee shall provide any licensed operator access to the licensee's directory information on request, in such form as may be determined by the Regulator, on

reasonable, fair and non-discriminatory terms, including reimbursement of the licensee's direct costs reasonably incurred in granting access, provided that:

- (a) the licensed operator undertakes to use the information only to provide directory information services or for the routing of calls;
- (b) the licensed operator undertakes that it will not give its fixed wireless subscribers directory information services in respect of any fixed wireless subscriber who has requested the licensee not to provide its information as part of such service;
- (c) the licensed operator provides access to the licensee to its own directory information on a similar basis or if the licensed operator is not yet fully operational, provides reasonable undertakings to provide such information; and
- (d) the provision by the licensee to the licensed operator of the information is not unlawful.

6.3 The licensee shall use all reasonable efforts to provide its fixed wireless subscribers, upon request, with access to directory information services available in other countries to which the licensee provides telecommunications services. Any tariff charged for access to such services shall be subject to the prior written approval of the Regulator.

7. PROVISION OF OPERATOR ASSISTANCE SERVICES

7.1 The licensee shall provide, or provide access to, operator assistance services to its fixed wireless subscribers, upon request, by means of its national fixed (wireless) network.

7.2 The tariff, if any, charged by the licensee for operator assistance services shall be approved by the Regulator.

8. RELATIONS WITH SUBSCRIBERS

8.1 Without derogating from section 55 and section 56 of the Telecommunications Law, the licensee shall publish a code of practice on subscriber affairs approved in writing by the Regulator, giving guidance to the licensee's fixed wireless subscribers in respect of any disputes and complaints relating to the provision by the licensee of the licensed services.

8.2 The licensee shall prepare an initial draft of the code of practice on subscriber affairs and submit it for review by the Regulator within three (3) months of the effective date.

8.3 The code of practice on subscriber affairs shall contain guidelines on the following issues:

- (a) complaints;
- (b) dispute settlement;
- (c) location of customer service departments;
- (d) quality of service;
- (e) provision of ancillary services;
- (f) other matters dealt with in the terms of service of the standard subscriber agreement referred to in section 8.5; and
- (g) guidelines on service termination.

- 8.4 After approval of the code of practice by the Regulator, the licensee shall report to the Regulator on an annual basis (within one (1) month of the end of the licensee’s accounting period) on the performance of the licensee in meeting the guidelines set out in the code of practice on subscriber affairs, and on the progress made in implementing the guidelines.
- 8.5 At least two (2) months prior to the commercial launch date, the licensee shall submit to the Regulator for its review a standard agreement containing the terms for the provision of licensed services to fixed wireless subscribers (the “**standard subscriber agreement**”). The licensee may submit a different standard subscriber agreement for use by similarly situated fixed wireless subscribers of a specific category, provided that all such categories shall be objectively justified and do not result in undue discrimination. The Regulator may raise objections and require the introduction of such modifications as the Regulator deems necessary. If no objections are raised or modifications required by the Regulator within thirty (30) days of the submission of such form, such form may be used by the licensee.
- 8.6 Any modifications to such agreement also are subject to the foregoing provisions. In addition, the Regulator may subsequently order the introduction of any modification to such agreement after it becomes aware of any fact or circumstance which, in its view, requires such modification in order to safeguard the interests of subscribers.

9. QUALITY OF SERVICE REQUIREMENTS

- 9.1 The licensee shall provide the licensed services and ensure the operation of its national fixed (wireless) network twenty-four hours per day, seven days per week, subject to the other provisions of this section 9.
- 9.2 The national fixed (wireless) network shall, averaged over any ninety (90) day period:

- (a) maintain a busy hour call completion rate for all calls made over the national fixed (wireless) network of at least 95%; and
- (b) be capable of providing the following at least 98% of the time:
 - (i) licensed services to its fixed wireless subscribers; and
 - (ii) interconnection and access services to licensed operators with whom the licensee has interconnection or access agreements.

9.3 The licensee shall implement any measures required by the Regulator to achieve service quality levels that are either in accordance with recognized international standards or are specified by the Regulator.

9.4 The licensee shall implement any measures (including installation of equipment and adoption of procedures) necessary to ensure compliance with recognized international telecommunications standards, in particular those set by the International Telecommunications Union, especially in relation to availability rates, end-to-end error rates, time limits for the satisfaction of service requests, and the efficiency and the speed of network maintenance.

9.5 The licensee shall ensure that it maintains information records in a form to be approved by the Regulator within two (2) months of the commercial launch date for the purposes of satisfying the Regulator that the licensee is meeting the quality of service requirements and the licensee shall provide quarterly updates to the Regulator concerning such requirements.

10. INTERRUPTIONS TO THE LICENSED SERVICES

10.1 The licensee shall not intentionally, nor through any negligent act or omission, interrupt or suspend the operation of its national fixed (wireless) network (or any part thereof) in the normal course of business, nor may it in the normal course of business

suspend the provision of any type of licensed service without having first obtained the approval of the Regulator in writing (including approval of a scheduled service outage plan) and provided reasonable advance notice to persons to be affected by such interruption or suspension.

10.2 The licensee may suspend or interrupt the operation of its national fixed (wireless) network (or part thereof) without prior notice, but only for the shortest period practicable under the circumstances, where:

- (a) it has been directed to suspend or interrupt service by a Court, regulator or other relevant authority;
- (b) it is necessary to do so in order to prevent imminent risk of danger, damage or injury to persons or property (including the security or integrity of any telecommunications network).

