

REQUEST FOR PROPOSALS

FEASIBILITY STUDY FOR THE

DIGITAL TRUNKING TECHNOLOGIES PROJECT

Submission Deadline: 1:00 pm LOCAL TIME

MONDAY, June 15, 2009

Submission Place:

Contact: Pablo Gallyas Puffe
Gerente de Desarrollo
Gallyas
Salvador 1318 Providencia
Santiago, Chile

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SEALED PROPOSALS SHALL BE CLEARLY MARKED AND RECEIVED PRIOR TO THE TIME AND DATE SPECIFIED ABOVE. PROPOSALS RECEIVED AFTER SAID TIME AND DATE WILL NOT BE ACCEPTED OR CONSIDERED.

REQUEST FOR PROPOSALS

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Section 1: INTRODUCTION

The U.S. Trade and Development Agency (USTDA) has provided a grant to conduct the Digital Trunking Technologies Project on behalf of Gallyas S.A. The grant agreement is attached at Annex 4 for reference. The Grantee is soliciting technical proposals from qualified U.S. firms to provide expert consulting services to carry out the Feasibility Study.

1.1 BACKGROUND SUMMARY

Gallyas is a well established Chilean telecommunications company that has been in operation since 1971. According to its FY 2007 financials, the company reported \$18 million in operating revenue, and a net profit of approximately \$1.14 million. As an established telecom operator and equipment supplier, Gallyas is focused on the domestic market for trunking services and shared-use communication services.

Gallyas is seeking to migrate from its current outdated analog trunking system to a state-of-the-art digital platform with substantially enhanced functionality and efficiency. The digital platform would enable Gallyas to serve its existing clients more effectively and, because of its much greater spectrum efficiency, would allow Gallyas to significantly increase its client base without the need to procure additional spectrum bandwidth. Additionally, because digital trunking technology has the ability to “mimic” the features of traditional cellular mobile systems, the migration would in effect enable Gallyas to evolve from a supplier of a “niche” service to a “full-service” mobile communications provider.

The proposed analog-to-digital migration entails not simply a change of technology platform but a fundamentally new corporate business model for Gallyas.

A background desk study report is provided in Annex 2.

1.2 OBJECTIVE

The objective of this Feasibility Study is to assist the Grantee with addressing the technical, commercial, legal, regulatory and organizational aspects of the migration from an analog to a digital platform. The Terms of Reference (TOR) for this Feasibility Study is attached as Annex 5.

1.3 PROPOSALS TO BE SUBMITTED

Technical proposals are solicited from interested and qualified U.S. firms. The administrative and technical requirements as detailed throughout the Request for Proposals (RFP) will apply. Specific proposal format and content requirements are detailed in Section 3.

COST will not be a factor in the evaluation and therefore, cost proposals should not be submitted; upon detailed evaluation of technical proposals, one firm will be selected for contract negotiations. The amount for the negotiated contract has been established by a USTDA grant of U.S. \$436,000 dollars.

1.4 CONTRACT FUNDED BY USTDA

The negotiated contract will be funded by USTDA in accordance with the terms and conditions of its grant to the Grantee. The contract must include certain USTDA mandatory clauses relating to nationality, taxes, payment, reporting, and other matters. The USTDA nationality requirements and the USTDA mandatory clauses are attached at Annexes 3 and 4 for reference.

Section 2: INSTRUCTIONS TO PROPOSERS

2.1 PROJECT TITLE

The project is called the " Digital Trunking Technologies Project."

2.2 DEFINITIONS

Please note the following definitions of terms as used in this RFP.

The term "Request for Proposals" means this solicitation of a formal technical proposal including qualifications statement.

The term "Offeror" means the U.S. individual, or U.S. firm, including any and all subcontractors, which responds to the RFP and submits a formal proposal and which may or may not be successful in being awarded this procurement.

2.3 DESK STUDY REPORT

USTDA sponsored a Desk Study to address technical, financial, sociopolitical, environmental and other aspects of the proposed project. A copy of the Report is attached at Annex 2 for background information only.

2.4 EXAMINATION OF DOCUMENTS

Offerors should carefully examine this RFP. It will be assumed that Offerors have done such inspection and that through examinations, inquiries and investigation they have become familiarized with local conditions and the nature of problems to be solved during the execution of the Feasibility Study.

Offerors shall address all items as specified in this RFP. Failure to adhere to this format may disqualify an Offeror from further consideration.

Submission of a proposal shall constitute evidence that the Offeror has made all the above mentioned examinations and investigations, and is free of any uncertainty with respect to conditions which would affect the execution, and completion of the Feasibility Study.

2.5 PROJECT FUNDING SOURCE

The Feasibility Study will be funded under a grant from USTDA. The total amount of the grant is not to exceed U.S. \$ 436,000 dollars.

2.6 RESPONSIBILITY FOR COSTS

Offeror shall be fully responsible for all costs incurred in the development and submission of the proposal or any other cost incurred by Offeror prior to issuance of an agreement or contract. Neither USTDA nor the Grantee assumes any contractual obligation as a result of the issuance of this proposal request, the preparation or submission of a proposal by an Offeror, the evaluation of proposals, or final selection.

2.7 TAXES

Offerors should submit proposals which note that in Annex 4, USTDA Mandatory Contract Provisions, USTDA funds are not to be used to pay taxes or duties under the laws of host country.

2.8 CONFIDENTIALITY

The Grantee will use its best efforts to preserve the confidentiality of any business proprietary or confidential information submitted by the Offeror, which is clearly designated as such by the Offeror.

2.9 ECONOMY OF PROPOSALS

Proposal documents should be prepared simply and economically, providing a comprehensive and concise description of the Offeror's capabilities to satisfy the requirements of the RFP. There is no necessity for expensive bindings, colored displays, or other promotional material unless such material is absolutely pertinent to the proposal. Emphasis should be placed on completeness and clarity of content.

2.10 SUBSTANTIVE PROPOSALS

The Offeror shall certify (a) that its proposal is genuine and is not made in the interest of, or on the behalf of, any undisclosed person, firm, or corporation, and is not submitted in conformity with, and agreement of, any undisclosed group, association, organization, or corporation; (b) that it has not directly or indirectly induced or solicited any other Offeror to put in a false proposal; (c) that it has not solicited or induced any other person, firm, or corporation to refrain from submitting a proposal; and (d) that it has not sought by collusion to obtain for himself any advantage over any other Offeror or over the Grantee or USTDA or any employee thereof.

2.11 CONDITIONS REQUIRED FOR PARTICIPATION

Only U.S. firms are eligible to participate in this tender. However, U.S. firms may utilize subcontractors from host country for up to 20 percent of the amount of the USTDA grant. USTDA nationality requirements are detailed in Annex 3.

2.12 LANGUAGE OF PROPOSAL

All proposal documents shall be prepared and submitted in English and Spanish.

2.13 PROPOSAL SUBMISSION REQUIREMENTS

The **Cover Letter** in the proposal must be addressed to:

Address: Gallyas
Salvador 1318 Providencia
Santiago, Chile
Phone: (56-2) 369 4103 / 4100

An Original in English and Spanish and three (3) copies of your proposal in each language must be received at the above address no later than 1:00 pm (local time), on June 15, 2009. Proposals may be either sent by mail, overnight courier, or hand-delivered. Whether the proposal is sent by mail, courier or hand-delivered, the Offeror shall be responsible for actual delivery of the proposal to the above address before the deadline. Any proposal received after the deadline will be returned unopened.

Upon timely receipt, all proposals become the property of the Grantee.

2.14 PACKAGING

Each proposal must be sealed to ensure confidentiality of the information. The proposals should be individually wrapped and sealed, and labeled for content including "original" or "copy number x"; the original in English and Spanish two (2) copies in each language should be collectively wrapped and sealed, and clearly marked for content.

Neither USTDA nor the Grantee will be responsible for premature opening of proposals not properly labeled.

2.15 AUTHORIZED SIGNATURE

The proposal must contain the signature of a duly authorized officer or agent of the Offeror empowered with the right to bind the Offeror.

2.16 EFFECTIVE PERIOD OF PROPOSAL

The proposal shall be binding upon the Offeror for sixty (60) days after the proposal due date, and Offeror may withdraw or modify this proposal at any time prior to the due date upon written request, signed in the same manner and by the same person who signed the original proposal.

2.17 EXCEPTIONS

Firms agree by their response to the RFP announcement to abide by the procedures set forth therein. Material modifications in the TOR or responsibilities of the parties will not be accepted.

Any exceptions in the proposal shall be clearly identified, and shall include the scope of such exception, and its impact, on the procurement. The Grantee shall make final determination as to the responsiveness of such exceptions and their acceptability.

2.18 OFFEROR QUALIFICATIONS

As provided in Section 3, Offerors shall submit evidence that they have relevant past experience and have previously delivered advisory and Feasibility Study services similar to those required in the TOR.

2.19 RIGHT TO REJECT PROPOSALS

The Grantee reserves the right to reject any and all proposals and to accept or reject any or all of the items in the proposal, and to award the contract in whole or in part if it is deemed in the best interest of the Grantee.

2.20 PRIME CONTRACTOR RESPONSIBILITY

Offerors have the option of subcontracting parts of the services they propose. The Offeror's proposal must include a description of any anticipated subcontracting arrangements, including the name, address, and qualifications of consultants and subcontractors. USTDA nationality provisions are set forth in detail in Annex 3. The successful Offeror shall cause appropriate provisions of its contract, including all mandatory USTDA clauses, to be inserted in all subcontracts ensuing to ensure fulfillment of all contractual provisions by subcontractors.

2.21 AWARD

An award resulting from this RFP shall be made to the best qualified Offeror, taking into consideration the evaluation factors set forth herein; however, the right is reserved to reject any and all proposals received and, in all cases, the Grantee will be the judge as to whether a proposal has or has not satisfactorily met the requirements of this RFP.

2.22 COMPLETE SERVICES

The successful Offeror shall be required to (a) furnish all supplies, supervision, transportation, and other execution accessories, services, and facilities; (b) provide and perform all necessary labor; and (c) in accordance with good technical practice, with due diligence, and in accordance with the requirements, stipulations, provisions and conditions of this RFP and the resultant contract, execute and complete all specified work to the satisfaction of the Grantee.

2.23 INVOICING AND PAYMENT

Deliverables under the contract shall be delivered on a schedule to be agreed upon in a contract with the Grantee. The Contractor may submit invoices to the designated Grantee Project Director in accordance with a schedule to be negotiated and included in the contract. Upon approval of each invoice, the Grantee will forward the invoice to USTDA which will process payment to the Contractor. All payments by USTDA under the Grant Agreement will be made in U.S. currency.

Section 3: PROPOSAL FORMAT AND CONTENT

To expedite proposal review and evaluation, and to assure that each proposal receives the same orderly review, all proposals must follow the format described in this section.

Proposal sections and pages shall be appropriately numbered and the proposal shall include a Table of Contents. Offerors are encouraged to submit concise and clear responses to the RFP. Proposals shall contain all elements of information requested without exception. Instructions regarding the required scope and content are given in this section. The Grantee reserves the right to include any part of the selected proposal in the final contract.

The proposal shall consist of a technical proposal only. No cost proposal is required as the value of the USTDA grant is established at U.S. \$436,000 dollars.

Offerors shall submit one (1) original in English and Spanish and three (3) copies of the proposal in each language. Proposals received by fax cannot be accepted.

The following sections and content are required for each proposal:

- Transmittal Letter,
- Cover/Title Page,
- Table of Contents,
- Introduction and Executive Summary,
- Company Information,
- Organizational Structure, Management Plan, and Key Personnel,
- Technical Approach and Work Plan,
- Experience and Qualifications, and
- Miscellaneous.

Detailed requirements and directions for the preparation of each section are presented below.

3.1 SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

An Executive Summary should be prepared describing the major facts or features of the proposal, including any conclusions, assumptions, and generalized recommendations the Offeror desires to make. Offerors are requested to make every effort to limit the length of the Executive Summary to no more than five (5) pages.

3.2 SECTION 2: COMPANY INFORMATION

3.2.1 Company Profile

Provide the information listed below relative to the Offeror's firm. If the Offeror is proposing to subcontract some of the proposed work to another firm(s), similar information must be provided for each subcontractor. Offerors are requested to limit the length of the Company Profile Information to one (1) page per firm.

1. Name of firm and business address, including telephone and fax numbers.
2. Year established (include former firm names and year established, if applicable).
3. Type of ownership and parent company, if any.
4. Project Manager's name, address, telephone and fax number, if different from (1).

3.2.2 Offeror's Authorized Negotiator

Provide name, title, address, telephone and fax number of the Offeror's authorized negotiator. The person cited shall be empowered to make binding commitments for the Offeror and its subcontractors, if any.

3.2.3 Negotiation Prerequisites

1. Discuss any impact of any current or anticipated commitments which may impact the ability of the Offeror or its subcontractors to complete the Feasibility Study as proposed and within the project schedule.
2. Identify any specific information which is needed from the Grantee before commencing contract negotiations.

3.3 SECTION 3: ORGANIZATIONAL STRUCTURE, MANAGEMENT, AND KEY PERSONNEL

Describe the Offeror's proposed project organizational structure. Discuss how the project will be managed including the principal and key staff assignments for this Feasibility Study. Identify the Project Manager who will be the individual responsible for this project. The Project Manager must have the responsibility and authority to act on behalf of the Offeror in matters related to the proposed Feasibility Study.

Provide a listing of personnel (including subcontractors and consultants) to be engaged in the project, either U.S. or local with the following information for key staff: position in the project; pertinent experience, curriculum vitae; other relevant information. If subcontractors are to be used, the organizational relationship between the firms must be described.

A manpower schedule and the level of effort for the project period, by activities and tasks, as detailed under the Work Plan shall be submitted. A statement confirming the availability of the proposed project manager and key staff over the duration of the project must be included in the proposal.

3.4 SECTION 4: TECHNICAL APPROACH AND WORK PLAN

Describe in detail the proposed technical approach and work plan. Discuss the project requirements as perceived by the Offeror. Include a brief narrative of tasks within each activity series. Begin with the information gathering phase and continue through delivery and approval of all required reports.

Prepare a detailed schedule of performance that describes all activities and tasks within the Technical Work Plan, including periodic reporting or review points, incremental delivery dates, and other project milestones.

Based on the Technical Work Plan, and previous project experience, explain when and where Offeror will require support from the Grantee. Detail the amount of staff time required by the Grantee or participating agencies and any work space or facilities needed to complete the Feasibility Study.

