
LOAN NUMBER 3004/3005-FSM

GUARANTEE AGREEMENT
(Ordinary Operations) / (Special Operations)
(Yap Renewable Energy Development Project)

between

FEDERATED STATES OF MICRONESIA

and

ASIAN DEVELOPMENT BANK

DATED 24 June 2013

FSM 44469

**GUARANTEE AGREEMENT
(Ordinary Operations)/(Special Operations)**

GUARANTEE AGREEMENT dated 24 June 2013 between FEDERATED STATES OF MICRONESIA ("Guarantor") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a Loan Agreement of even date herewith between the State of Yap ("Borrower") and ADB ("Special Operations Loan Agreement"), ADB has agreed to make to the Borrower from ADB's Special Funds resources a loan in various currencies equivalent to two million eight hundred ninety six thousand Special Drawing Rights (SDR2,896,000) ("Special Operations Loan") on the terms and conditions set forth in the Special Operations Loan Agreement;

(B) by a Loan Agreement of even date herewith between the Borrower and ADB ("Ordinary Operations Loan Agreement"), ADB has agreed to make to the Borrower from ADB's ordinary capital resources a loan of four million six hundred eighty thousand Dollars (\$4,680,000) ("Ordinary Operations Loan", and together with the Special Operations Loan, the "Loans"), on the terms and conditions set forth in the Ordinary Operations Loan Agreement;

(C) ADB has agreed to make the Loans, but only on the condition that the Guarantor agrees to guarantee the obligations of the Borrower in respect of the Loans as set forth herein; and

(D) the Guarantor, in consideration of ADB's entering into the Ordinary Operations Loan Agreement and the Special Operations Loan Agreement (collectively, the "Loan Agreements") with the Borrower, has agreed to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Ordinary Operations Loan Regulations") and the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Special Operations Loan Regulations" and together with the Ordinary Operations Loan Regulations, the "Loan Regulations") are hereby made applicable to this Guarantee Agreement with the same force and effect as if they were fully set forth herein subject, however, to the modifications thereof set forth in the Ordinary Operations Loan Agreement.

Section 1.02. Wherever used in this Guarantee Agreement, the several terms defined in the Special Operations Loan Agreement and in the Loan

Regulations shall have the respective meanings set forth therein unless the context otherwise requires.

ARTICLE II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loans, the premium, if any, on the prepayment of the Loans, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreements.

Section 2.02. The Guarantor covenants that whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, the Guarantor will make arrangements, satisfactory to ADB, promptly to provide the Borrower, or cause the Borrower to be provided, with such funds as are needed to meet such expenditures.

Section 2.03. The Guarantor shall from time to time take such action as may be necessary or appropriate on its part to ensure prompt performance by the Borrower of its obligations under the Loan Agreements.

Section 2.04. (a) It is the mutual intention of the Guarantor and ADB that no other external debt shall have any priority over the Loans by way of a lien on the assets of the Guarantor. To that end, the Guarantor undertakes (i) that, except as ADB may otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest and other charges on, the Loans; and (ii) that the Guarantor, in creating or permitting the creation of any such lien, will make express provision to that effect.

(b) The provisions of subsection (a) hereinabove shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) The term "assets of the Guarantor" as used in subsection (a) hereinabove includes assets of any political subdivision or any agency of the Guarantor and assets of any agency of any such political subdivision, including any institution performing the functions of a central bank, if any, for the Guarantor.

ARTICLE III

Section 3.01. The Secretary of Department of Finance and Administration of the Guarantor is designated as representative of the Guarantor for the

purposes of Section 12.02 of the Ordinary Operations Loan Regulations and Section 11.02 of the Special Operations Loan Regulations.

Section 3.02. The following addresses are specified for the purposes of Section 12.01 of the Ordinary Operations Loan Regulations and Section 11.01 of the Special Operations Loan Regulations:

For the Guarantor

PS158, Palikir,
Pohnpei State,
FM 96941

Facsimile Number:

(691) 320-2640
(691) 320-2380.

For ADB

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

Facsimile Numbers:

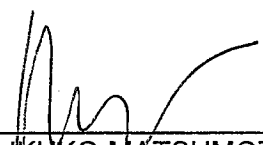
(632) 636-2444
(632) 636-2446.

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

FEDERATED STATES OF MICRONESIA

By 
KENSLEY IKOSIA
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
IKUKO MATSUMOTO
Country Director for North Pacific