11. TARIFFS FOR LICENSED SERVICES

11.1 Without derogating from section 58 of the Telecommunications Law, if and for so long as the licensee is an Operator with Significant Market Power or is dominant in the relevant market and/or any related telecommunications market (including but not limited to any national fixed telecommunications network market or otherwise):

- (a) the licensee's tariffs for the provision of licensed services shall be subject to section 58(a) of the Telecommunications Law and any regulation made thereunder;
- (b) within three (3) months of the effective date, the licensee shall file, in a form to be agreed with the Regulator, the tariffs and the terms upon which it proposes to offer the licensed services to its subscribers and others in accordance with this license. Until such tariffs and terms have been approved

in accordance with this license, the licensee's prevailing tariffs and terms shall remain in effect;

- (c) if the licensee wishes subsequently to change the tariffs for a licensed service or introduce a new licensed service, it must, unless otherwise directed by the Regulator, file the proposed change or the terms and tariffs of the new licensed service with the Regulator at least forty-five (45) days prior to the date on which it is proposing that the change or new service is to come into effect;
- (d) the Regulator must approve or disapprove in writing the terms and tariffs of the licensed services within thirty (30) days from the date on which they are filed with the Regulator and in the case of disapproval, it shall notify the licensee of such disapproval stating the reasons therefore within such period;
- (e) the Regulator may disapprove the proposed tariffs only if:
 - (i) the calculations are incomplete, lack sufficient supporting documents or contain mathematical errors; or
 - (ii) the terms or tariffs violate any other provision of this license, any regulation on tariff controls or any applicable law;
- (f) if the Regulator has grounds to disapprove any terms and tariffs pursuant to the provisions of section 11.1(e)(i) or (ii), it may approve the terms and tariffs subject to conditions that address those grounds for disapproval. If these conditions are fulfilled by the licensee by the date set out in the Regulator's conditional approval, then the terms and tariffs will be deemed to be approved, subject to the conditions, for the purposes of sections 11.1(b) and (d), otherwise the terms and tariffs shall be deemed to be disapproved for the purposes of section 11.1(d); and

(g) if the Regulator disapproves the tariffs filed in accordance with section 11.1(b) or 11.1(c), the licensee may re-file the tariffs for that licensed service with the Regulator in which case the procedure specified in section 11.1(d) shall apply.

11.2 The licensee's tariffs for the provision of licensed services shall be subject to section 58(b) of the Telecommunications Law and any regulation made thereunder.

11.3 The licensee shall ensure that it publishes in accordance with the standard subscriber agreement and keeps updated a list of applicable retail terms and tariffs, and makes that list available on its website, at its place of business, and to any person who requests a copy.

12. PROVISION OF ACCESS

12.1 Subject to section 12.3, if and for so long as the Regulator determines the licensee to be a public telecommunications operator in a dominant position:

(a) the licensee shall provide access to its national fixed (wireless) network on the reasonable request of any licensed operator in accordance with section 57 of the Telecommunications Law; and

(b) access shall be provided in a manner that is non-discriminatory and at a point or level within such network that is determined by the Regulator to be technically feasible and consistent with the most efficient delivery of telecommunications services to the ultimate consumer of such services.

12.2 The licensee shall provide access within a maximum period from the date of request as shall from time to time be determined by the Regulator or set forth in the regulations.

12.3 The licensee shall not be required to provide such access where in the Regulator's view it is not reasonable to require the licensee to provide access, including, but not

limited to, where it would expose any person engaged in provision of the access to undue risk to health or safety.

12.4 The Regulator may determine all tariffs to be made for the provision by the licensee of access. In determining such tariffs the Regulator may consider international benchmark charging levels for a similar service and conditions prevailing within the licensed area, including scale, but, in any event, shall ensure that such tariffs are:

- (a) cost oriented and sufficiently unbundled so that the seeker of access services does not pay for network components or facilities that it does not require; and
- (b) in all cases fair and reasonable and, with respect to similarly situated users, non-discriminatory.

13. PROVISION OF SERVICES FOR RESALE

13.1 Subject to any regulations on interconnection and access and to the provisions of this section 13, the licensee shall, within six (6) weeks of a request by any other licensed operator, enter into a written agreement with the licensed operator to provide such licensed services as are reasonably requested to enable that licensed operator to provide resale services. Where the licensee and such licensed operator cannot agree the terms of such agreement within such period of time, either party may refer the matter to the Regulator in writing for determination of such terms within thirty (30) days from referral.

13.2 The licensee shall not be required to enter into an agreement under section 13.1 where to do so would, in its reasonable opinion and with the agreement of the Regulator:

- (a) cause or would be likely to cause danger, damage or injury to any person or to any property; or

(b) interfere with the operation of its national fixed (wireless) network or the provision of telecommunications services over such network.

13.3 The licensee shall ensure that the agreement referred to in section 13.1 above is offered on terms and in accordance with tariffs approved or determined by the Regulator and shall provide the Regulator with a copy of each such agreement within three (3) days of its signing.

14. INTERCONNECTION WITH OTHER PUBLIC TELECOMMUNICATIONS OPERATORS

14.1 If and for as long as the licensee is a public telecommunications operator in a dominant position, it shall provide interconnection to other public telecommunications operators in accordance with section 57 of the Telecommunications Law.

15. BILLING

15.1 The licensee shall upon issuing any bill in respect of any licensed service ensure that every amount stated as due in the bill is no higher than the amount that represents the true extent of any such service lawfully provided by the licensee to the fixed wireless subscriber in question.

15.2 The licensee shall, no later than three (3) months from the commercial launch date, establish a procedure to ensure the accuracy of its billing network in accordance with section 15.1 above which must be submitted for prior written approval to the Regulator within two (2) months from the commercial launch date. The Regulator shall issue its decision with respect to such procedure within one (1) month of such submission.