3.5 SECTION 5: EXPERIENCE AND QUALIFICATIONS

Provide a discussion of the Offeror's experience and qualifications which are relevant to the objectives and TOR for the Feasibility Study. If a subcontractor(s) is being used, similar information must be provided for the prime and each subcontractor firm proposed for the project. Relevant experience and qualifications of key staff proposed shall be provided including letters of commitment from the individuals proposed concerning their availability for contract performance.

As many as possible but not more than six (6) relevant and verifiable project references must be provided, including the following information:

- Project name,
- Name and address of client (indicate if joint venture),
- Client contact person (name/ position/ current phone and fax numbers),
- Period of Contract,
- Description of services provided,
- Dollar amount of Contract, and
- Status and comments.

Offerors are strongly encouraged to include in their experience summary primarily those projects that are similar to or larger in scope than the Feasibility Study as described in this RFP.

Section 4: AWARD CRITERIA

Individual proposals will be initially evaluated by a Procurement Selection Committee of representatives from the Grantee. The Committee will then conduct a final evaluation and completion of ranking of qualified Offerors, and the Grantee shall promptly negotiate a contract with the best qualified Offeror. If a satisfactory contract cannot be negotiated with the best qualified Offeror, negotiations will be formally terminated. Negotiations shall then be undertaken with the second most qualified Offeror and so forth.

The selection of the Contractor will be based on the following criteria:

Expertise and Skills of Proposed Personnel (40 points)

Proposed Approach to the Study and to the Individual Tasks (35 points)

Pertinent International Experience and Language and Cross-Cultural Skills (25 points)

Proposals which do not include all requested information may be considered non-responsive.

Price will not be a factor in contractor selection.

ANNEX 1

Pablo Gallyas Puffe, Gerente de Desarrollo, Gallyas, Salvador 1318 Providencia, Santiago, Chile, Tel: (56-2) 369 4103 / 4100, Fax: (56-2) 225 9781

B - CHILE: DIGITAL TRUNKING TECHNOLOGIES PROJECT

POC John Kusnierek, USTDA, 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901, Tel: (703) 875-4357, Fax: (703) 875-4009. DIGITAL TRUNKING TECHNOLOGIES PROJECT. The Grantee invites submission of qualifications and proposal data (collectively referred to as the "Proposal") from interested U.S. firms which are qualified on the basis of experience and capability to develop a feasibility study aimed at addressing the technical, commercial, legal, regulatory and organizational aspects of the migration from an analog trunking system to a digital platform for Gallyas S.A. (Gallyas), a Chilean telecommunications company that specializes in radio trunking technology, and currently serves over 12,000 public- and private-sector customers.

The U.S. firm selected will be paid in U.S. dollars from a \$436,000 grant to the Grantee from the U.S. Trade and Development Agency (USTDA).

A detailed Request for Proposals (RFP), which includes requirements for the Proposal, the Terms of Reference, and a background definitional mission report are available from USTDA, at 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901. To request the RFP in PDF format, please go to <https://www.ustda.gov/USTDA/FedBizOpps/RFP/rfpform.asp>. Requests for a mailed hardcopy version of the RFP may also be faxed to the IRC, USTDA at 703-875-4009. In the fax, please include your firm's name, contact person, address, and telephone number. Some firms have found that RFP materials sent by U.S. mail do not reach them in time for preparation of an adequate response. Firms that want USTDA to use an overnight delivery service should include the name of the delivery service and your firm's account number in the request for the RFP. Firms that want to send a courier to USTDA to retrieve the RFP should allow one hour after faxing the request to USTDA before scheduling a pick-up. Please note that no telephone requests for the RFP will be honored. Please check your internal fax verification receipt. Because of the large number of RFP requests, USTDA cannot respond to requests for fax verification. Requests for RFPs received before 4:00 PM will be mailed the same day. Requests received after 4:00 PM will be mailed the following day. Please check with your courier and/or mail room before calling USTDA.

Only U.S. firms and individuals may bid on this USTDA financed activity. Interested firms, their subcontractors and employees of all participants must qualify under USTDA's nationality requirements as of the due date for submission of qualifications and proposals and, if selected to carry out the USTDA-financed activity, must continue to meet such requirements throughout the duration of the USTDA-financed activity. All goods and services to be provided by the selected firm shall have their nationality, source and origin in the U.S. or host country. The U.S. firm may use subcontractors from the host country for up to 20 percent of the USTDA grant amount. Details of USTDA's nationality requirements and mandatory contract clauses are also included in the RFP.

Interested U.S. firms should submit their Proposal in English and Spanish directly to the Grantee by 1:00pm (local time), June 15, 2009 at the above address. Evaluation criteria for the Proposal are included in the RFP. Price will not be a factor in contractor selection, and therefore, cost proposals should NOT be submitted. The Grantee reserves the right to reject any and/or all Proposals. The Grantee also reserves the right to contract with the selected firm for subsequent work related to the project. The Grantee is not bound to pay for any costs associated with the preparation and submission of Proposals.

ANNEX 2

FINAL REPORT
DESK STUDY
REGARDING A
FEASIBILITY STUDY FOR DEVELOPMENT OF
DIGITAL TRUNKING TECHNOLOGY
ON BEHALF OF GALLYAS S.A. (CHILE)

Contract USTDA CO2008510021

Prepared for:

**U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
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The U.S. Trade and Development Agency

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

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ANNEX II: PROPOSED BUDGET

ANNEX III: LETTER OF SUPPORT FROM GALLYAS S.A. BOARD (SPANISH AND ENGLISH VERSIONS)

A. EXECUTIVE SUMMARY

The present Desk Study (DS) reviews a request for funding of a Feasibility Study (the "Study") that was submitted to USTDA by Gallyas S.A. ("Gallyas"), an established telecommunications operator and equipment supplier in Chile. As a telecom operator, Gallyas is focused on the domestic market for so-called trunking services (shared-use communication services of the type employed by police/fire/ambulance services, taxicab fleets, etc.). Gallyas is seeking to migrate from its current outmoded analog trunking system to a state-of-the-art digital platform with substantially enhanced functionality and efficiency.

The digital platform would enable Gallyas to serve its existing clients more effectively and, because of its much greater spectrum efficiency, would allow Gallyas to significantly increase its client base without the need to procure additional spectrum bandwidth. Additionally, because digital trunking technology has the ability to "mimic" the features of traditional cellular mobile systems (such as the GSM systems currently deployed in Chile), the migration would in effect enable Gallyas to evolve from a supplier of what is basically a "niche" service to a "full-service" mobile communications provider.

Therefore, the proposed analog-to-digital migration entails not simply a change of technology platform but a fundamentally new corporate business model for Gallyas. As such, it presents Gallyas with a number of significant organizational challenges. Accordingly, Gallyas is seeking funding from USTDA to support a comprehensive multi-disciplinary feasibility study that would address the technical, commercial, legal/regulatory and organizational aspects of the migration process.

The DS Contractor believes that the proposed Study can be justified primarily on two grounds: 1) positive developmental impact, and 2) significant U.S. export potential.

Successful completion of the proposed migration from analog to digital trunking would have significant beneficial developmental impacts, both for the country as a whole and for Gallyas in particular. In the first place, the greater functionality and flexibility afforded by digital trunking platforms is of particular value to emergency services such as police, fire and ambulance, as well as critical industries such as airport and mining operations, which are among the major users of trunking systems. Second, the greater spectrum efficiency of digital trunking systems promotes more efficient utilization of spectrum, of particular importance in the relatively crowded frequency bands employed for trunking communications. Finally, digital trunking will enable Gallyas to compete more directly with established cellular mobile operators, thus promoting even greater competition in the mobile communications sub-sector in Chile.

The proposed Study also represents a major U.S. export opportunity. At a minimum, the U.S. export potential is estimated at US\$15 million, and is as high as US\$21 million if an additional, related project to be implemented by Gallyas is taken into consideration.

The DS Contractor believes that the analog-to-digital migration project proposed by Gallyas meets USTDA's funding criteria, and that the corresponding proposed Study represents a good use of USTDA resources. Accordingly, the DS Contractor makes a positive recommendation that USTDA fund the Study in question, at a budget level of \$435,874.

B. PROJECT DESCRIPTION

Introduction

The present Desk Study (DS) reviews a proposal (“Proposal”) submitted to USTDA by Gallyas S.A. (“Gallyas”), an established telecommunications operator and equipment supplier in Chile. As a telecom operator, Gallyas is focused on the domestic market for so-called trunking services (shared-use communication services of the type employed by police/fire/ambulance services, taxicab fleets, etc., described in greater detail below). Gallyas is seeking to migrate from its current outmoded analog trunking system to a state-of-the-art digital platform with substantially enhanced functionality and efficiency. The digital platform would enable Gallyas to serve its existing clients more effectively and, because of its much greater spectrum efficiency, would allow Gallyas to significantly increase its client base without the need to procure additional spectrum bandwidth. Additionally, because digital trunking technology has the ability to “mimic” the features of traditional cellular mobile systems (such as the GSM systems currently deployed in Chile), the migration would in effect enable Gallyas to evolve from a supplier of what is basically a “niche” service to a “full-service” mobile communications provider.

Therefore, the proposed analog-to-digital migration (the “Project”) entails not simply a change of technology platform but a fundamentally new corporate business model for Gallyas. As such, it presents Gallyas with a number of significant challenges. Accordingly, Gallyas is seeking funding from USTDA to support a comprehensive multi-disciplinary Feasibility Study (“Study”) that would address the technical, commercial, legal/regulatory and organizational aspects of the migration process.

Before examining the details of the Proposal, the DS Contractor considers it advisable to present some background on the telecom sector in Chile, with particular reference to the mobile and trunking sectors; on trunking systems and their technical and commercial aspects; and on the corporate profile and market position of Gallyas.

Telecom Sector in Chile

General

The Chilean telecom sector is one of the most advanced in Latin America, with a state-of-the-art infrastructure and a sophisticated regulatory system. The evolution of the sector over the past two decades has been dramatic, with much of the progress being achieved through active promotion of competition, with attendant high levels of innovation and investment. Sales in the sector amounted to some US\$5.1 billion in 2006, representing a 10% increase over the previous year. The domestic fixed-line network has been 100% digital since the mid-1990s. On the international level, Chile enjoys robust connectivity to the worldwide fiber-optic infrastructure, with the result that Chilean fixed-line and mobile operators can offer extremely low-cost international calling, while local ISPs enjoy the lowest average cost per megabyte for connection to the World Wide Web of any Latin American country.

Mobile Sub-Sector

The mobile sub-sector accounts for nearly half of sector revenues. As of March 2007, overall mobile penetration in Chile was close to 80%, versus 49% in 2003. The 80% figure is the highest in Latin America and corresponds to some 13 million subscribers. Three operators dominate the mobile market: the national incumbent Entel and two foreign-controlled companies, Movistar (a subsidiary of Spain's Telefónica) and Claro (a subsidiary of América Móvil, Mexico). Movistar is the leader in the sub-sector, with a market share of about 43%.

Trunking Sub-Sector

The trunking sub-sector in Chile originated in 1984, when the regulatory agency Subsecretaría de Telecomunicaciones (SubTel) authorized the provision of trunking services in the 150, 400 and 800 MHz frequency ranges. Concessions were granted for specific regions, the most attractive of these being the Metropolitan Region (greater Santiago) and the so-called Region V (Valparaíso), which together account for nearly half of Chile's population.

An early leader in the trunking sub-sector was Telefónica Móvil, which had around 10,000 subscribers and a 55% market share by the end of 1997. However, with the boom in mobile services, Telefónica Móvil withdrew from the trunking business in 2001, selling out to Entel. In 2006, the U.S. company Nextel was authorized to provide digital local trunking services using digital technology; the service was launched late that same year after Nextel invested some US\$55 million in infrastructure. Currently Nextel is reported to have some 20,000 subscribers.

Major players in the trunking sub-sector include Gallyas, which reports some 12,000 subscribers; and Movilink, said to have about 10,000 subscribers. Smaller players include Centennial and Scharfstein. All of these operators currently employ analog trunking platforms.

Trunking Systems: Technical and Commercial Aspects

General

In many countries, the frequency spectrum used for terrestrial mobile communications is very crowded, and additional frequencies are difficult or impossible to obtain. A number of approaches and techniques are used to conserve spectrum, and so-called trunking is one of these. In industry parlance, a "trunk" is a shared communication path between two points (the communication can be voice, data or a combination of the two). "Trunking" is the industry term for computer-controlled sharing of a relatively small number of communications channels among a relatively large number of users or groups of users (known as "talkgroups"). The primary benefit of this type of system is efficiency and flexibility of communication. In an efficient trunking system, the number of talkgroups can be very large, even if the number of channels is restricted; the control channel computer enables one members of a given talkgroup to talk together, regardless of frequency. Trunking systems are widely used by public-sector two-way communication for fire departments, police and other municipal services. Trunking systems are widely deployed in the private sector as well (e.g., in vehicle fleet management, construction, mining, airport operations and other industries).

The first (analog) trunking mobile radio systems, employing proprietary signaling protocols, were deployed in North America in the 1970s. In the 1980s, similar trunking systems based on the British MPT1327 analog standard began to be deployed in the UK, Europe, and former British colonies such as Australia, New Zealand and South Africa.

Trunking versus Non-Trunking Systems

Trunking systems have a number of significant advantages over conventional (non-trunking) Private Mobile Radio (PMR) systems in which user radio units are assigned particular frequencies on a permanent (or manually switched) basis. The “intelligence” resident in trunking systems is capable of eliminating or mitigating such common problems as contention, inefficient channel utilization, variations in grade of service, and lack of privacy. In addition, because, at any given time, the control computer “knows” the individual and talkgroup identity of all radio units registered on the system, as well as the individual and group identity, time and duration of all messages, the entire system lends itself to efficient administration and management.

At the same time, the “intelligence” in trunking systems comes at a certain price, in terms of greater complexity of both hardware and software. The greater complexity translates into higher cost of both the radio units and the base stations.

Analog versus Digital Trunking

When trunking systems began to be deployed on a large scale in the 1980s, analog technology platforms were the only ones available. Many analog trunking systems continue in use to this day, and indeed in many countries analog systems are still the only ones in existence (as a result of lack of demand, unfavorable regulatory circumstances, or other factors). However, newer digital trunking platforms offer a number of significant technical and functional advantages over analog ones. The technical advantages can be summarized as follows.

