
LOAN NUMBER 2659-RMI (SF)

PROGRAM AGREEMENT
(Public Sector Program – Subprogram 1)

between

ASIAN DEVELOPMENT BANK

and

MARSHALLS ENERGY COMPANY, INC.

DATED 8 SEPTEMBER 2010

LPS:RMI 43321

PROGRAM AGREEMENT

PROGRAM AGREEMENT dated 8 September 2010 between ASIAN DEVELOPMENT BANK ("ADB") and MARSHALLS ENERGY COMPANY, INC. ("MEC").

WHEREAS

(A) by a Loan Agreement of even date herewith ("Loan Agreement") between the Republic of the Marshall Islands ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan in various currencies equivalent to six million four hundred thirteen thousand Special Drawing Rights (SDR6,413,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that MEC agree to undertake certain obligations towards ADB as set forth in this Program Agreement; and

(B) MEC, in consideration of ADB entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Program Agreement.

NOW THEREFORE the parties agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Program Agreement, unless the context otherwise requires, the terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth, except that for purposes of this Program Agreement, the term "the Program" means components of the Program relating to MEC as set out in the Policy Matrix.

ARTICLE II

Particular Covenants

Section 2.01. (a) MEC shall carry out the Program with due diligence and efficiency, and in conformity with sound administrative, financial, regulatory, and urban public and environmental health practices.

(b) In the carrying out of the Program and operation of the Program facilities, MEC shall perform all obligations set forth in the Loan Agreement and the Schedules thereto to the extent that they are applicable to MEC, including without limitation the provisions of paragraphs 6-9 of Schedule 5 to the Loan Agreement.

Section 2.02. MEC shall make available, promptly as needed, the facilities, services and other resources which are required for the carrying out of the Program.

Section 2.03. In the carrying out of the Program, MEC shall engage competent and qualified staff, upon terms and conditions satisfactory to ADB.

Section 2.04. MEC shall maintain, or cause to be maintained, all appropriate documents necessary to record the progress of the Program, and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.05. (a) ADB and MEC shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) MEC shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Program, the performance of their obligations under this Program Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB and MEC shall, from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Program, MEC and the Loan.

Section 2.06. (a) MEC shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Program; (ii) the administration; operations and financial condition of MEC; and (iii) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, MEC shall furnish, through the Program Executing Agency, to ADB quarterly and annual reports on the execution of the Program and on the operation and management of the Program facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter period.

(c) Promptly after completion of the Program, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, MEC shall prepare and furnish, through the Program Executing Agency, to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Program, the performance by MEC of its obligations under this Program Agreement and the accomplishment of the purposes of the Loan.

Section 2.07. MEC shall enable ADB's representatives to inspect all relevant records and documents in connection with the Program.

Section 2.08. (a) MEC shall, promptly as required, take all action within its authority to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers and privileges which are necessary in the carrying out of the Program or in the conduct of their business.

(b) MEC shall, at all times, conduct its business in accordance with sound administrative, financial, and regulatory practices, and under the supervision of competent and experienced management and personnel.

Section 2.09. Except as ADB may otherwise agree, MEC shall not sell, lease or otherwise dispose of any of their assets which shall be required for the efficient carrying on of their operations or the disposal of which may prejudice their ability to perform satisfactorily any of their obligations under this Program Agreement.

Section 2.10. MEC shall, through the Borrower, promptly notify ADB of any proposal to amend, suspend or repeal any provision of its enabling legislation or charter or other constitutive document that may affect the performance of its obligations under this Program Agreement and shall afford ADB adequate opportunity to comment on such proposal prior to taking any action thereon.

ARTICLE III

Effective Date; Termination

Section 3.01. This Program Agreement shall come into force and effect on the date on which the Loan Agreement shall come into force and effect. ADB shall promptly notify MEC of such date.

Section 3.02. All the provisions of this Program Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

ARTICLE IV

Miscellaneous

Section 4.01. Any notice or request required or permitted to be given or made under this Program Agreement and any agreement between the parties contemplated by this Program Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand, mail, or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila, Philippines

Facsimile Numbers:

+632 636 2444
+632 636 2293.

For MARSHALLS ENERGY COMPANY, INC.

Marshalls Energy Company, Inc.
Attention: General Manager
P. O. Box 1439
Majuro, Marshall Islands 96960

Facsimile Number:

+692 625 3397.

Section 4.02. (a) Any action required or permitted to be taken, and any document required or permitted to be executed, under this Program Agreement by or on behalf of MEC may be taken or executed by its general manager or by such other person or persons as he/she shall so designate in writing notified to ADB.

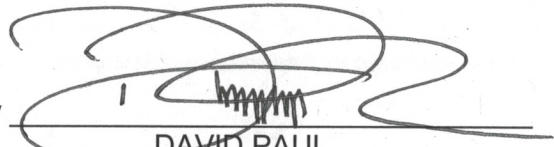
(b) MEC shall furnish to ADB sufficient evidence of the authority of each person who will act under paragraph (a) of this Section, together with the authenticated specimen signature of each such person.

Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Program Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof, or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

MARSHALLS ENERGY COMPANY, INC.

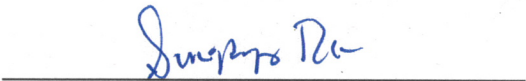
By

A large, stylized handwritten signature in black ink, appearing to read 'David Paul', is written over a horizontal line.

DAVID PAUL
General Manager

ASIAN DEVELOPMENT BANK

By

A handwritten signature in blue ink, appearing to read 'Sungsup Ra', is written over a horizontal line.

SUNGSUP RA
Director
Pacific Operations Division
Pacific Department