15.3 The licensee shall keep such records as may be necessary or may be determined by the Regulator to be necessary for the purpose of satisfying the Regulator that the

billing process has the characteristics required above and the licensee shall for the purposes of this license retain all records for at least two (2) years from the date on which they came into being.

15.4 For the purpose of giving the Regulator assurance from time to time that the billing process meets the requirements of section 15.1, the licensee shall:

- (a) furnish the Regulator with any information it requires;
- (b) on reasonable notice, allow the Regulator (or any person authorized by the Regulator) access to any relevant premises of the licensee during normal business hours; and
- (c) on reasonable notice, allow the Regulator (or any person authorized by the Regulator) to examine or test the whole or any part of the billing process.

15.5 The licensee shall, no later than the commercial launch date, provide itemized billing information to any fixed wireless subscriber upon request in respect of the tariffs for any telecommunications services provided to such subscriber. If the Regulator permits the licensee to charge for itemized billing information, any such charge is subject to the prior written approval of the Regulator.

16. NUMBERING

16.1 If the national numbering plan is not finalized within two (2) months prior to the commercial launch date, the licensee shall obtain the prior written approval for codes and the blocks of numbers it uses, and thereafter the Regulator shall, at the request of the licensee from time to time and in accordance with the national numbering plan, allocate to it:

- (a) such quantity of codes and numbers as it may reasonably require; and

- (b) such specific codes and numbers as it may request for such purposes as the Regulator may approve and which the Regulator is satisfied are not required for other purposes.
- 16.2 The licensee shall prepare a numbering plan for the codes and numbers allocated to it by the Regulator in accordance with the national numbering plan for written approval by the Regulator. The licensee shall furnish details of its numbering plan to the Regulator and keep the Regulator informed of material changes to its numbering plan as they occur. If the licensee's numbering plan is not consistent with the national numbering plan, the Regulator may direct the licensee to adopt and furnish the Regulator for its written approval with a new numbering plan or to take such other reasonable remedial action which does not cause undue inconvenience to the licensee's fixed wireless subscribers, as may be necessary to ensure consistency.
- 16.3 The licensee shall install, maintain and adjust its national fixed (wireless) network so that such network routes messages and otherwise operates in accordance with the licensee's numbering plan and the national numbering plan. The licensee shall not use numbers other than those allocated to it from the national numbering plan or if the national numbering plan has not been finalized, in accordance with section 16.1.
- 16.4 The licensee may, where necessary and with the Regulator's prior written approval, levy reasonable tariffs in relation to allocation of codes or numbers to its fixed wireless subscribers, but shall not be entitled to transfer or sell codes or numbers to other licensed operators other than in accordance with the national numbering plan and following written approval from the Regulator.
- 16.5 Where required for the efficient use of codes and numbers, the Regulator may require the licensee to return individual codes or numbers or blocks of codes or numbers.

- 16.6 Without derogating from sections 40(2) of the Telecommunications Law, if directed by the Regulator or required by a regulation, the licensee shall provide number portability to any qualifying operator on tariffs and terms to be determined by the Regulator so as to enable the efficient implementation and utilization of number portability.
- 16.7 Before issuing any direction for the purpose of section 16.6, the Regulator shall consult with the licensee, the relevant qualifying operators and interested parties and shall take into account all representations made.
- 16.8 Until such time as the licensee offers the facility of number portability on request to any of its fixed wireless subscribers, the licensee shall ensure that, with regard to any such subscriber, for a reasonable period after that subscriber has changed to a different supplier of national fixed telecommunications services either a telephone call to that subscriber's previous number can be re-routed to his or her new number for a reasonable fee, or callers are given an indication of that subscriber's new number without charge.
- 16.9 In this section "**qualifying operator**" means a public telecommunications operator holding a license to operate a national fixed telecommunications network or a national fixed (wireless) network that:
- (a) has notified the licensee in writing that it requests the provision of number portability in relation to such public telecommunications operator's network from the licensee specifying the type or types and extent of number portability so requested; and
 - (b) is able and willing to provide the same type or types and extent of number portability in relation to its network to the licensee on reasonable terms and in accordance with any specifications published from time to time by the

Regulator intended to enable the efficient implementation and utilization of number portability.

17. ACCESS TO LAND AND SHARING OF FACILITIES

17.1 The licensee shall be entitled to use all public and private properties in accordance with the provisions of Chapter 13 of the Telecommunications Law.

17.2 The licensee is permitted to enter into agreements with other licensed operators:

- (a) to share the installation and operation of any fixed wireless equipment comprised in a base station within a national fixed (wireless) network of the licensee; or
- (b) to share the installation and operation of any radiocommunications station of any other licensed operator,

subject to obtaining the prior written approval of the Regulator.

17.3 The Regulator shall give its approval pursuant to section 17.2 if, in its discretion, it is satisfied that:

- (a) each party substantively retains its own network identity from both a commercial and technical perspective;
- (b) the efficiency and environmental benefits of any such sharing will be realized without any exchange or provision of any proprietary technology or any confidential information between the licensee and such other licensed operator except to the extent necessary to achieve such benefits; and
- (c) there shall be no infringement of section 21.