- **Greater spectrum efficiency.** Through the use of any of a variety of multiplexing techniques, more than one digitized voice or data message can be transmitted/received using a single radio channel. Typically, spectrum efficiency increases by a factor of 4 to 6 as a result (meaning that 4–6 times the number of users can be accommodated using the same amount of channel bandwidth).
- **Improved signal quality.** A variety of techniques are available to eliminate radio signal degradation during transmission, as well as to mitigate the effects of interfering signals and noise.
- **Improved privacy.** Conventional analog PMR signals can be intercepted by off-the-shelf scanning receivers, with the result that the transmissions of public-safety organizations (police, fire, ambulance, etc.) can be accessed by anyone with such widely available equipment. While the public-policy implications of this situation are debatable, there is certainly an argument to be made that some transmissions should be protected from such eavesdropping. Although analog signals can be scrambled in some cases, digital signals lend themselves to much more robust encryption techniques.

As significant as these technical advantages are, from a commercial standpoint the functional advantages of digital trunking are potentially even greater. In effect, digital trunking systems

have functional capabilities that “mimic” those of traditional cellular/mobile networks, including support for a range of standard mobile-phone features as well as short messaging and data transmission. (See also the discussion of iDEN in what follows.) This situation has a number of major implications. In the first place, digital trunking operators become capable of positioning themselves as competitors to traditional cellular mobile operators. Correspondingly, the business model of the trunking operator may shift from one oriented primarily toward certain well-defined “niche” markets (public safety services, taxicab fleets, etc.) to one oriented toward the general public, with important consequences for such operations as business development, sales, marketing, billing and back-office systems, and so forth. Second, in order to exploit the newly acquired functionality, the digital trunking operator needs to acquire number ranges and to implement interconnection to the Public Switched Telephone Network and to other cellular/mobile operators. Significant legal and regulatory issues are raised as a consequence, and these may be (or may become) contentious.¹ Finally, the migration from analog to digital trunking requires careful planning, both in terms of achieving a smooth transition during which the two systems “co-exist” for some period of time, and also in terms of the necessary technical skill sets and expertise that are required to implement the migration and to manage the new digital platform effectively.

Digital Trunking Platforms: iDEN and TETRA

In the mid-1990s, Motorola and Nextel in the U.S. introduced a service known as iDEN (Integrated Dispatch Enhanced Network). iDEN is a digital trunking platform which combines the “push-to-talk” functions of traditional trunking systems with the networking capabilities of a mobile phone.² iDEN is primarily designed for voice, but also has text messaging and packet-switched data capabilities. As originally offered, however, the service had no upgrade path to higher-speed data. For this reason, and in particular to compete against the so-called “two-and-one-half generation” (2.5G) data services being offered by GSM and CDMA operators, in the late 1990s Motorola and Nextel embarked on the development of an enhanced data service known as WiDEN. WiDEN, essentially a software upgrade for iDEN, is supposed to enable up to 100 kilobits/sec of bandwidth for compatible phones.

In late 2004, however, Nextel and Sprint merged, raising the possibility that iDEN services might eventually be replaced by Sprint’s CDMA-based network. Motorola and Nextel have indicated, however, that iDEN and WiDEN will be maintained and expanded at least in the short term. In this context, it should be noted that the installed iDEN base is quite large, not only in the U.S. but also in countries such as Argentina, Brazil, Mexico, Colombia and Peru.

TETRA (TErrestrial Trunking RADio) is another trunking standard, technically similar to iDEN, that is widely employed in Europe, particularly by public-safety agencies. In contrast to iDEN, which employs a platform that is proprietary to Motorola, TETRA was designed as an open standard by the European Telecommunications Standards Institute (ETSI). The open nature of

¹ For example, in some countries the fees for trunking licenses are set much lower than those for cellular/mobile licenses. Traditional cellular/mobile operators may raise legal objections to market entry of a digital trunking operator who has incurred licensing costs amounting to only a fraction of what they themselves have had to pay.

² In the U.S., iDEN-type service is formally classified as Enhanced Specialized Mobile Radio (ESMR); it has its own band allocation and licensing regime.

the TETRA standard is often cited as a significant commercial advantage.

Other Digital Trunking Platforms

P25, Project 25, APCO-25: These designations all refer to a “semi-open” suite of standards for digital radio communications for use by federal, state/province and local public safety agencies in North America to enable emergency communications. P25 is analogous in many respects to the European TETRA standard, although it is not interoperable with it.

EDACS: EDACS was originally developed by General Electric (GE) as a competitor to Motorola, and continues to have significant market share, notwithstanding a rather complicated subsequent corporate history. (GE teamed with Sweden’s Ericsson, becoming Ericsson GE; GE then exited the business; Ericsson eventually sold out to Com-Net in 2000, resulting in a business known as Com-Net Ericsson; this in turn was acquired by M/A-COM Inc., a holding of Tyco Electronics, in May of 2001.) The EDACS system continues in use today, particularly in the public safety, public transit and industrial two-way radio communications market segments. The State of Florida is the largest single EDACS user.

Gallyas S.A.: Background and Current Operations

General

Gallyas, headquartered in Santiago, is a well-established Chilean telecom company that has been offering services since 1971. In 2007 the company reported operating revenues equivalent to US\$18 million, and profits of around US\$1.14 million. As of mid-2008, Gallyas employed some 230 people. In addition to trunking services, which will be described in greater detail below, Gallyas is engaged in a number of related areas, including the following:

- **Wireless links:** Gallyas provides “last-mile” broadband wireless connectivity on the basis of Motorola’s Canopy Mesh product line
- **Equipment sales and marketing:** Gallyas is a distributor of Motorola analog and digital equipment
- **Service and support:** Gallyas is an Authorized Motorola Service Provider and installs, maintains and supports a corresponding line of products

Trunking Services

Gallyas has been offering trunking services in Chile since 1994. Current coverage extends to five of Chile’s 15 regions, including the most densely populated ones, namely:

- Greater Santiago Metropolitan Region
- Region II (Antofagasta)
- Region V (Viña del Mar)
- Region VI (O’Higgins / Rancagua)
- Region VIII (Concepción)

The principal vertical markets for these services are reported to be:

- Transport
- Distribution and logistics
- Service industries
- Entertainment and tourism
- Manufacturing
- Government and public sector
- Private security
- Construction
- Mining

End-user equipment, which may be portable, desktop or vehicle-installed, is either sold directly to the customer or leased on an annual, monthly, weekly or daily basis. (Short-term leasing arrangements are particularly attractive in the case of occasional events such as exhibitions, trade fairs, sports events, etc.) Among the advantages of trunking systems, in particular vis-à-vis conventional mobile systems, Gallyas notes the following in particular:

- **Simultaneous and instantaneous communication:** The “push-to-talk” feature of trunking ensures rapid access to one or more other users, with no waiting or busy signals.
- **Flexibility of configuration:** Communications may be enabled between and within defined groups and sub-groups, as well as between individuals, depending on the customer’s requirements.
- **Cost control:** Because tariffs are fixed and communications take place only within a designated closed environment, costs can be monitored and the possibility of use for other than business purposes is minimized.

The infrastructure supporting trunking operations consists of the network of base stations that supply the basic hardware platform, and the dedicated spectrum that has been assigned to Gallyas for trunking purposes. In many respects, spectrum comprises the most important and valuable asset. Gallyas holds local and national licenses for spectrum in the 800 and 900 MHz ranges, as well as a certain number of channels in the 400 MHz range, thus enabling it in principle to provide service to virtually the entire country. In actuality, however, the distribution of capacity is very uneven; channel usage in the Regions is generally quite low, while in Greater Santiago it is approaching saturation. Accordingly, Gallyas believes that there are two options for further growth and expansion: 1) increases in the subscriber base outside of Santiago; 2) migration from the current analog to digital technology in Greater Santiago, which will enable the subscriber pool to be increased at least sixfold without the need to acquire additional bandwidth.

Gallyas’s Request to USTDA

In late December 2007, Gallyas submitted an initial request to USTDA for a grant to support a Feasibility Study (FS) for the implementation of a migration from analog to digital trunking. The initial request was followed, in January 2008, by a more detailed request, entitled *Feasibility Study for Developing Digital Trunking Technology with Contributions from USTDA*. The January 2008 request contained an overview of the trunking sub-sector in Chile; a review of financial, regulatory and environmental considerations relevant to the project; a general discussion of prospects for U.S. exports; and, finally, a high-level overview of the activities to be carried out as part of the FS. However, the overview described the activities in very general

terms and did not frame them as discrete tasks with corresponding deliverables.

The DS Contractor worked extensively with Gallyas to refine the scope of the proposed FS; to define the FS as a series of tasks; and to establish the task contents and sequence. (The resulting Terms of Reference (TOR) for the proposed FS is appended as Annex I.)

The DS Contractor also conducted an analysis of the skill sets and level of effort that would be required to carry out the tasks and the FS as a whole, and developed a corresponding proposed project budget (appended as Annex II).

C. DEVELOPMENTAL IMPACT

Primary Developmental Benefits

Overall, Gallyas' successful completion of the proposed migration from analog to digital trunking would have beneficial developmental impacts, both for the country as a whole and for Gallyas in particular. As indicated by the description in Section B, the functionality and flexibility of digital trunking represent a significant improvement over the older analog platform. Given the fact that emergency services such as police, fire and ambulance, as well as critical industries such as airport and mining operations, are major users of trunking systems, such improvements in communications systems have obvious significant developmental benefits. In addition, digital trunking systems utilize spectrum much more efficiently than their analog counterparts; since spectrum is often in short supply, particularly in the frequency ranges used by trunking systems, the migration to digital trunking will enable better utilization of this scarce resource. From Gallyas's point of view, digital trunking will enable the company to significantly expand its subscriber base without the need to acquire additional spectrum, and will also enable it to compete more directly with established cellular mobile operators.

Particular developmental benefits can be enumerated as follows:

- **Infrastructure:** The Project is first and foremost an exercise in bringing state-of-the-art digital trunking infrastructure to Chile to replace the outmoded analog system.
- **Human Capacity Building:** In terms of the number of people involved, the immediate capacity-building impact of the Project would probably be limited to the approximately 35 Gallyas personnel who are directly involved in operations, and who will be the primary beneficiaries of training in digital trunking system installation, operations and maintenance. However, there will be a longer-term capacity-building impact in terms of upgrading the skills of Gallyas' business development, sales/marketing legal/regulatory personnel (perhaps a total of 50 people), as a result of the newly acquired ability to compete directly with established cellular mobile providers.
- **Technology Transfer:** The Project will involve significant transfer of digital trunking technology transfer to Gallyas. Although state-of-the-art, digital trunking technology is also well established, and its transfer should not present major technical or logistical problems.
- **Market Oriented Reforms:** Although the telecom sector in Chile is already highly competitive, the Project can be expected to further promote market-oriented reforms. As already noted, the functionality of the digital trunking platform is such that it will enable

Gallyas to enter into competition with traditional cellular mobile operators, rather than being restricted to the essentially "niche" markets of police/fire/ambulance services, vehicle fleets, etc.

Alternatives to USTDA Assistance

As a private-sector company, Gallyas has limited alternatives for financing the proposed Study aside from self-financing. Furthermore, although the company is well-established and profitable, its level of profitability suggests that self-funding of the proposed Study would represent a commitment of resources that would be difficult to achieve. In any case, experience with digital trunking in Chile is quite limited; even if Gallyas were to self-fund the study, expertise from outside the country, and probably outside the region, would be required.

Accordingly, it is not apparent that there are any other viable options to USTDA support at the present time.

D. PROJECT SPONSOR'S CAPABILITY AND COMMITMENT

Gallyas's Commitment to Project Implementation

Gallyas is strongly committed to implementation of the Project. This is evidenced, in particular, by the Letter of Support from Gallyas' Board of Directors (reproduced as Annex III), which notes that the Project is of vital strategic importance to the company, and also states that Gallyas is committed to carrying out the proposed Feasibility Study.

In addition, as noted in the proposed Terms of Reference for the Study, Gallyas has committed a number of internal resources to support the Contractor who will be responsible for carrying out the Study.

Gallyas's Ability to Implement the Project

As previously noted, Gallyas is an established trunking operator in Chile, with dedicated technical and operations personnel. In interviews, Gallyas representatives have expressed an in-depth understanding of the technical, commercial and organizational implications of the migration to digital trunking technology. There appears to be a clear recognition of the fact that the migration represents a major strategic move and that it is imperative to "get it right." The DS Contractor is confident that Gallyas is capable of undertaking a Project of the scope currently contemplated.

Additionally, Gallyas reports that the company is already in possession of considerable technical, market and legal/regulatory information and data which it will place at the disposal of the Contractor team that undertakes the Study.

E. IMPLEMENTATION FINANCING

Estimated Cost of Analog-to-Digital Migration

Since it entails large-scale replacement of infrastructure, the migration from analog to digital trunking will require substantial up-front capital investment. According to Gallyas, the total cost of the migration is estimated at US\$15 million. Gallyas has not provided a detailed breakdown of this figure, but it is reported that the figure has been developed in consultation with Motorola, under the assumption that the Motorola iDEN platform (see above) is the most likely candidate. A rough but independent check of the US\$15 million figure is possible if it is assumed that the iDEN platform would enable in principle a sixfold increase in Gallyas' current subscriber base of 12,000. Under this assumption, the average cost per subscriber would equal $\$15,000,000 / (12,000 \times 6)$, or slightly more than US\$200 per subscriber. This figure is in line with general industry estimates of the average cost per subscriber of digital trunking systems.

Sources of Financing

Gallyas is clearly aware of the financing requirements of the project, and reports that it has both domestic and international sources of financing available. In particular, Gallyas reports that it has made a loan application, in conjunction with National City Bank³ and UPS Capital Business Credit,⁴ to the U.S. Export-Import Bank (US Ex-Im), in the amount of US\$20 million. The loan application is reported to be undergoing the due-diligence process as of this writing.

US Ex-Im's basic loan eligibility requirements can be summarized as follows:

- US domestic content of the technology product or equipment must be equal or greater than 50%.
- Countries must be approved under the US Ex-Im guidelines for eligibility.
- The products involved cannot be military in nature or use.

It would appear that these three requirements are met in the present case.

F. U.S. EXPORT POTENTIAL

Estimation of U.S. Export Potential

The primary equipment that needs to be acquired by Gallyas in order to implement the analog-to-digital migration consists of the following:

1. Hub infrastructure
2. Base Stations and antennas (and new towers, to the extent required)
3. Software and licenses
4. Network management equipment
5. Provisions for security and redundancy (e.g., of backbone communications facilities)

³ A U.S.-based regional bank, headquartered in Cleveland, OH, which has been active in Chile since 2003.