18. RADIOCOMMUNICATIONS AND FREQUENCY ALLOCATION; INTEROPERATOR FREQUENCY DISPUTE RESOLUTION

- 18.1 The licensee shall use only such radiocommunications frequencies or frequency bands for the provision of such licensed services as shall have been authorized by means of a frequency license granted to the licensee under section 44 of the Telecommunications Law.
- 18.2 The licensee shall ensure that the radiocommunications equipment comprised in any of its radiocommunications stations is designed and constructed, used and maintained, so as not to cause any undue interference even when in use in compliance with the rules from time to time established by the Regulator and any other properly authorised body..
- 18.3 The licensee shall ensure that its provision of services under this license comprise a spectrum mask recognized by international standards bodies to avoid any undue interference with the services provided by duly licensed operators.
- 18.4 The licensee shall not permit or suffer any person to use its radiocommunications equipment comprised in any of its radiocommunications stations unless the person is under the control of, and authorized by, the licensee.
- 18.5 The licensee shall ensure that all persons using its radiocommunications equipment comprised in any of its radiocommunications stations are made aware of the relevant terms of this license and other applicable license and comply with such terms.
- 18.6 Without derogating from section 77 of the Telecommunications Law, the licensee shall permit any person authorized by the Regulator to have access to any of its radiocommunications stations and to inspect or test its radiocommunications equipment at any reasonable time, or whenever an emergency situation exists at any time, for the purpose of verifying compliance with the terms of the license, the

provisions of the Telecommunications Law and regulations issued thereunder or for the purpose of investigating sources of radiocommunications interference

- 18.7 Without derogating from the licensee's ultimate rights under section 29.2 the licensee shall first take all reasonably necessary steps to ensure that any spectrum interference is resolved amicably intra parties within 15 days of the interference being detected and brought to the relevant party's or parties' attention. The licensee shall notify the Authority as soon as practicable after it becomes aware of any spectrum interference, and shall keep the Authority informed of any steps taken to resolve the interference and the results obtained thereafter.
- 18.8 Where spectrum interference problems have not been resolved amicably between the licensee and the other party or parties within 15 days of detection and notification of the interference to the other party or parties, either the licensee or the other party or parties may refer the matter to the Authority.
- 18.9 Without prejudice to section 72 of the Telecommunications Law, the Authority shall investigate the matter and issue a decision, determination or order with respect thereto.
- 18.10 The Authority may direct the licensee to take action as may be necessary to resolve interference as soon as possible.

19. INTEROPERABILITY AND TECHNICAL STANDARDS

- 19.1 The licensee shall comply with relevant regulations and any technical specifications issued by the Regulator as in order to ensure interoperability of the licensed services and its national fixed (wireless) network with telecommunications services and telecommunications networks provided by other licensed operators to the extent technically feasible.

20. PRIVACY AND CONFIDENTIALITY

- 20.1 The licensee shall use all reasonable endeavors to ensure the privacy and confidentiality of information and business secrets obtained in the course of its business from any person to whom it provides the licensed services by establishing and implementing procedures for maintaining privacy and confidentiality of such information subject to any requirement under law.
- 20.2 The licensee shall maintain sufficient information on its privacy and confidentiality procedures to satisfy the Regulator, at its reasonable request, that the requirements of section 20.1 are being met.
- 20.3 The licensee shall take all necessary measures to ensure that the operation and provision of the licensed services is neutral in relation to the content of information transmitted through the national fixed (wireless) network and so as to ensure the security of all information so transmitted.
- 20.4 The licensee shall not use or allow to be used any apparatus comprised in the national fixed (wireless) network which is capable of recording, silently monitoring, or intruding into calls unless it is required by any applicable law or legal order.

21. ANTI-COMPETITIVE PRACTICES

- 21.1 Without derogating from section 65 of the Telecommunications Law, the licensee shall not, alone or together with others, engage in or continue or knowingly acquiesce in any anti-competitive practices and, in particular, the licensee shall:
- (a) insofar as the licensee shall be in a dominant position in a relevant market, not engage in anti-competitive cross-subsidization of the licensed services;
 - (b) if applicable, not abuse any dominant position;

- (c) subject to section 17.2, not enter into exclusive arrangements with third parties for the location of its facilities that are required to provide any of the licensed services;
- (d) not enter into any agreements, arrangements or undertakings with any person, including any supplier of services that compete with any of the licensed services, which have as their objective or which cause the fixing of prices or other restraint on competition;
- (e) not use information obtained from competitors if the objective or effect of such use is anti-competitive;
- (f) to the extent required by applicable law and this license, make available to other licensed operators on a timely basis technical information about essential facilities and other commercially relevant information that is necessary for them to provide telecommunications services; and
- (g) not (whether in respect of the tariffs, charges or other terms applied or otherwise) show undue discrimination against particular persons or persons of any class or description as respects the provision of any licensed service.

22. ACCOUNTING REQUIREMENTS

- 22.1 Within three (3) months of the commercial launch date and on an ongoing basis, the licensee shall in a manner to be approved in writing in advance of the Regulator, keep, draw up, submit to independent audit by an external auditor approved by the Regulator and present in written form, separate accounts for the licensed telecommunications activities, to the extent that would be required if the licensed telecommunications activities in question were carried out by legally independent companies, so as to identify all elements of cost and revenue, with the basis of their calculation and the detailed attribution methods used, related to such licensed

telecommunications activities, and the accounts shall include an itemized breakdown of fixed assets.

22.2 The Regulator may request the licensee to submit other accounting information it may require in order to effectively supervise and enforce the terms of this license and the provisions of the Telecommunications Law.

22.3 If the licensee fails to comply with its obligations under sections 22.1 and 22.2 above or if the accounting system presented by the licensee fails to achieve the objectives set forth in these subsections and the Regulator deems it necessary and appropriate in accordance with the provisions of section 3(c) of the Telecommunications Law, it may order the licensee to implement structural separation within a period to be determined by the Regulator.

23. REQUIREMENT TO PROVIDE INFORMATION AND INSPECTION

23.1 Without derogating from section 53 and section 77 of the Telecommunications Law, the licensee is required to maintain such information as will enable the Regulator to carry out its functions under the Telecommunications Law in such manner as the Regulator may from time to time request. The Regulator shall have the right to request the licensee to submit periodic reports, statistics and other data as well as request additional information in order to effectively supervise and enforce the terms of this license, the provisions of the Telecommunications Law and the regulations issued thereunder.

24. LICENSE FEES

24.1 The initial license fee for the period from the effective date until the end of the Gregorian calendar year of the effective date shall be the sum bid by the licensee in the auction for this license.

24.2 The initial license fee shall be paid in the following manner:

- (a) at a date no later than 3 January 2007, by the TRA drawing upon a bank guarantee provided to the TRA by the licensee prior to the granting of this license for the purposes of payment 50% of the initial license fee; and
- (b) at a date being no later than 10 days of the commencement of the next Gregorian calendar year that this license is granted, by the TRA drawing upon a second bank guarantee provided to the TRA by the licensee prior to the granting of this license for the purposes of payment the remaining 50% of the initial license fee.

24.3 The annual renewal license fee for each subsequent calendar year or as the case may be part of calendar year shall be one percent (1%) of the gross annual turnover of the licensee attributable to the licensed services, payable in advance using the gross annual turnover of the previous year and adjusted for any change when the gross annual turnover for the current year becomes available. The method of payment outlined at section 25.2 of this license does not derogate from the licensee's obligations to make payment of its annual renewal license fee in accordance with this section 25.3 for any proceeding year.

24.4 The applicable license fee shall be paid to the Regulator in Bahraini Dinars:

- (a) in accordance with section 24.2 with respect to the initial license fee; and
- (b) annually in advance no later than 31 January of each calendar year thereafter.

25. DURATION AND RENEWAL

25.1 The effective date of this license is [*insert date*] (the “**effective date**”). This license shall be valid for a term of fifteen (15) years.

25.2 The Regulator shall renew the license upon request by the licensee for additional terms of ten (10) years upon expiration of the current license term, provided that the licensee is not, and has not been, in material breach of the license (in which case, the Regulator may veto renewal in accordance with section 30 of the Telecommunications Law).

26. MODIFICATION, REVOCATION AND TERMINATION

26.1 The license may be modified in any of the following ways at any time:

- (a) by written agreement between the Regulator and the licensee;
- (b) by the Regulator if the Regulator determines that such modification is necessary to make the conditions of the license consistent with terms being imposed generally in respect of all licenses issued in the same category, for the purpose of ensuring fair competition between licensees in that category or to the extent necessitated by technological development, provided that the Regulator shall have:
 - (i) given the licensee six (6) months written notice of the proposed modification; and
 - (ii) consulted with the licensee;
- (c) by an order of modification made by the Regulator in any order issued by it in accordance with section 35 of the Telecommunications Law.

26.2 The license may be revoked in any of the following ways at any time:

- (a) by written agreement between the Regulator and the licensee;
- (b) by an order of revocation by the Regulator in accordance with section 35 of the Telecommunications Law; or

- (c) automatically if the licensee is dissolved, or enters into liquidation, bankruptcy or equivalent proceedings or makes a general assignment for the benefit of creditors.

26.3 The license shall automatically terminate upon the expiry of its term if it is not renewed in accordance with section 25.2 above.

26.4 If for any reason the licensee's frequency license referred to in section 18.1 of this license expire, be terminated or is revoked then this license shall also be deemed to have expired, be terminated or be revoked.

27. FORCE MAJEURE

27.1 If the licensee is prevented from performing any of its obligations under this license because of force majeure the licensee shall notify the Regulator of the obligations it is prevented from performing and the reason why as soon as practicable after it becomes aware or reasonably should become aware of such force majeure.

27.2 The Regulator shall suspend those obligations referred to under section 27.1 and the licensee will not be liable to perform those obligations, for so long as the force majeure continues, only if and to the extent that the inability to perform could not have been prevented by taking steps specifically required under this license or other reasonable precautions and the inability cannot reasonably be circumvented by the licensee at its expense through the use of alternate sources, work-around plans or other means.

28. DISPUTE RESOLUTION

28.1 All disputes between the licensee and the Regulator arising out of this license shall be resolved in accordance with the provisions of Chapter 16 of the Telecommunications Law.

28.2 The courts of the Kingdom of Bahrain shall have jurisdiction over disputes between the licensee and other licensees in connection with telecommunications activities which they are licensed to conduct, provided, however, that a party to such dispute may require the dispute to be referred to arbitration, in which case, unless the parties agree otherwise and provided that such agreement is not contrary to Chapter 7 of the Civil & Commercial Procedural Law of 1971, the provisions of sections 67 to 71 of the Telecommunications Law shall apply *mutatis mutandis*.

29. NOTICES

29.1 All notices from the licensee to the Regulator and vice versa shall be in writing and sent by registered mail with acknowledgement of delivery to the following address:

If sent to the Regulator: PO Box 10353, Manama, Kingdom of Bahrain

If sent to the licensee: [*Licensee's registered address*], Kingdom of Bahrain.

29.2 Either party may change his above address by notifying the other party in writing at least fifteen (15) days before such change takes effect.