⁴ A U.S.-based bank headquartered in Atlanta, GA.

6. UPS back-up and emergency power supplies
7. Electrical systems, HVAC, remote sensing (SCADA) and safety/alarm systems
8. Trunking terminals and handsets

Note that this list does not include training and training materials, implementation assistance, etc., some or all of which could presumably be furnished locally.

Virtually all of the equipment listed above could be supplied from the U.S. Given that Gallyas is a Motorola distributor and Authorized Service Provider, moreover, Motorola is by far the most likely supplier of items 1, 2, 3 and 8. Furthermore, other U.S. suppliers (see below) are good candidates for the remaining categories.

Assuming, therefore, that equipment in the above categories is 100% sourced from the U.S., the U.S. export potential can be estimated at US\$15 million.

It should be added that Gallyas reports that there is another digital trunking project which potentially involves the supply of US\$6 million of P25 trunking equipment to the Chilean mining company Codelco. Motorola is the likely equipment supplier in this case. While this project and the analog-to-digital migration are not directly related, "bundling" of the two from a procurement standpoint would probably result in better pricing and/or more favorable payment terms. If the Codelco project is factored in, the total U.S. export potential rises to US\$21 million.

Potential U.S. Suppliers of Goods and Services

In addition to Motorola, major suppliers of equipment required for the project include:

1. Andrew Corporation (cables, antennas)
2. Telewave (filters, autotune combiners)
3. CRI (network management software)
4. American Power Conversion Corporation, Belkin, TrippLite (UPS back-up and emergency power supplies)
5. American Wireless (terminal equipment)

G. FOREIGN COMPETITION

As noted previously (see Section B), digital trunking technology is dominated by two standards, iDEN (proprietary to Motorola, and a *de facto* North American standard) and TETRA (an open European standard). Generally, take-up of TETRA has been slower than that of iDEN, and iDEN has a larger installed base, more advanced terminals and applications, lower infrastructure costs, and the ability to roam with existing GSM carriers. However, TETRA has powerful backing from European governments and from some large EU-based companies (e.g., Nokia, Ericsson). Accordingly, promoters of TETRA represent the most likely foreign competition.

The following table lists some foreign suppliers of TETRA systems and components:

Company	HQ Location	Profile
Nokia Corporation	Finland	Manufacturer of core products (e.g., hubs, Base Stations) and peripherals (e.g., network management, UPS)
Ericsson	Sweden	Manufacturer of core products and peripherals
Siemens AG	Germany Austria	Manufacturer of core products and peripherals
ETELM	France	Manufacturer of core products
APD Communications Ltd	U.K.	Application provider
Ascom Systec Ltd	Switzerland	Manufacturer of peripherals and components
Avitec AB	Sweden	Manufacturer of core products
BESCom Elektronik GmbH	Germany	Manufacturer of core products
Clartone Telecoms Plc	U.K.	Manufacturer of core products
Damm Cellular Systems A/S	Denmark	Manufacturer of core products
Elektrobit Ltd	Finland	Manufacturer of peripherals

Although Motorola actually manufactures both iDEN and TETRA systems, Gallyas is reported to be leaning toward adoption of iDEN. From a strategic perspective, adoption of iDEN by Gallyas would clearly be preferable, since it would increase iDEN's installed base in the Americas and would decrease the prospects for deployment of TETRA in Chile.

H. IMPACT ON THE ENVIRONMENT

The DS Contractor believes that the Project is unlikely to have any significant negative impact on the environment. The construction phase of the Project plans to utilize Gallyas' existing facilities and structures to the extent possible (e.g., Base Station antenna towers already in place; existing equipment buildings and enclosures). Even in locations where new tower construction might be necessary, impact on the environment should still be minor, requiring only that small plots of land be cleared. The techniques for doing this, and for mitigating any associated environmental impact, are well known. Assuming that standard industry practices are followed, any environmental impact should be temporary, and no wider destruction of habitat would be likely.

A word might be added about the effects of prolonged exposure to low-level radiation. Results of large-scale long-term studies of exposure to low-level radiation at the frequencies used by mobile telephony have generally been inconclusive, although claims have been made that such radiation can give rise to brain cancer in humans. It can definitely be stated, however, that the risk to human health from using digital trunking systems is no greater than that posed by the use of the corresponding analog ones, or that posed by conventional cellular mobile systems.

I. IMPACT ON U.S. LABOR

The "Impact on US Labor" Statement reads as follows:

“The Foreign Operations, Export Financing and Related Programs Appropriations legislation restricts U.S. foreign assistance from being used to provide: (a) any financial incentive to a business enterprise currently located in the United States for the purpose of inducing such an enterprise to relocate outside the United States if such incentive or inducement is likely to reduce the number of employees of such business enterprise in the United States because United States production is being replaced by such enterprise outside the United States; (b) assistance for the purpose of establishing or developing in a foreign country any export processing zone or designated area in which the tax, tariff, labor, environment, and safety laws of that country do not apply, in part or in whole, to activities carried out within that zone or area; (c) assistance for any project or activity that contributes to the violation of internationally recognized workers rights; and (d) direct assistance for establishing or expanding production of any commodity for export by any country other than the United States, if the commodity is likely to be in surplus on world markets at the time the resulting productive capacity is expected to become operative and if the assistance will cause substantial injury to United States producers of the same, similar, or competing commodity.”

There is nothing in the proposed Project to indicate any likely breach of the above conditions.

J. QUALIFICATIONS

General Qualifications of Contractor

As is evident from the accompanying Terms of Reference (TOR; see Annex I), the proposed Study involves a comprehensive multidisciplinary effort to assist Gallyas to migrate to digital trunking technology, while at the same time ensuring that the Gallyas organization has the human resources and competencies that will be required by the future environment. The following general attributes on the part of the Contractor are considered critical to the successful outcome of the Study:

- Requisite breadth and depth of technical expertise in trunking systems and solutions
- Familiarity with commercial deployment of digital trunking solutions, and with commercial/competitive, legal/regulatory and organizational implications
- Ability to work closely with technical, commercial and administrative personnel and senior management; experience in communicating results and disseminating information to management and to interested parties

Successful performance of the FS will require close collaboration with Gallyas to ensure that that maximum practical benefit is derived from the Study and that the resources thus acquired are put to good practical use. Furthermore, the following additional attributes are also considered critical to a successful outcome:

- Willingness of Contractor to spend significant time in-country
- A work plan ensuring close collaboration and interaction with Gallyas
- The capability to deliver quality results and recommendations in timely fashion

- Proficiency in Spanish and/or availability of Spanish language support, at a level adequate to enable effective conduct of day-to-day work in that language (see also below)

The specific composition of the Contractor team for the recommended FS will now be described.

Team Composition and Experience

In terms of the composition and particular credentials of the Contractor, it is judged that the team should consist of a Project Manager, a Telecom Market Expert, a Telecom Legal/Regulatory Expert, a Telecom Business Planning Expert, and a Telecom Implementation Expert (collectively, the Contractor Team). The position of Project Manager may be combined with that of one of any of the other members of the Contractor Team, provided that the person so designated meets all of the requirements of the two positions separately, and it can be shown that the proposed Contractor Team can efficiently carry out the full scope of the FS. More specific descriptions follow.

Project Manager:

- At least ten (15) years' experience in telecommunications, preferably with an emphasis on trunking technology and services and/or cellular mobile communications; international experience in these areas would be a definite advantage
- Organizational, management and cross-cultural skills and perspective to structure, oversee and carry out the FS effectively
- Ability to work closely and effectively with Gallyas personnel throughout the FS, as well as with Gallyas management and other stakeholders and interested parties
- Proficiency in Spanish, at a level adequate to enable effective conduct of day-to-day work in that language, would be a definite advantage

Telecom Market Expert:

- At least ten (10) years' experience in telecommunications
- Specific experience with demand assessment and market/competitive analysis, preferably with an emphasis on mobile communications markets; international experience in these areas would be a definite advantage
- Organizational and management skills and cross-cultural skills and perspective to structure, oversee and carry out the FS effectively
- Ability to work closely and effectively with Gallyas personnel
- Proficiency in Spanish, at a level adequate to enable effective conduct of day-to-day work in that language, would be a definite advantage

Telecom Legal/Regulatory Expert:

- At least ten (10) years' experience, with an emphasis on telecommunications law and regulation, preferably including international experience in the Latin American region
- Specific experience working with telecom regulatory bodies
- Specific expertise in licensing, interconnection and numbering
- Organizational and management skills to structure, oversee and carry out the FS effectively
- Proficiency in Spanish, at a level adequate to enable effective conduct of day-to-day work in that language, would be a definite advantage

Telecom Business Planning Expert:

- At least ten (10) years' experience in telecommunications, with an emphasis on telecom business development, service planning and/or sales and marketing; international experience in these areas would be a definite advantage
- Specific experience with business development and/or service planning in a trunking or cellular mobile environment would be a definite advantage
- Organizational and management skills to structure, oversee and carry out the FS effectively

Telecom Implementation Expert:

- At least ten (10) years' experience in telecommunications, with an emphasis on infrastructure deployment and implementation
- Specific experience with implementation of trunking and/or cellular mobile networks and services would be a definite advantage
- Ability to work closely and effectively with Gallyas personnel
- Organizational and management skills to structure, oversee and carry out the FS effectively
- Ability to work closely and effectively with Gallyas personnel

No provision is made for the Contractor Team to engage local support personnel for the Study. As is apparent from the Terms of Reference, Gallyas has committed to providing substantial input into and support for all the major tasks of the FS. Accordingly, the inclusion of local support personnel is judged not to be necessary in this case.

Suggested Evaluation Criteria

It is suggested that the selection of the Contractor be based on the following criteria:

<i>Criterion</i>	Max. Points
Expertise and skills of proposed personnel	40
Proposed approach to the Study and to the individual tasks	35
Pertinent international experience and language and cross-cultural skills	25
Total:	100

K. JUSTIFICATION

The proposed Study can be justified primarily on two grounds: 1) positive developmental impact, and 2) significant U.S. export potential.

As already noted, Gallyas' successful completion of the proposed migration from analog to digital trunking would have significant beneficial developmental impacts, both for the country as a whole and for Gallyas in particular. In the first place, the greater functionality and flexibility afforded by digital trunking platforms is of particular value to emergency services such as police, fire and ambulance, as well as critical industries such as airport and mining operations, which are among the major users of trunking systems. Second, the greater spectrum efficiency of digital

trunking systems promotes more efficient utilization of scarce spectrum resources. Finally, digital trunking will enable Gallyas to significantly expand its subscriber base without the need to acquire additional spectrum, and will also enable it to compete more directly with established cellular mobile operators.

The proposed FS will serve to advance a major U.S. export opportunity. Although Motorola is expected to be the primary beneficiary, other U.S.-based suppliers (as documented in Section F) stand to benefit as well.

L. TERMS OF REFERENCE AND BUDGET

The proposed Terms of Reference (TOR) for the Study are appended as Annex I, while the proposed budget for the Study is contained in Annex II.

M. RECOMMENDATION

Based on the review that was conducted and described above, the DS Contractor believes that the proposed Project meets USTDA's funding criteria, and that the corresponding proposed Feasibility Study represents a good use of USTDA resources. Accordingly, the DS Contractor makes a positive recommendation that USTDA fund the Study in question, at a budget level of \$435,874.

N. CONTACTS

The following people served as contacts in the course of the Desk Study:

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E-mail: Isabel.valenzuela@mail.doc.gov
www.buyusa.gov/chile

ANNEX II				
Feasibility Study for Gallyas (Chile): Development of Digital Trunking Technology Proposed Budget				
LABOR ^(*)				
	In-Country Calendar Days	Compensable Days	Rate Base	Total
Project Manager	46	79	\$1,500	\$118,500
Telecom Market Expert	29	43	\$1,200	\$51,600
Telecom Legal/Regulatory Expert	28	45	\$1,200	\$54,000
Telecom Business Planning Expert	28	52	\$1,200	\$62,400
Telecom Implementation Expert	35	56	\$1,200	\$67,200
TOTAL LABOR:	166	275		\$353,700
OTHER DIRECT COSTS				
	Quantity	Unit		
International Travel ⁽¹⁾	14	trips	\$1,800	\$25,200
Per Diem ⁽²⁾	166	person-days	\$269	\$44,654
Local Transportation	166	person-days	\$20	\$3,320
Translation				\$7,000
Communications				\$1,500
Report Production and Binding				\$500
TOTAL OTHER DIRECT COSTS:				\$82,174
TOTAL BUDGET				\$435,874

Notes:

^(*) Labor rates for each specialist and/or sub-contractor contain no mark-up for holidays, vacation or sick-leave.

Compensable days equal days actually worked for each Consultant Team member.

⁽¹⁾ Assumptions: Three (3) round trips to Santiago, Chile by Project Manager, Legal/Regulatory Expert, Business Planning Expert, and Implementation Expert; two (2) round trips by Market Expert.

Airfare shown is average airfare booked on US carrier for coach class

⁽²⁾ Per diems are equal to total estimated in-country days of US Consultant Team. Per diem for Santiago, Chile taken from US Department of State Web site: www.state.gov/m/a/als/prdm/

ANNEX II (cont'd)		
Feasibility Study for Gallyas (Chile): Development of Digital Trunking Technology		
Proposed Budget by Task (Summary)		
Activity	Combined Team Days	
	<i>Total</i>	<i>In-Country</i>
Task 1: Initial Visit / Assessment	55	40
Sub-Task 2a: Market Assessment	25	19
Sub-Task 2b: Competitive Assessment	17	14
Task 3: Technical Assessment	20	14
Task 4: Organizational Assessment	13	0
Task 5: Legal and Regulatory Assessment	28	15
Sub-Task 6a: Business and Financial Plan	31	15
Sub-Task 6b: On-Site Presentation	25	15
Task 7: Migration and Implementation Plan	32	22
Sub-Task 8a: Environmental Impact Assessment	6	0
Sub-Task 8b: Key Host Country Impacts	3	0
Task 9: Draft and Final Reports	20	12
Total Days	275	166
Activity	Combined Team Compensation	
	<i>Labor</i>	<i>Per Diem</i>
Task 1: Initial Visit / Assessment	\$70,500	\$10,760
Sub-Task 2a: Market Assessment	\$33,000	\$5,111
Sub-Task 2b: Competitive Assessment	\$22,500	\$3,766
Task 3: Technical Assessment	\$27,000	\$3,766
Task 4: Organizational Assessment	\$16,500	\$0
Task 5: Legal and Regulatory Assessment	\$34,500	\$4,035
Sub-Task 6a: Business and Financial Plan	\$38,100	\$4,035
Sub-Task 6b: On-Site Presentation	\$31,500	\$4,035
Task 7: Migration and Implementation Plan	\$42,000	\$5,918
Sub-Task 8a: Environmental Impact Assessment	\$8,100	\$0
Sub-Task 8b: Key Host Country Impacts	\$4,500	\$0
Task 9: Draft and Final Reports	\$25,500	\$3,228
Total Compensation	\$353,700	\$44,654
Total Labor+Per Diem		
OTHER DIRECT COSTS		
International Travel	\$25,200	
Local Transportation	\$3,320	
Translation	\$7,000	
Communications	\$1,500	
Report Production and Binding	\$500	
Total Other Direct Costs	\$37,520	
TOTAL LABOR + ODC		\$435,874

Feasibility Study for Gallyas (Chile): Development of Digital Trunking Technology
 ANNEX II (cont'd)
 Proposed Budget by Task (Details)

Activity	Project Manager Days		Telecom Market Expert Days		Telecom Legal/Regulatory Expert Days		Telecom Organizational / Business Planning Expert Days		Telecom Implementation Expert Days	
	Total	In-Country	Total	In-Country	Total	In-Country	Total	In-Country	Total	In-Country
Task 1: Initial Visit / Assessment	15	12	10	7	10	7	10	7	10	7
Sub-Task 2a: Market Assessment	10	7	15	12	0	0	0	0	0	0
Sub-Task 2b: Competitive Assessment	7	7	10	7	0	0	0	0	0	0
Task 3: Technical Assessment	10	7	0	0	0	0	0	0	10	7
Task 4: Organizational Assessment	3	0	0	0	0	0	10	0	0	0
Task 5: Legal and Regulatory Assessment	3	0	0	0	25	15	0	0	0	0
Sub-Task 6a: Business and Financial Plan	3	0	3	0	0	0	22	15	3	0
Sub-Task 6b: On-Site Presentation	5	3	5	3	5	3	5	3	5	3
Task 7: Migration and Implementation Plan	12	7	0	0	0	0	0	0	20	15
Sub-Task 8a: Environmental Impact Assessment	3	0	0	0	0	0	0	0	3	0
Sub-Task 8b: Key Host Country Impacts	3	0	0	0	0	0	0	0	0	0
Task 9: Draft and Final Reports	5	3	0	0	5	3	5	3	5	3
Total Days	79	46	43	29	45	28	52	28	56	35

\$1,500 Daily rate -- Project Manager
 \$1,200 Daily rate -- Telecom Market Expt: Org/BP E;
 \$1,200 Daily rate -- Telecom Implementation Expt
 \$269 Per diem (Santiago)
 \$20 Per diem (local transportation)

166 Total number of per diems,
 US-based team members

Activity	Project Manager Compensation		Telecom Market Expert Compensation		Telecom Legal/Regulatory Expert Compensation		Telecom Organizational / Business Planning Expert Comp.		Telecom Implementation Expert Comp.	
	Labor	Per Diem	Labor	Per Diem	Labor	Per Diem	Labor	Per Diem	Labor	Per Diem
Task 1: Initial Visit / Assessment	\$22,500	\$3,228	\$12,000	\$1,883	\$12,000	\$1,883	\$12,000	\$1,883	\$12,000	\$1,883
Sub-Task 2a: Market Assessment	\$15,000	\$1,883	\$18,000	\$3,228	\$0	\$0	\$0	\$0	\$0	\$0
Sub-Task 2b: Competitive Assessment	\$15,000	\$1,883	\$12,000	\$1,883	\$0	\$0	\$0	\$0	\$12,000	\$1,883
Task 3: Technical Assessment	\$4,500	\$0	\$0	\$0	\$0	\$0	\$12,000	\$0	\$0	\$0
Task 4: Organizational Assessment	\$4,500	\$0	\$0	\$0	\$30,000	\$4,035	\$0	\$0	\$0	\$0
Sub-Task 5a: Legal and Regulatory Assessment	\$4,500	\$0	\$3,600	\$0	\$0	\$0	\$26,400	\$3,600	\$3,600	\$0
Sub-Task 5b: Business and Financial Plan	\$7,500	\$807	\$6,000	\$807	\$6,000	\$807	\$6,000	\$807	\$6,000	\$807
Task 7: Migration and Implementation Plan	\$18,000	\$1,883	\$0	\$0	\$0	\$0	\$0	\$0	\$24,000	\$4,035
Sub-Task 8a: Environmental Impact Assessment	\$4,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,600	\$0
Sub-Task 8b: Key Host Country Impacts	\$4,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Task 9: Draft and Final Reports	\$7,500	\$807	\$0	\$0	\$6,000	\$807	\$6,000	\$807	\$6,000	\$807
Total Compensation	\$118,500	\$12,374	\$51,600	\$7,801	\$54,000	\$7,532	\$62,400	\$7,532	\$67,200	\$9,415
Total Labor+Per Diem	\$398,354									

Total project labor + per diem

OTHER DIRECT COSTS	
International Travel	\$25,200
Local Transportation	\$3,320
Translation	\$7,000
Communications	\$1,500
Report Production and Binding	\$500
Total Other Direct Costs	\$37,520
TOTAL LABOR + ODC	\$435,874

Total project labor, per diem and ODC

Santiago, 23 de Julio de 2008

Señora
Gabrielle Mandel
USTDA
Washington DC
U.S.A.

Estimada señora Mandel:

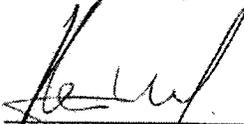
Nos dirigimos a usted, en nuestra calidad de miembros del Directorio de la empresa Gallyas S.A. para ratificar nuestro compromiso en cuanto a llevar adelante el proyecto de "Estudio de Factibilidad de la Tecnología Trunking Digital", con el aporte de USTDA.

Efectivamente, desde el año pasado, como Directorio hemos encomendado el tema a nuestro Gerente Técnico, Sr. Pablo Gallyas y al asesor de la compañía, Sr. Alberto Martín, para que, con todas las atribuciones del caso, representen a Gallyas S.A. frente a USTDA y la Embajada de Estados Unidos en Chile.

El proyecto de "Estudio de Factibilidad de la Tecnología Trunking Digital" es de vital importancia estratégica para nuestra compañía, debido a que sus resultados impactarán en las decisiones de inversión que se tomen en los próximos años, además de incrementar fuertemente nuestra cobertura tecnológica y la base de clientes estables de Gallyas S.A.

Estamos a su entera disposición para complementar la información que se requiera, a fin de iniciar a la brevedad posible la ejecución del referido estudio de factibilidad.

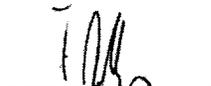
Cordiales saludos,



Hernán Orellana Hurtado
Presidente Directorio
Gallyas S.A.



Carlos Miguel Armas
Director
Gallyas S.A.



Fernando Gallyas Puffe
Gerente General
Gallyas S.A.

c.c.: Sr. Marty Morell

Av. Salvador 1318
Teléfono: (56-2) 369 4000
Fax: (56-2) 225 9781
www.gallyas.cl
Santiago - Chile

Santiago, July 23, 2008

Mrs. Gabrielle Mandel
USTDA
Washington DC,
USA

Dear Mrs. Mandel:

We address you as members of the Board of Gallyas S.A. company in order to confirm our commitment to carry out the "Digital Trunking Technology Feasibility Study" project with a contribution from USTDA.

Indeed, since last year our Board has entrusted this matter to our Technical Manager Pablo Gallyas and to our company consultant Alberto Martin, so that with full authority they may represent Gallyas S.A. before USTDA and the Embassy of the United States in Chile.

The "Digital Trunking Technology Feasibility Study" project is of vital strategic importance to our company, as its results will bear on the investment decisions that will be made in the next few years, as well as strongly increase Gallyas S.A.'s technological coverage and basis of stable clients.

We will be glad to provide any additional information you may require in order to initiate as soon as possible the execution of said feasibility study.

Best regards,

Hernán Orellana Hurtado
President
Gallyas S.A.

Carlos Miquel Armas
Director
Gallyas S.A.

Fernando Gallyas Puffe
Manager
Gallyas S.A.

copy to: Mr. Marty Morell

Av. Salvador 1318
Teléfono: (56-2) 369 4000
Fax: (56-2) 225 9781
www.gallyas.cl
Santiago - Chile

ANNEX 3



U.S. TRADE AND DEVELOPMENT AGENCY
Arlington, VA 22209-2131

NATIONALITY, SOURCE, AND ORIGIN REQUIREMENTS

The purpose of USTDA's nationality, source, and origin requirements is to assure the maximum practicable participation of American contractors, technology, equipment and materials in the prefeasibility, feasibility, and implementation stages of a project.

USTDA STANDARD RULE (GRANT AGREEMENT STANDARD LANGUAGE):

Except as USTDA may otherwise agree, each of the following provisions shall apply to the delivery of goods and services funded by USTDA under this Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from host country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for implementation of the Technical Assistance and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to support (e.g., local lodging, food, and transportation) in host country are not subject to the above restrictions. USTDA will make available further details concerning these standards of eligibility upon request.

NATIONALITY:

1) Rule

Except as USTDA may otherwise agree, the Contractor for USTDA funded activities must be either a U.S. firm or a U.S. individual. Prime contractors may utilize U.S.

subcontractors without limitation, but the use of host country subcontractors is limited to 20% of the USTDA grant amount.

2) Application

Accordingly, only a U.S. firm or U.S. individual may submit proposals on USTDA funded activities. Although those proposals may include subcontracting arrangements with host country firms or individuals for up to 20% of the USTDA grant amount, they may not include subcontracts with third country entities. U.S. firms submitting proposals must ensure that the professional services funded by the USTDA grant, to the extent not subcontracted to host country entities, are supplied by employees of the firm or employees of U.S. subcontractor firms who are U.S. individuals.

Interested U.S. firms and consultants who submit proposals must meet USTDA nationality requirements as of the due date for the submission of proposals and, if selected, must continue to meet such requirements throughout the duration of the USTDA-financed activity. These nationality provisions apply to whatever portion of the Terms of Reference is funded with the USTDA grant.

3) Definitions

A "U.S. individual" is (a) a U.S. citizen, or (b) a non-U.S. citizen lawfully admitted for permanent residence in the U.S. (a green card holder).

A "U.S. firm" is a privately owned firm which is incorporated in the U.S., with its principal place of business in the U.S., and which is either (a) more than 50% owned by U.S. individuals, or (b) has been incorporated in the U.S. for more than three (3) years prior to the issuance date of the request for proposals; has performed similar services in the U.S. for that three (3) year period; employs U.S. citizens in more than half of its permanent full-time positions in the U.S.; and has the existing capability in the U.S. to perform the work in question.

A partnership, organized in the U.S. with its principal place of business in the U.S., may also qualify as a "U.S. firm" as would a joint venture organized or incorporated in the United States consisting entirely of U.S. firms and/or U.S. individuals.

A nonprofit organization, such as an educational institution, foundation, or association may also qualify as a "U.S. firm" if it is incorporated in the United States and managed by a governing body, a majority of whose members are U.S. individuals.

SOURCE AND ORIGIN:

1) Rule

In addition to the nationality requirement stated above, any goods (e.g., equipment and materials) and services related to their shipment (e.g., international transportation and insurance) funded under the USTDA Grant Agreement must have their source and origin in the United States, unless USTDA otherwise agrees. However, necessary purchases of goods and project support services which are unavailable from a U.S. source (e.g., local food, housing and transportation) are eligible without specific USTDA approval.

2) Application

Accordingly, the prime contractor must be able to demonstrate that all goods and services purchased in the host country to carry out the Terms of Reference for a USTDA Grant Agreement that were not of U.S. source and origin were unavailable in the United States.

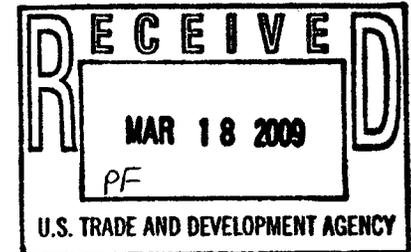
3) Definitions

“Source” means the country from which shipment is made.

“Origin” means the place of production, through manufacturing, assembly or otherwise.

Questions regarding these nationality, source and origin requirements may be addressed to the USTDA Office of General Counsel.

ANNEX 4



GRANT AGREEMENT

This Grant Agreement is entered into between the Government of the United States of America, acting through the U.S. Trade and Development Agency ("USTDA") and Gallyas S.A. ("Grantee"). USTDA agrees to provide the Grantee under the terms of this Agreement US\$436,000 ("USTDA Grant") to fund the cost of goods and services required for a feasibility study ("Study") on the proposed Digital Trunking Technologies Project ("Project") in Chile ("Host Country").

PDF:

JW
GJ
LZ
PD
MC
NY
GM
HL
NI

1. USTDA Funding

The funding to be provided under this Grant Agreement shall be used to fund the costs of a contract between the Grantee and the U.S. firm selected by the Grantee ("Contractor") under which the Contractor will perform the Study ("Contract"). Payment to the Contractor will be made directly by USTDA on behalf of the Grantee with the USTDA Grant funds provided under this Grant Agreement.

2. Terms of Reference

The Terms of Reference for the Study ("Terms of Reference") are attached as Annex I and are hereby made a part of this Grant Agreement. The Study will examine the technical, financial, environmental, and other critical aspects of the proposed Project. The Terms of Reference for the Study shall also be included in the Contract.

3. Standards of Conduct

USTDA and the Grantee recognize the existence of standards of conduct for public officials, and commercial entities, in their respective countries. The parties to this Grant Agreement and the Contractor shall observe these standards, which include not accepting payment of money or anything of value, directly or indirectly, from any person for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the Study.

4. Grantee Responsibilities

The Grantee shall undertake its best efforts to provide reasonable support for the Contractor, such as local transportation, office space, and secretarial support.

5. USTDA as Financier

(A) USTDA Approval of Competitive Selection Procedures

Selection of the U.S. Contractor shall be carried out by the Grantee according to its established procedures for the competitive selection of contractors with advance notice of the procurement published online through *Federal Business Opportunities* (www.fedbizopps.gov). Upon request, the Grantee will submit these contracting procedures and related documents to USTDA for information and/or approval.