Signed by [•]

General Director of the Telecommunications Regulatory Authority

[*insert date*]

TABLE OF CONTENTS

	PAGE
1. GRANT OF LICENSE	1
2. DEFINITIONS.....	1
3. LICENSED NETWORKS AND SERVICES	6
4. COVERAGE REQUIREMENTS, COMMERCIAL LAUNCH AND SUBSCRIBER CONNECTION.....	8
5. PROVISION OF PUBLIC EMERGENCY CALL SERVICE.....	11
6. PROVISION OF DIRECTORY INFORMATION SERVICES	11
7. PROVISION OF OPERATOR ASSISTANCE SERVICES.....	12
8. RELATIONS WITH SUBSCRIBERS	13
9. QUALITY OF SERVICE REQUIREMENTS	14
10. INTERRUPTIONS TO THE LICENSED SERVICES.....	15
11. TARIFFS FOR LICENSED SERVICES	16
12. PROVISION OF ACCESS	18
13. PROVISION OF SERVICES FOR RESALE	19
14. INTERCONNECTION WITH OTHER PUBLIC TELECOMMUNICATIONS OPERATORS	20
15. BILLING.....	20
16. NUMBERING	21
17. ACCESS TO LAND AND SHARING OF FACILITIES	24
18. RADIOCOMMUNICATIONS AND FREQUENCY ALLOCATION; INTEROPERATOR FREQUENCY DISPUTE RESOLUTION	25
19. INTEROPERABILITY AND TECHNICAL STANDARDS	26
20. PRIVACY AND CONFIDENTIALITY	27
21. ANTI-COMPETITIVE PRACTICES	27
22. ACCOUNTING REQUIREMENTS	28
23. REQUIREMENT TO PROVIDE INFORMATION AND INSPECTION	29
24. LICENSE FEES.....	29
25. DURATION AND RENEWAL	30
26. MODIFICATION, REVOCATION AND TERMINATION.....	31
27. FORCE MAJEURE	32
28. DISPUTE RESOLUTION	32
29. NOTICES.....	33

Annexe 3: Draft Frequency License

Draft – 29 August 2006 v.1

FREQUENCY LICENSE GRANTED TO

[NAME OF LICENSEE]

Commercial Registration No. [•]

**BY THE TELECOMMUNICATIONS REGULATORY AUTHORITY
UNDER THE LEGISLATIVE DECREE 48 OF 2002 WITH RESPECT
TO TELECOMMUNICATIONS**

Document Number: [•] Version [•]

Date of Issue: [•]

FREQUENCY LICENSE GRANTED TO [XXXX] BY THE TELECOMMUNICATIONS REGULATORY AUTHORITY

1. GRANT OF LICENSE

- 1.1 The Telecommunications Regulatory Authority (the “**Regulator**”) hereby grants this license (the “**frequency license**”), under the Telecommunications Law promulgated by Legislative Decree No. 48 of 2002 (the “**Telecommunications Law**”), by which the Regulator assigns, without creating a precedent and without prejudice to future applications, to [licensee] (the “**licensee**”) the radio frequency spectrum described in Schedule A (the “**Assigned Radio Frequency Spectrum**”).
- 1.2 This license shall not use the Assigned Radio Frequency Spectrum unless the national fixed (wireless) license referred to in section 3.1 is valid and current.
- 1.3 This license shall be subject to the provisions herein stated, the Telecommunications Law and any regulations issued thereunder.

2. DEFINITIONS

2.1 For the purposes of this license:

- (a) a meaning or definition provided for any word, phrase or expression under the Telecommunications Law shall also be applicable to such word, phrase or expression in this license; unless the context requires otherwise;
- (b) a reference to a section is, unless otherwise stated, a reference to a section of this license; and
- (c) the following terms and expressions shall have the following meanings unless the context requires otherwise:

“**Affiliate**” means, as used with respect to any person, any other person directly or indirectly controlling, controlled by, or under common control with, that person. In the case where one person owns, directly or indirectly, 50% or more of the share capital, voting rights, securities or other ownership interest of another person, both such persons shall be deemed an affiliate;

“**Control**” means, as applied to any person, the possession, directly or indirectly, of the power to direct or cause the direction of the management of that person, whether through ownership, voting or other ownership interest, whether by control or otherwise and “**controlling**” and “**controlled**” shall be construed accordingly;

“**Effective date**” means the date referred to in section 12.1;

“**Force majeure**” means any event beyond the reasonable control of the licensee, including but not limited to fire, storm earthquake, flood or other extreme weather conditions, acts of God, lightning, war, military operations, acts of terrorism or riot;

“**Licensed area**” means the territory of the Kingdom of Bahrain; and

“**National fixed (wireless) license**” means the license granted by the Regulator to the licensee on [date] for the provision of licensed services defined therein.

3. EXERCISE OF RIGHTS; SUBCONTRACTING

- 3.1 This frequency license is granted exclusively to the licensee for the purposes of facilitating the provision of licensed services authorized in its national fixed (wireless) license.
- 3.2 Without prejudice to section 50.1 and 50.2 of the Telecommunications Law and subject to section 7 of this license, the licensee may, with the prior written approval of the Regulator, exercise its rights under this frequency license through an affiliate or sub-contract to another person; provided, however, that the licensee shall remain the effective user of the Assigned Radio Frequency Spectrum continue to be fully liable for any obligation arising in relation to the provision of any such licensed activity. The Regulator may revoke its approval at any time by providing reasonable advance notice to the licensee in writing. The prior written approval of the Regulator shall not be required if such affiliate is and remains wholly-owned by the licensee, provided always that the Regulator shall be notified of such arrangement.

4. USE OF RADIO FREQUENCY SPECTRUM; INTEROPERATOR FREQUENCY DISPUTE RESOLUTION

- 4.1 Without derogating from section 49 of the Telecommunications Law, the licensee shall take all necessary steps to ensure that the use of the Assigned Radio Frequency Spectrum is safe and does not cause harmful interference to the other existing radiocommunications stations and telecommunications networks operating in the same area or radio frequency band and in other areas or radio frequency bands.
- 4.2 The licensee shall take all appropriate measures to ensure that its operating licenses and the radiocommunications stations and equipment comprised therein are adequately protected from interference that may be caused by radiocommunications stations and telecommunications networks operating in the same area or radio frequency band or in other areas or radio frequency bands.
- 4.3 The licensee shall co-operate with the Regulator for the purposes of assisting the Regulator in coordinating and managing the efficient use of radio frequencies in relation to neighboring countries, including but not limited to the provision of information to the Regulator, and the reduction of emission levels of radiocommunication stations.
- 4.4 Subject to applicable law and this section 4, the use of any part of the Assigned Radio Frequency Spectrum for the purposes of managing harmful interference (including the provisioning for a guard band(s)) shall be at the discretion of the licensee.
- 4.5 Without derogating from the provisions of section 47 of the Telecommunications Law, where required for the efficient use of radio frequency spectrum in the licensed area, the licensee shall migrate in accordance with requirements specified by the Regulator, from time to time, in relation thereto, by way of regulation.
- 4.6 Without derogating from the licensee's ultimate rights under section 29.2 the licensee shall first take all reasonably necessary steps to ensure that any spectrum interference is resolved amicably intra parties within 15 days of the interference being detected and brought to the relevant party's or parties' attention. The licensee shall notify the Authority as soon as practicable after it becomes aware of any spectrum interference,

and shall keep the Authority informed of any steps taken to resolve the interference and the results obtained thereafter.

- 4.7 Where spectrum interference problems have not been resolved amicably between the licensee and the other party or parties within 15 days of detection and notification of the interference to the other party or parties, either the licensee or the other party or parties may refer the matter to the Authority.
- 4.8 Without prejudice to section 72 of the Telecommunications Law, the Authority shall investigate the matter and issue a decision, determination or order with respect thereto.
- 4.9 The Authority may direct the licensee to take action as may be necessary to resolve interference as soon as possible.

5. INTEROPERABILITY AND TECHNICAL STANDARDS

- 5.1 The licensee shall comply with relevant regulations and technical specifications issued by the Regulator in order to ensure interoperability of the licensed services (as defined in the operating license) and its telecommunications facilities with telecommunications services and telecommunications networks provided by other licensees to the extent technically feasible.

6. RADIOCOMMUNICATIONS EQUIPMENT

- 6.1 The licensee shall ensure that the radiocommunications equipment comprised in any of its radiocommunications stations:
- (a) at all times complies with all applicable emission standards and technical specifications or requirements specified by the Regulator, from time to time, in relation thereto; and
 - (b) is designed and constructed, used and maintained so as not to cause any undue interference even when in use in compliance with the Telecommunications Law and its regulations.
- 6.2 The licensee shall ensure that the operating licenses and the radiocommunications stations and equipment comprised therein that are operated within the Assigned Radio

Frequency Spectrum are not used for unlawful purposes or misused in any way where the licensee has knowledge or should reasonably have knowledge of such use or misuse.

- 6.3 The licensee shall ensure that all persons using its radiocommunications equipment comprised in any of its radiocommunications stations are made aware of the relevant terms of this frequency license together with any other relevant license and comply with such terms.

7. NO RADIO FREQUENCY SPECTRUM TRADING

- 7.1 The licensee shall not, except with the prior written approval of the Regulator, assign, transfer, trade, sell or otherwise dispose of the whole or any part of the rights, privileges, duties and/or obligations under this frequency license to any person or persons.

8. RADIO FREQUENCY SPECTRUM SHARING

- 8.1 The licensee shall not, except with the prior written approval of the Regulator or in accordance with section 3 of this license, authorize any person or persons to operate a radiocommunications station and/or telecommunications network within the Assigned Radio Frequency Spectrum.

9. ANTI-COMPETITIVE PRACTICES

- 9.1 Without derogating from section 65 of the Telecommunications Law, the licensee shall not, alone or together with others, engage in or continue or knowingly acquiesce in any anti-competitive practices and, in particular, the licensee shall:

- (a) not engage in anti-competitive cross-subsidization;
- (b) not abuse its dominant position;
- (c) not enter into exclusive arrangements with third parties for the location of its facilities that are required to provide any of the licensed services;
- (d) not enter into any agreements, arrangements or undertakings with any person, including any supplier of services that compete with any of the licensed

services, which have as their objective or cause the fixing of prices or other restraint on competition;

- (e) not use information obtained from competitors if the objective or effect of such use is anti-competitive;
- (f) make available to other licensed operators on a timely basis technical information about essential facilities and other commercially relevant information that is necessary for them to provide telecommunications service; and
- (g) not (whether in respect of the tariffs or other terms applied or otherwise) show undue discrimination against particular persons or persons of any class or description as respects the provision of any licensed service.

10. REQUIREMENT TO PROVIDE INFORMATION AND INSPECTION

10.1 Without derogating from section 53 and 77 of the Telecommunications Law, the licensee is required to maintain such information as will enable the Regulator to carry out its functions under the Telecommunications Law in such manner as the Regulator may from time to time request. The Regulator shall have the right to request the licensee to submit periodic reports, statistics and other data as well as request additional information in order to effectively supervise and enforce the terms of this license, the provisions of the Telecommunications Law and the regulations issued thereunder.

10.2 Without derogating from section 77 of the Telecommunications Law, the licensee shall permit a person authorized by the Regulator to have access to any of its radiocommunications stations and to inspect or test its radiocommunications equipment at any reasonable time or whenever an emergency situation exists, at any time, for the purpose of verifying compliance with the terms of this frequency license, or investigating sources of harmful radiocommunications interference.

11. FREQUENCY LICENSE FEES

11.1 The fee for this frequency license shall be BHD [xxxx].

11.2 The applicable frequency license fee shall be payable to the Regulator in Bahraini Dinars before issue of the license;

a) for the period from the effective date until the end of the year in which this license is issued, on a pro-rata basis; and

b) annually in advance no later than 31 January of each year thereafter.