(B) USTDA Approval of Contractor Selection

The Grantee shall notify USTDA at the address of record set forth in Article 17 below upon selection of the Contractor to perform the Study. Upon approval of this selection by USTDA, the Grantee and the Contractor shall then enter into a contract for performance of the Study. The Grantee shall notify in writing the U.S. firms that submitted unsuccessful proposals to perform the Study that they were not selected.

(C) USTDA Approval of Contract Between Grantee and Contractor

The Grantee and the Contractor shall enter into a contract for performance of the Study. This contract, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing. To expedite this approval, the Grantee (or the Contractor on the Grantee's behalf) shall transmit to USTDA, at the address set forth in Article 17 below, a photocopy of an English language version of the signed contract or a final negotiated draft version of the contract.

(D) USTDA Not a Party to the Contract

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of the contract and any amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of funding the Study and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Grantee or USTDA from asserting any right they might have against the

Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Grantee or USTDA.

(E) Grant Agreement Controlling

Regardless of USTDA approval, the rights and obligations of any party to the contract or subcontract thereunder must be consistent with this Grant Agreement. In the event of any inconsistency between the Grant Agreement and any contract or subcontract funded by the Grant Agreement, the Grant Agreement shall be controlling.

6. Disbursement Procedures

(A) USTDA Approval of Contract Required

USTDA will make disbursements of Grant funds directly to the Contractor only after USTDA approves the Grantee's contract with the Contractor.

(B) Contractor Invoice Requirements

The Grantee should request disbursement of funds by USTDA to the Contractor for performance of the Study by submitting invoices in accordance with the procedures set forth in the USTDA Mandatory Clauses in Annex II.

7. Effective Date

The effective date of this Grant Agreement ("Effective Date") shall be the date of signature by both parties or, if the parties sign on different dates, the date of the last signature.

8. Study Schedule

(A) Study Completion Date

The completion date for the Study, which is March 31, 2010 is the date by which the parties estimate that the Study will have been completed.

(B) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this Grant Agreement for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

9. USTDA Mandatory Clauses

All contracts funded under this Grant Agreement shall include the USTDA mandatory clauses set forth in Annex II to this Grant Agreement. All subcontracts funded or partially funded with USTDA Grant funds shall include the USTDA mandatory clauses, except for clauses B(1), G, H, I, and J.

10. Use of U.S. Carriers

(A) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(B) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

11. Nationality, Source and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the Study and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Study support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

12. Taxes

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Grantee nor the Contractor will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

13. Cooperation Between Parties and Follow-Up

The parties will cooperate to assure that the purposes of the Grant Agreement are accomplished. For five (5) years following receipt by USTDA of the Final Report (as defined in Clause I of Annex II), the Grantee agrees to respond to any reasonable inquiries from USTDA about the status of the Project.

14. Implementation Letters

To assist the Grantee in the implementation of the Study, USTDA may, from time to time, issue implementation letters that will provide additional information about matters covered by the Grant Agreement. The parties may also use jointly agreed upon implementation letters to confirm and record their mutual understanding of matters covered by the Grant Agreement.

15. Recordkeeping and Audit

The Grantee agrees to maintain books, records, and other documents relating to the Study and the Grant Agreement adequate to demonstrate implementation of its responsibilities under the Grant Agreement, including the selection of contractors, receipt and approval of contract deliverables, and approval or disapproval of contractor invoices for payment by USTDA. Such books, records, and other documents shall be separately maintained for three (3) years after the date of the final disbursement by USTDA. The Grantee shall afford USTDA or its authorized representatives the opportunity at reasonable times to review books, records, and other documents relating to the Study and the Grant Agreement.

16. Representation of Parties

For all purposes relevant to the Grant Agreement, the Government of the United States of America will be represented by the U. S. Ambassador to Host Country or USTDA and Grantee will be represented by the General Manager. The parties hereto may, by written notice, designate additional representatives for all purposes under the Grant Agreement.

17. Addresses of Record for Parties

Any notice, request, document, or other communication submitted by either party to the other under the Grant Agreement shall be in writing or through a wire or electronic medium which produces a tangible record of the transmission, such as a telegram, cable or facsimile, and will be deemed duly given or sent when delivered to such party at the following:

To: Gallyas S.A.
Av. Salvador, 1318
Santiago, Chile

Phone: (56-2) 369-4000
Fax: (56-2) 225-9781

To: U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: (703) 875-4357
Fax: (703) 875-4009

All such communications shall be in English, unless the parties otherwise agree in writing. In addition, the Grantee shall provide the Commercial Section of the U.S. Embassy in Host Country with a copy of each communication sent to USTDA.

Any communication relating to this Grant Agreement shall include the following fiscal data:

Appropriation No.: 119/101001
Activity No.: 2008-51027B
Reservation No.: 2009510011
Grant No.: GH 2009510005

18. Termination Clause

Either party may terminate the Grant Agreement by giving the other party thirty (30) days advance written notice. The termination of the Grant Agreement will end any obligations of the parties to provide financial or other resources for the Study, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the written notice of termination.

19. Non-waiver of Rights and Remedies

No delay in exercising any right or remedy accruing to either party in connection with the Grant Agreement shall be construed as a waiver of such right or remedy.

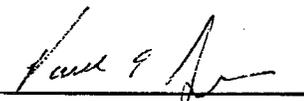
20. U.S. Technology and Equipment

By funding this Study, USTDA seeks to promote the project objectives of the Host Country through the use of U.S. technology, goods, and services. In recognition of this purpose, the Grantee agrees that it will allow U.S. suppliers to compete in the procurement of technology, goods and services needed for Project implementation.

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IN WITNESS WHEREOF, the Government of the United States of America and Gallyas S.A., each acting through its duly authorized representative, have caused this Agreement to be signed in the English language in their names and delivered as of the day and year written below. In the event that this Grant Agreement is signed in more than one language, the English language version shall govern.

**For the Government of the
United States of America**

By: 
Paul E. Simons

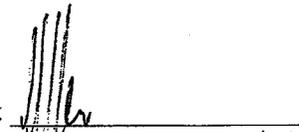
United States Embassy in Chile

Date: 13 March 2009

Witnessed:

By: 
Mitch G. Larsen

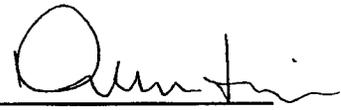
For Gallyas S.A.

By: 
Pablo Gallyas Puelle

Gallyas S.A.

Date: 13 March 2009

Witnessed:

By: 
Alberto Martin M.

Annex I -- Terms of Reference

Annex II -- USTDA Mandatory Clauses

Annex I

Terms of Reference

Introduction

Gallyas S.A. (Gallyas) is a Chilean telecommunications company that specializes in radio trunking technology, and currently serves over 12,000 public- and private-sector customers. Like its competitors, Gallyas currently provides local-coverage services via a Special-Purpose Mobile Radio (SMR) analog trunking platform (officially known as Multi-RTA in the terminology of the national regulatory agency, Subsecretaría de Telecomunicaciones (Subtel)).

Gallyas is seeking to migrate its trunking platform from analog to digital technology. Such a migration would have a number of far-ranging implications, including (but not limited to) the following:

- **Technical:** Digital trunking technology would enable significant increases in the customer base (because of more efficient use of available spectrum), and would also facilitate expansion of the Gallyas network on a national scale.
- **Commercial:** Deployment of a digital trunking platform would enable the delivery of new and/or improved functionality and services.
- **Market/Competitive:** A digital trunking platform would give Gallyas significant advantages over its direct competitors; additionally, because the corresponding functionality more closely resembles that provided by conventional cellular/mobile systems, the competitive situation confronting Gallyas would be significantly altered.
- **Organizational:** Introduction of digital trunking requires the assimilation of new technical, business development and sales/marketing skills.
- **Legal/Regulatory:** A number of legal/regulatory issues, including licensing, interconnection, numbering and tariffing, may impact the proposed Gallyas venture.
- **Business/Financial:** Migration to digital trunking entails major capital expenditures; sound business and financial planning is critical to the success of the venture.

The aim of the present Feasibility Study ("Study") is to assist Gallyas to examine, understand and address the above issues, and to optimally plan for the anticipated migration.

In conducting the Study, the Contractor shall carry out the following tasks.

Task 1: Initial On-Site Visit and Assessment of the Current Situation

Contractor personnel shall travel to Chile to hold meetings with Gallyas senior and operational management and personnel at Gallyas headquarters in Santiago. The

Contractor shall become familiar with, and obtain current information on Gallyas infrastructure and facilities, coverage, services offered, client base, organizational structure and staffing, support and business development / sales / marketing operations, back-office and operations support systems, etc., and the details of the proposed migration from the existing analog to a digital trunking platform as currently planned.

Gallyas will provide the Contractor with access to in-house technical experts and local consulting expertise to assist the Contractor with this task.

Deliverable: The Contractor shall prepare and submit a report (“Initial Assessment Report”) based upon the findings of this task.

Task 2 Market and Competitive Assessment

Subtask 2.1: Market Assessment

The Contractor shall assess the Total Available Market (TAM) for a digital trunking operator in Chile. The assessment shall incorporate a top-down demand analysis and an estimation of the market for current and potential future services, with a particular focus on:

- The expected market size for Gallyas’ major existing “vertical” applications (e.g., law enforcement, transportation and other commercial services, medical emergency services);
- To the extent practicable, identification and quantification of additional vertical markets that Gallyas will be able to enter as a result of deployment of a digital trunking platform; and
- The potential market share of the traditional consumer cellular service that a digital trunking operator could capture in the existing Chilean cellular market.

In conjunction with the Market Assessment, the Contractor shall carry out the following activities:

- Assess cellular penetration rates in Chile based on available data;
- Describe the potential available cellular market in Chile, with reference as may be necessary to cellular penetration rates in other countries comparable to Chile;
- Assess existing demand, and associated Average Revenue per Unit (ARPU), for the major existing and potential future vertical applications referred to above;
- Estimate the size of the available market for these vertical applications, by market sector; and
- Estimate the expected Total Available Market (TAM) for the Gallyas digital trunking initiative.

Subtask 2.2: Competitive Assessment

The Contractor shall assess and quantify the share of the Serviceable Available Market

(SAM) that a digital trunking operator could capture in light of competition from existing cellular operators, based in particular on the ability of existing operators to address some or all of the vertical applications referred to in Subtask 2.1 above. Attention shall be given to:

- Assessment of possible/available enhancements and additions to current mobile services that represent a competitive threat to a digital trunked network;
- Assessment of impediments (e.g., technical, financial) that existing operators may face in addressing the vertical markets in question;
- Development of a reduction factor to be applied to the TAM in order to estimate the SAM; and
- Description of market share erosion factors, if any, that a digital trunking operator may face over time.

Gallyas will make available to the Contractor relevant information it has gathered regarding the state of the mobile communications industry in general and the trunking sector in particular.

Deliverable: The Contractor shall prepare and submit a report (“Market and Competitive Assessment Report”) based upon the findings and recommendations of this task.

Task 3 Technical Assessment

The Contractor shall review and assess Gallyas’ plans for migration from the current analog trunked radio platform to a digital platform. In particular, the Contractor shall review and assess current analog infrastructure and coverage, and their implications for, and potential impact upon, future digital infrastructure and corresponding coverage. The Contractor shall also review current and potential future spectrum usage and capacity, with reference to Gallyas’ current/planned spectrum assignments. The Technical Assessment shall include an examination of the prospects for re-use/redeployment of existing analog facilities.

Gallyas will provide the Contractor with access to an in-house team of qualified technical engineers to support the Technical Assessment.

Deliverable: The Contractor shall prepare and submit a report (“Technical Assessment Report”) based upon the findings and recommendations of this task.

Task 4 Organizational Assessment

The Contractor shall undertake an evaluation of the overall readiness of the Gallyas organization to successfully carry out the proposed analog-to-digital migration and to exploit the ensuing opportunities to provide new features and services and/or to enter the identified new markets. The Organizational Assessment shall focus on the technical and

business development / sales / marketing units of the Gallyas organization and on the identification of new skill sets and expertise that will be required to exploit the full potential of the digital trunking platform. The Organization Assessment shall also identify requirements for formal training of existing personnel, and shall develop corresponding recommendations on how such training should be structured.

Gallyas will provide the Contractor with access to qualified in-house staff who are knowledgeable about sales/marketing operations, as well as the logistical, operational and technical aspects of the organization. If necessary, Gallyas will also provide access to a number of senior independent professionals who are members of the Gallyas Board of Directors.

Deliverable: The Contractor shall prepare and submit a report (“Organizational Assessment Report”) based upon the findings and recommendations of this task.

Task 5 Legal/Regulatory Assessment

The Contractor shall assess the legal/regulatory framework relevant to digital trunked service provision, with the particular objective of identifying any regulatory issues or impediments impacting the implementation and operation of a digital trunked network in Chile. In particular, the Contractor shall:

- Review pertinent published laws and regulations;
- Conduct discussions with Subtel and other government bodies as may be appropriate; and
- Evaluate the particular implications for licensing, interconnection, numbering and tariffing as they may affect the Gallyas digital trunking venture; to the extent that issues potentially impacting the venture (either positively or negatively) are identified, develop appropriate recommendations for addressing them.

Gallyas has a comprehensive legal/regulatory database that was recently updated and improved as a result of a Valuation Study for Intangible Assets (e.g., frequencies, channels, franchises) that was conducted to align the company’s financial information with the new International Financial Reporting Standards of the International Accounting Standards Board (IASB). Both the database and the study will be made available to the Contractor.

Deliverable: The Contractor shall prepare and submit a report (“Legal/Regulatory Assessment Report”) based upon the findings and recommendations of this task.

Task 6 Development of Business and Financial Plan

Subtask 6.1: Business and Financial Plan

The Contractor shall develop a high-level Business and Financial Plan, with at least a five-year horizon, to validate the business case and evaluate the economical viability of the Gallyas digital trunking venture. The Business and Financial Plan shall include:

- Revenue potentials together with estimated operating expenditures (OpEx) associated with this revenue, including: equipment maintenance costs, Operation Support Systems (OSS) maintenance costs, and personnel, facilities, tools, and equipment related to operation of the network;
- Operating costs for General and Administrative (G&A), Engineering, Business Development/Marketing/Sales, including facilities, personnel, and support;
- Capital expenditures (CapEx) for implementing the network including: network equipment costs, OSS equipment costs, and radio-frequency (RF) engineering costs. Any applicable license fees, revenue sharing arrangements, etc., will also be included in this category; and
- Provisions for taxes and any other fees not otherwise taken into account.

The Business and Financial Plan shall include the development of an Excel-based Financial Model that collects and synthesizes all the above data and information, as well as pertinent data and information gathered in the course of previous tasks. The Financial Model shall be accompanied by an explanatory document that describes the model and highlights assumptions made.

Gallyas will provide reasonable support and access to in-house financial data and resources to assist the Contractor with the preparation of the Business and Financial Plan.

Subtask 6.2: On-Site Presentation

The Contractor shall prepare and conduct an On-Site Presentation to communicate the details of the Business and Financial Plan to Gallyas management, staff and stakeholders. At the discretion of Gallyas, the Presentation may be conducted in two sessions: 1) an "Executive" session for Gallyas senior management and (subject to agreement with Gallyas) outside stakeholders; 2) a "General" session for interested Gallyas staff.

The Presentation shall be conducted in Spanish, or in English with simultaneous translation into Spanish. Presentation materials prepared by the Contractor (e.g., PowerPoint presentations, handouts) shall be made available in Spanish and shall be submitted to Gallyas for review and approval prior to the Presentation, sufficiently in advance to allow time for incorporation of any recommended changes. Gallyas shall provide the venue and any required audio-visual support for the Presentation.

Deliverables: The Business and Financial Plan, Financial Model and On-Site Presentation as described above.

Task 7: Development of Migration and Implementation Plan.

In light of the findings of the previous tasks, the Contractor shall develop a recommended Migration and Implementation Plan. The Migration and Implementation Plan shall include:

- A project timeline with key decision points, milestones, etc.;
- A review of possible alternatives/options, together with the advantages/disadvantages of each, and corresponding recommendations; and
- A key-factor sensitivity analysis, highlighting the potential impact of changes in key assumptions on the outcome of the migration.

Deliverable: The Migration and Implementation Plan as described above.

Task 8: Environmental and Developmental Impact Assessment

Subtask 8.1: Environmental Impact Assessment

The Contractor shall perform a preliminary review of the anticipated impact of the Gallyas digital trunking project on the environment, with particular reference to compliance with any applicable Chilean or multilateral lending-agency requirements. In the event that the review identifies any potential negative impacts, the Contractor shall discuss the extent to which they can be mitigated, and shall develop plans for a full environmental impact assessment if and when the project moves forward to the implementation stage. In particular, the Contractor shall identify any steps that Gallyas will need to undertake subsequent to the completion of the Contractor's activities and prior to project implementation.

Gallyas will provide the Contractor with available documentation related to environmental impact assessment, in particular with an environmental protection policy concerning toxic residues, developed by Gallyas, which conforms to all Chilean laws and regulations in this area.

Sub-Task 8b: Analysis of Key Host Country Development Impacts. With a view to providing the Gallyas project's decision-makers and interested parties with a broader view of the project's potential effects on the host country, the Contractor shall conduct an analysis of key development impacts of the project, with particular reference to the following aspects:

- **Infrastructure:** How the Study will result in improvements to and/or increased investment in telecommunications/ICT infrastructure
- **Human Capacity Building:** Skills development and/or additional employment that will be generated within the Gallyas environment and elsewhere
- **Technology Transfer and Productivity Improvement:** Identification of new recommended technologies deployed in conjunction with the project, and specific technology or knowledge transfer that will take place thereby
- **Market-Oriented Reform:** Identification of any market-oriented reforms that will be achieved as a result of the Study, which could include improved

competition; better market entry to new investment; more equitable consumer pricing policies; etc.

The analysis shall focus on likely developmental impacts if the Gallyas project is implemented according to the Contractor's recommendations. While specific attention shall be paid to the immediate impact of the project, analysis shall include any additional developmental benefits that may result from the project's implementation, including spin-off and demonstration effects.

Deliverable: A Report containing the Environmental Impact Assessment and Developmental Impact Analysis as described above

Task 9: Draft and Final Reports

The Contractor shall prepare a draft and Final Reports for submission to Gallyas. Gallyas shall be given adequate time to review the Draft Report and to propose modifications or amendments (if any) for incorporation into the Final Report.

The Contractor shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference ("Final Report"). Among other things, the Final Report shall summarize the findings and recommendations and shall present the Migration and Implementation plan. The Final Report shall give an account of problems that were encountered in the course of the Study and of any problems that can reasonably be anticipated in the future, together with any corresponding recommendations.

In addition, the Final Report shall include an analysis of key host country development impacts in conformity with USTDA guidelines.

The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement.

The Final Report shall also include a comprehensive list of potential sources of U.S. equipment and services relevant to the implementation of each component of the project as outlined in the Study.

The Contractor shall submit to the Grantee four (4) copies of the Final Report in Spanish and one (1) copy in English. The Contractor shall also provide one (1) electronic version of both the confidential and public versions of the Final Report to the Grantee, and shall provide copies to USTDA in English in accordance with Clause I of Annex II of the Grant Agreement. All files provided electronically shall be in Microsoft Office or AutoCAD format.

In the event that the Final Report contains confidential information the Contractor will ensure that any such confidential information is clearly marked, as required by Clause I of Annex II of the Grant Agreement.

Notes:

- (1) The Contractor is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.**
- (2) The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.**
- (3) The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.**
- (4) All Deliverables listed above are to be supplied to the Grantee in both Spanish and English versions, in both paper and electronic formats.**
- (5) Members of the Contractor team shall have demonstrated fluency in Spanish.**

Annex II

USTDA Mandatory Contract Clauses

A. USTDA Mandatory Clauses Controlling

The parties to this contract acknowledge that this contract is funded in whole or in part by the U.S. Trade and Development Agency ("USTDA") under the Grant Agreement between the Government of the United States of America acting through USTDA and Gallyas S.A. ("Client"), dated _____ ("Grant Agreement"). The Client has selected _____ ("Contractor") to perform the feasibility study ("Study") for the Digital Trunking Technologies project ("Project") in Chile ("Host Country"). Notwithstanding any other provisions of this contract, the following USTDA mandatory contract clauses shall govern. All subcontracts entered into by Contractor funded or partially funded with USTDA Grant funds shall include these USTDA mandatory contract clauses, except for clauses B(1), G, H, I, and J. In addition, in the event of any inconsistency between the Grant Agreement and any contract or subcontract thereunder, the Grant Agreement shall be controlling.

B. USTDA as Financier

(1) USTDA Approval of Contract

All contracts funded under the Grant Agreement, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing in order to be effective with respect to the expenditure of USTDA Grant funds. USTDA will not authorize the disbursement of USTDA Grant funds until the contract has been formally approved by USTDA or until the contract conforms to modifications required by USTDA during the contract review process.

(2) USTDA Not a Party to the Contract

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of this contract and amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of financing the Study and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not

bar the Client or USTDA from asserting any right they might have against the Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Client or USTDA.

C. Nationality, Source and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the Study and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Study support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

D. Recordkeeping and Audit

The Contractor and subcontractors funded under the Grant Agreement shall maintain, in accordance with generally accepted accounting procedures, books, records, and other documents, sufficient to reflect properly all transactions under or in connection with the contract. These books, records, and other documents shall clearly identify and track the use and expenditure of USTDA funds, separately from other funding sources. Such books, records, and documents shall be maintained during the contract term and for a period of three (3) years after final disbursement by USTDA. The Contractor and subcontractors shall afford USTDA, or its authorized representatives, the opportunity at reasonable times for inspection and audit of such books, records, and other documentation.

E. U.S. Carriers

(1) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(2) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

F. Workman's Compensation Insurance

The Contractor shall provide adequate Workman's Compensation Insurance coverage for work performed under this Contract.

G. Reporting Requirements

The Contractor shall advise USTDA by letter as to the status of the Project on March 1st annually for a period of two (2) years after completion of the Study. In addition, if at any time the Contractor receives follow-on work from the Client, the Contractor shall so notify USTDA and designate the Contractor's contact point including name, telephone, and fax number. Since this information may be made publicly available by USTDA, any information which is confidential shall be designated as such by the Contractor and provided separately to USTDA. USTDA will maintain the confidentiality of such information in accordance with applicable law.

H. Disbursement Procedures

(1) USTDA Approval of Contract

Disbursement of Grant funds will be made only after USTDA approval of this contract. To make this review in a timely fashion, USTDA must receive from either the Client or the Contractor a photocopy of an English language version of a signed contract or a final negotiated draft version to the attention of the General Counsel's office at USTDA's address listed in Clause M below.

(2) Payment Schedule Requirements

A payment schedule for disbursement of Grant funds to the Contractor shall be included in this Contract. Such payment schedule must conform to the following USTDA requirements: (1) up to twenty percent (20%) of the total USTDA Grant amount may be used as a mobilization payment; (2) all other payments, with the exception of the final payment, shall be based upon contract performance milestones; and (3) the final payment may be no less than fifteen percent (15%) of the total USTDA Grant amount, payable upon receipt by USTDA of an approved Final Report in accordance with the specifications and quantities set forth in Clause I below. Invoicing procedures for all payments are described below.

(3) Contractor Invoice Requirements

USTDA will make all disbursements of USTDA Grant funds directly to the Contractor. The Contractor must provide USTDA with an ACH Vendor Enrollment Form (available from USTDA) with the first invoice. The Client shall request disbursement of funds by

USTDA to the Contractor for performance of the contract by submitting the following to USTDA:

(a) Contractor's Invoice

The Contractor's invoice shall include reference to an item listed in the Contract payment schedule, the requested payment amount, and an appropriate certification by the Contractor, as follows:

(i) For a mobilization payment (if any):

"As a condition for this mobilization payment, the Contractor certifies that it will perform all work in accordance with the terms of its Contract with the Client. To the extent that the Contractor does not comply with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(ii) For contract performance milestone payments:

"The Contractor has performed the work described in this invoice in accordance with the terms of its contract with the Client and is entitled to payment thereunder. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(iii) For final payment:

"The Contractor has performed the work described in this invoice in accordance with the terms of its contract with the Client and is entitled to payment thereunder. Specifically, the Contractor has submitted the Final Report to the Client, as required by the Contract, and received the Client's approval of the Final Report. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(b) Client's Approval of the Contractor's Invoice

(i) The invoice for a mobilization payment must be approved in writing by the Client.

(ii) For contract performance milestone payments, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and the terms and conditions of the USTDA Grant Agreement."

(iii) For final payment, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and terms and conditions of the USTDA Grant Agreement. The Final Report submitted by the Contractor has been reviewed and approved by the Client. "

(c) USTDA Address for Disbursement Requests

Requests for disbursement shall be submitted by courier or mail to the attention of the Finance Department at USTDA's address listed in Clause M below.

(4) Termination

In the event that the Contract is terminated prior to completion, the Contractor will be eligible, subject to USTDA approval, for reasonable and documented costs which have been incurred in performing the Terms of Reference prior to termination, as well as reasonable wind down expenses. Reimbursement for such costs shall not exceed the total amount of undisbursed Grant funds. Likewise, in the event of such termination, USTDA is entitled to receive from the Contractor all USTDA Grant funds previously disbursed to the Contractor (including but not limited to mobilization payments) which exceed the reasonable and documented costs incurred in performing the Terms of Reference prior to termination.

I. USTDA Final Report

(1) Definition

"Final Report" shall mean the Final Report described in the attached Annex I Terms of Reference or, if no such "Final Report" is described therein, "Final Report" shall mean a substantive and comprehensive report of work performed in accordance with the attached Annex I Terms of Reference, including any documents delivered to the Client.

(2) Final Report Submission Requirements

The Contractor shall provide the following to USTDA:

- (a) One (1) complete version of the Final Report for USTDA's records. This version shall have been approved by the Client in writing and must be in the English language. It is the responsibility of the Contractor to ensure that confidential information, if any, contained in this version be clearly marked. USTDA will maintain the confidentiality of such information in accordance with applicable law.

and

(b) One (1) copy of the Final Report suitable for public distribution ("Public Version"). The Public Version shall have been approved by the Client in writing and must be in the English language. As this version will be available for public distribution, it must not contain any confidential information. If the report in (a) above contains no confidential information, it may be used as the Public Version. In any event, the Public Version must be informative and contain sufficient Project detail to be useful to prospective equipment and service providers.

and

(c) Two (2) CD-ROMs, each containing a complete copy of the Public Version of the Final Report. The electronic files on the CD-ROMs shall be submitted in a commonly accessible read-only format. As these CD-ROMs will be available for public distribution, they must not contain any confidential information. It is the responsibility of the Contractor to ensure that no confidential information is contained on the CD-ROMs.

The Contractor shall also provide one (1) copy of the Public Version of the Final Report to the Foreign Commercial Service Officer or the Economic Section of the U.S. Embassy in Host Country for informational purposes.

(3) Final Report Presentation

All Final Reports submitted to USTDA must be paginated and include the following:

(a) The front cover of every Final Report shall contain the name of the Client, the name of the Contractor who prepared the report, a report title, USTDA's logo, USTDA's mailing and delivery addresses. If the complete version of the Final Report contains confidential information, the Contractor shall be responsible for labeling the front cover of that version of the Final Report with the term "Confidential Version." The Contractor shall be responsible for labeling the front cover of the Public Version of the Final Report with the term "Public Version." The front cover of every Final Report shall also contain the following disclaimer:

"This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U. S. Government. The opinions, findings, conclusions or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report."

(b) The inside front cover of every Final Report shall contain USTDA's logo, USTDA's mailing and delivery addresses, and USTDA's mission statement.

Camera-ready copy of USTDA Final Report specifications will be available from USTDA upon request.

(c) The Contractor shall affix to the front of the CD-ROM a label identifying the Host Country, USTDA Activity Number, the name of the Client, the name of the Contractor who prepared the report, a report title, and the following language:

“The Contractor certifies that this CD-ROM contains the Public Version of the Final Report and that all contents are suitable for public distribution.”

(d) The Contractor and any subcontractors that perform work pursuant to the Grant Agreement must be clearly identified in the Final Report. Business name, point of contact, address, telephone and fax numbers shall be included for Contractor and each subcontractor.

(e) The Final Report, while aiming at optimum specifications and characteristics for the Project, shall identify the availability of prospective U.S. sources of supply. Business name, point of contact, address, telephone and fax numbers shall be included for each commercial source.

(f) The Final Report shall be accompanied by a letter or other notation by the Client which states that the Client approves the Final Report. A certification by the Client to this effect provided on or with the invoice for final payment will meet this requirement.

J. Modifications

All changes, modifications, assignments or amendments to this contract, including the appendices, shall be made only by written agreement by the parties hereto, subject to written USTDA approval.