12. DURATION AND RENEWAL

12.1 The effective date of this license is the effective date of the licensee's national fixed (wireless) license (the "**effective date**"). This license shall be valid for a term of fifteen (15) years.

12.2 The Regulator shall grant a new frequency license in the same terms as this license (as may be modified from time to time per section 13 of this license) upon request by the licensee for additional terms of ten (10) years upon expiration of the current license term, provided that:

(a) the licensee is not, and has not been, in material breach of the license, its national fixed (wireless) license, the Telecommunications Law, any regulations, resolutions, determinations, decisions or orders issued thereunder (in which case, the Regulator may determine not to grant a new frequency license in accordance with section 44 of the Telecommunications Law); and

(b) the national fixed (wireless) license is also renewed for corresponding additional terms.

13. MODIFICATION, REVOCATION AND TERMINATION

13.1 Without derogating from section 51 of the Telecommunications Law, this frequency license may be modified in any of the following ways at any time:

(a) written agreement between the Regulator and the licensee; or

(b) by the Regulator if the Regulator determines that such modification is necessary to make the conditions of the license consistent with conditions being imposed generally in respect of all licenses issued in the same category,

for the purpose of ensuring fair competition between licensees in that category or to the extent necessitated by technological development or the policy for the management of spectrum in the Kingdom of Bahrain as it may stand from time to time, provided that the Regulator shall have consulted with the licensee.

13.2 The Regulator may revoke this frequency license in accordance with section 51 of the Telecommunications Law.

13.3 This frequency license shall terminate automatically upon the expiry of its term.

13.4 If for any reason the licensee's national fixed (wireless) license referred to in section 3.1 of this license expires, is terminated or is revoked then this frequency license shall also be deemed to have expired, be terminated or be revoked.

14. FORCE MAJEURE

14.1 If the licensee is prevented from performing any of its obligations under this license because of force majeure the licensee shall notify the Regulator of the obligations it is prevented from performing as soon as practicable after it becomes aware or reasonable should become aware of such force majeure.

14.2 The Regulator shall suspend those obligations referred to under section 14.1 and the licensee will not be liable to perform those obligations, for so long as the force majeure continues, only if and to the extent that the inability to perform could not have been prevented by taking steps specifically required under the law or this license or other reasonable precautions and the inability cannot reasonably be circumvented by the licensee at its expense through the use of alternate sources, work-around plans or other means.

15. DISPUTE RESOLUTION

15.1 All disputes between the licensee and the Regulator arising out of this license shall be resolved in accordance with the provisions of Chapter 16 of the Telecommunications Law.

15.2 The courts of the Kingdom of Bahrain shall have jurisdiction over disputes between the licensee and other licensees in connection with telecommunications activities

which they are licensed to conduct, provided, however, that a party to such dispute may require the dispute to be referred to arbitration, in which case, unless the parties agree otherwise and provided that such agreement is not contrary to Chapter 7 of the Civil and Commercial Procedural Law of 1971, the provisions of sections 67 to 71 of the Telecommunications Law shall apply *mutatis mutandis*.

16. NOTICES

- 16.1 All notices from the licensee to the Regulator and vice versa shall be in writing and sent by registered mail with acknowledgement of delivery to the following addresses:
- (a) If sent to the Regulator: PO Box 10353, Manama, Kingdom of Bahrain.
 - (b) If sent to the licensee: PO Box XXXXX Manama, Kingdom of Bahrain.
- 16.2 Either party may change its above address by notifying the other party in writing at least fifteen (15) days before such change takes effect.

SCHEDULE A

ASSIGNMENT OF RADIO FREQUENCY SPECTRUM

The Assigned Radio Frequency Spectrum means, unless otherwise specified below, the radio frequency band(s) consisting of the range of radio frequencies between the upper and lower frequency limits of the radio frequency bands specified in the tables below:

Frequency

The limits on radio frequency emissions that will apply to equipment operated under this license are described in terms of maximum radiated power and maximum transmitter output power.. The limits, derived from ECC Recommendation (04)05, "Guidelines for accommodation and assignment of multipoint fixed wireless systems in the frequency bands 3.4-3.6 GHz and 3.6-3.8 GHz", and from ITU RR S21.5, are tabulated below .

Exhibit 1: Limits on radiated power

	Maximum EIRP spectral density (dBW/MHz)
Central Station (CS) Repeater Station (RS) – down links.	+23
Terminal Station (TS) outdoor RS up links	+20
TS indoor	+12

The maximum power output from any transmitter into the antenna system shall never exceed +13 dBW.

Out of band radiation limits will be those set out in ECC Recommendation (04)05.

Table of Contents

		<u>Page</u>
1.	GRANT OF LICENSE	1
2.	DEFINITIONS.....	1
3.	EXERCISE OF RIGHTS; SUBCONTRACTING	2
4.	USE OF RADIO FREQUENCY SPECTRUM; INTEROPERATOR FREQUENCY DISPUTE RESOLUTION	3
5.	INTEROPERABILITY AND TECHNICAL STANDARDS	4
6.	RADIOCOMMUNICATIONS EQUIPMENT.....	4
7.	NO RADIO FREQUENCY SPECTRUM TRADING.....	5
8.	RADIO FREQUENCY SPECTRUM SHARING.....	5
9.	ANTI-COMPETITIVE PRACTICES	5
10.	REQUIREMENT TO PROVIDE INFORMATION AND INSPECTION	6
11.	FREQUENCY LICENSE FEES.....	6
12.	DURATION AND RENEWAL	7
13.	MODIFICATION, REVOCATION AND TERMINATION.....	7
14.	FORCE MAJEURE	8
15.	DISPUTE RESOLUTION	8
16.	NOTICES.....	9
SCHEDULE A Assignment of Radio Frequency Spectrum		