K. Study Schedule

(1) Study Completion Date

The completion date for the Study, which is March 31, 2010, is the date by which the parties estimate that the Study will have been completed.

(2) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this contract for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

L. Business Practices

The Contractor agrees not to pay, promise to pay, or authorize the payment of any money or anything of value, directly or indirectly, to any person (whether a governmental official or private individual) for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the Study. The Client agrees not to receive any such payment. The Contractor and the Client agree that each will require that any agent or representative hired to represent them in connection with the Study will comply with this paragraph and all laws which apply to activities and obligations of each party under this Contract, including but not limited to those laws and obligations dealing with improper payments as described above.

M. USTDA Address and Fiscal Data

Any communication with USTDA regarding this Contract shall be sent to the following address and include the fiscal data listed below:

U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: (703) 875-4357
Fax: (703) 875-4009

Fiscal Data:

Appropriation No.: 119/101001
Activity No.: 2008-51027B
Reservation No.: 2009510011
Grant No.: GH 2009510005

N. Definitions

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Grant Agreement.

O. Taxes

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Client nor the Contractor will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

ANNEX 5

Annex I

Terms of Reference

Introduction

Gallyas S.A. (Gallyas) is a Chilean telecommunications company that specializes in radio trunking technology, and currently serves over 12,000 public- and private-sector customers. Like its competitors, Gallyas currently provides local-coverage services via a Special-Purpose Mobile Radio (SMR) analog trunking platform (officially known as Multi-RTA in the terminology of the national regulatory agency, Subsecretaría de Telecomunicaciones (Subtel)).

Gallyas is seeking to migrate its trunking platform from analog to digital technology. Such a migration would have a number of far-ranging implications, including (but not limited to) the following:

- **Technical:** Digital trunking technology would enable significant increases in the customer base (because of more efficient use of available spectrum), and would also facilitate expansion of the Gallyas network on a national scale.
- **Commercial:** Deployment of a digital trunking platform would enable the delivery of new and/or improved functionality and services.
- **Market/Competitive:** A digital trunking platform would give Gallyas significant advantages over its direct competitors; additionally, because the corresponding functionality more closely resembles that provided by conventional cellular/mobile systems, the competitive situation confronting Gallyas would be significantly altered.
- **Organizational:** Introduction of digital trunking requires the assimilation of new technical, business development and sales/marketing skills.
- **Legal/Regulatory:** A number of legal/regulatory issues, including licensing, interconnection, numbering and tariffing, may impact the proposed Gallyas venture.
- **Business/Financial:** Migration to digital trunking entails major capital expenditures; sound business and financial planning is critical to the success of the venture.

The aim of the present Feasibility Study ("Study") is to assist Gallyas to examine, understand and address the above issues, and to optimally plan for the anticipated migration.

In conducting the Study, the Contractor shall carry out the following tasks.

Task 1: Initial On-Site Visit and Assessment of the Current Situation

Contractor personnel shall travel to Chile to hold meetings with Gallyas senior and operational management and personnel at Gallyas headquarters in Santiago. The

Contractor shall become familiar with, and obtain current information on Gallyas infrastructure and facilities, coverage, services offered, client base, organizational structure and staffing, support and business development / sales / marketing operations, back-office and operations support systems, etc., and the details of the proposed migration from the existing analog to a digital trunking platform as currently planned.

Gallyas will provide the Contractor with access to in-house technical experts and local consulting expertise to assist the Contractor with this task.

Deliverable: The Contractor shall prepare and submit a report (“Initial Assessment Report”) based upon the findings of this task.

Task 2 Market and Competitive Assessment

Subtask 2.1: Market Assessment

The Contractor shall assess the Total Available Market (TAM) for a digital trunking operator in Chile. The assessment shall incorporate a top-down demand analysis and an estimation of the market for current and potential future services, with a particular focus on:

- The expected market size for Gallyas’ major existing “vertical” applications (e.g., law enforcement, transportation and other commercial services, medical emergency services);
- To the extent practicable, identification and quantification of additional vertical markets that Gallyas will be able to enter as a result of deployment of a digital trunking platform; and
- The potential market share of the traditional consumer cellular service that a digital trunking operator could capture in the existing Chilean cellular market.

In conjunction with the Market Assessment, the Contractor shall carry out the following activities:

- Assess cellular penetration rates in Chile based on available data;
- Describe the potential available cellular market in Chile, with reference as may be necessary to cellular penetration rates in other countries comparable to Chile;
- Assess existing demand, and associated Average Revenue per Unit (ARPU), for the major existing and potential future vertical applications referred to above;
- Estimate the size of the available market for these vertical applications, by market sector; and
- Estimate the expected Total Available Market (TAM) for the Gallyas digital trunking initiative.

Subtask 2.2: Competitive Assessment

The Contractor shall assess and quantify the share of the Serviceable Available Market

(SAM) that a digital trunking operator could capture in light of competition from existing cellular operators, based in particular on the ability of existing operators to address some or all of the vertical applications referred to in Subtask 2.1 above. Attention shall be given to:

- Assessment of possible/available enhancements and additions to current mobile services that represent a competitive threat to a digital trunked network;
- Assessment of impediments (e.g., technical, financial) that existing operators may face in addressing the vertical markets in question;
- Development of a reduction factor to be applied to the TAM in order to estimate the SAM; and
- Description of market share erosion factors, if any, that a digital trunking operator may face over time.

Gallyas will make available to the Contractor relevant information it has gathered regarding the state of the mobile communications industry in general and the trunking sector in particular.

Deliverable: The Contractor shall prepare and submit a report (“Market and Competitive Assessment Report”) based upon the findings and recommendations of this task.

Task 3 Technical Assessment

The Contractor shall review and assess Gallyas’ plans for migration from the current analog trunked radio platform to a digital platform. In particular, the Contractor shall review and assess current analog infrastructure and coverage, and their implications for, and potential impact upon, future digital infrastructure and corresponding coverage. The Contractor shall also review current and potential future spectrum usage and capacity, with reference to Gallyas’ current/planned spectrum assignments. The Technical Assessment shall include an examination of the prospects for re-use/redeployment of existing analog facilities.

Gallyas will provide the Contractor with access to an in-house team of qualified technical engineers to support the Technical Assessment.

Deliverable: The Contractor shall prepare and submit a report (“Technical Assessment Report”) based upon the findings and recommendations of this task.

Task 4 Organizational Assessment

The Contractor shall undertake an evaluation of the overall readiness of the Gallyas organization to successfully carry out the proposed analog-to-digital migration and to exploit the ensuing opportunities to provide new features and services and/or to enter the identified new markets. The Organizational Assessment shall focus on the technical and

business development / sales / marketing units of the Gallyas organization and on the identification of new skill sets and expertise that will be required to exploit the full potential of the digital trunking platform. The Organization Assessment shall also identify requirements for formal training of existing personnel, and shall develop corresponding recommendations on how such training should be structured.

Gallyas will provide the Contractor with access to qualified in-house staff who are knowledgeable about sales/marketing operations, as well as the logistical, operational and technical aspects of the organization. If necessary, Gallyas will also provide access to a number of senior independent professionals who are members of the Gallyas Board of Directors.

Deliverable: The Contractor shall prepare and submit a report (“Organizational Assessment Report”) based upon the findings and recommendations of this task.

Task 5 Legal/Regulatory Assessment

The Contractor shall assess the legal/regulatory framework relevant to digital trunked service provision, with the particular objective of identifying any regulatory issues or impediments impacting the implementation and operation of a digital trunked network in Chile. In particular, the Contractor shall:

- Review pertinent published laws and regulations;
- Conduct discussions with Subtel and other government bodies as may be appropriate; and
- Evaluate the particular implications for licensing, interconnection, numbering and tariffing as they may affect the Gallyas digital trunking venture; to the extent that issues potentially impacting the venture (either positively or negatively) are identified, develop appropriate recommendations for addressing them.

Gallyas has a comprehensive legal/regulatory database that was recently updated and improved as a result of a Valuation Study for Intangible Assets (e.g., frequencies, channels, franchises) that was conducted to align the company’s financial information with the new International Financial Reporting Standards of the International Accounting Standards Board (IASB). Both the database and the study will be made available to the Contractor.

Deliverable: The Contractor shall prepare and submit a report (“Legal/Regulatory Assessment Report”) based upon the findings and recommendations of this task.

Task 6 Development of Business and Financial Plan

Subtask 6.1: Business and Financial Plan

The Contractor shall develop a high-level Business and Financial Plan, with at least a five-year horizon, to validate the business case and evaluate the economical viability of the Gallyas digital trunking venture. The Business and Financial Plan shall include:

- Revenue potentials together with estimated operating expenditures (OpEx) associated with this revenue, including: equipment maintenance costs, Operation Support Systems (OSS) maintenance costs, and personnel, facilities, tools, and equipment related to operation of the network;
- Operating costs for General and Administrative (G&A), Engineering, Business Development/Marketing/Sales, including facilities, personnel, and support;
- Capital expenditures (CapEx) for implementing the network including: network equipment costs, OSS equipment costs, and radio-frequency (RF) engineering costs. Any applicable license fees, revenue sharing arrangements, etc., will also be included in this category; and
- Provisions for taxes and any other fees not otherwise taken into account.

The Business and Financial Plan shall include the development of an Excel-based Financial Model that collects and synthesizes all the above data and information, as well as pertinent data and information gathered in the course of previous tasks. The Financial Model shall be accompanied by an explanatory document that describes the model and highlights assumptions made.

Gallyas will provide reasonable support and access to in-house financial data and resources to assist the Contractor with the preparation of the Business and Financial Plan.

Subtask 6.2: On-Site Presentation

The Contractor shall prepare and conduct an On-Site Presentation to communicate the details of the Business and Financial Plan to Gallyas management, staff and stakeholders. At the discretion of Gallyas, the Presentation may be conducted in two sessions: 1) an "Executive" session for Gallyas senior management and (subject to agreement with Gallyas) outside stakeholders; 2) a "General" session for interested Gallyas staff.

The Presentation shall be conducted in Spanish, or in English with simultaneous translation into Spanish. Presentation materials prepared by the Contractor (e.g., PowerPoint presentations, handouts) shall be made available in Spanish and shall be submitted to Gallyas for review and approval prior to the Presentation, sufficiently in advance to allow time for incorporation of any recommended changes. Gallyas shall provide the venue and any required audio-visual support for the Presentation.

Deliverables: The Business and Financial Plan, Financial Model and On-Site Presentation as described above.

Task 7: Development of Migration and Implementation Plan.

In light of the findings of the previous tasks, the Contractor shall develop a recommended Migration and Implementation Plan. The Migration and Implementation Plan shall include:

- A project timeline with key decision points, milestones, etc.;
- A review of possible alternatives/options, together with the advantages/disadvantages of each, and corresponding recommendations; and
- A key-factor sensitivity analysis, highlighting the potential impact of changes in key assumptions on the outcome of the migration.

Deliverable: The Migration and Implementation Plan as described above.

Task 8: Environmental and Developmental Impact Assessment

Subtask 8.1: Environmental Impact Assessment

The Contractor shall perform a preliminary review of the anticipated impact of the Gallyas digital trunking project on the environment, with particular reference to compliance with any applicable Chilean or multilateral lending-agency requirements. In the event that the review identifies any potential negative impacts, the Contractor shall discuss the extent to which they can be mitigated, and shall develop plans for a full environmental impact assessment if and when the project moves forward to the implementation stage. In particular, the Contractor shall identify any steps that Gallyas will need to undertake subsequent to the completion of the Contractor's activities and prior to project implementation.

Gallyas will provide the Contractor with available documentation related to environmental impact assessment, in particular with an environmental protection policy concerning toxic residues, developed by Gallyas, which conforms to all Chilean laws and regulations in this area.

Sub-Task 8b: Analysis of Key Host Country Development Impacts. With a view to providing the Gallyas project's decision-makers and interested parties with a broader view of the project's potential effects on the host country, the Contractor shall conduct an analysis of key development impacts of the project, with particular reference to the following aspects:

- ***Infrastructure:*** How the Study will result in improvements to and/or increased investment in telecommunications/ICT infrastructure
- ***Human Capacity Building:*** Skills development and/or additional employment that will be generated within the Gallyas environment and elsewhere
- ***Technology Transfer and Productivity Improvement:*** Identification of new recommended technologies deployed in conjunction with the project, and specific technology or knowledge transfer that will take place thereby
- ***Market-Oriented Reform:*** Identification of any market-oriented reforms that will be achieved as a result of the Study, which could include improved

competition; better market entry to new investment; more equitable consumer pricing policies; etc.

The analysis shall focus on likely developmental impacts if the Gallyas project is implemented according to the Contractor's recommendations. While specific attention shall be paid to the immediate impact of the project, analysis shall include any additional developmental benefits that may result from the project's implementation, including spin-off and demonstration effects.

Deliverable: A Report containing the Environmental Impact Assessment and Developmental Impact Analysis as described above

Task 9: Draft and Final Reports

The Contractor shall prepare a draft and Final Reports for submission to Gallyas. Gallyas shall be given adequate time to review the Draft Report and to propose modifications or amendments (if any) for incorporation into the Final Report.

The Contractor shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference ("Final Report"). Among other things, the Final Report shall summarize the findings and recommendations and shall present the Migration and Implementation plan. The Final Report shall give an account of problems that were encountered in the course of the Study and of any problems that can reasonably be anticipated in the future, together with any corresponding recommendations.

In addition, the Final Report shall include an analysis of key host country development impacts in conformity with USTDA guidelines.

The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement.

The Final Report shall also include a comprehensive list of potential sources of U.S. equipment and services relevant to the implementation of each component of the project as outlined in the Study.

The Contractor shall submit to the Grantee four (4) copies of the Final Report in Spanish and one (1) copy in English. The Contractor shall also provide one (1) electronic version of both the confidential and public versions of the Final Report to the Grantee, and shall provide copies to USTDA in English in accordance with Clause I of Annex II of the Grant Agreement. All files provided electronically shall be in Microsoft Office or AutoCAD format.

In the event that the Final Report contains confidential information the Contractor will ensure that any such confidential information is clearly marked, as required by Clause I of Annex II of the Grant Agreement.

Notes:

- (1) The Contractor is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.**
- (2) The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.**
- (3) The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.**
- (4) All Deliverables listed above are to be supplied to the Grantee in both Spanish and English versions, in both paper and electronic formats.**
- (5) Members of the Contractor team shall have demonstrated fluency in Spanish.**