

# **Memorandum of Understanding**

This **Memorandum of Understanding** is entered into among the *Faichuk Capital Improvement Programs & Infrastructures* (hereinafter referred to as **Party A**), whose business address is P.O. Box 494, Faichuk Region, Chuuk State, FSM 96942 *Manibusan & Associates*, (hereinafter referred to as **Party B**), whose business address is P.O. Box 4922, Agana, Guam 96932 and *Capital International Investments, Ltd.* (hereinafter referred to as **Party C**), whose business address is 750 Hasalao Street, Route 8, Barrigada, Guam 96919.

## **Legal Status of Parties**

**Party A** is a government agency within the Faichuk municipal government of the state government of Chuuk, whose mandate is to provide the essential government services for its people for an improved quality of living standards, such as electricity, potable water, and sewage disposal, and paved roads.

**Party B** is a legal, duly registered business in Guam, and is the duly authorized representative of several Chinese multi-national investors.

**Party C** is a legal, duly registered business in Guam, and is the third-party financing guarantor for the described capital improvement projects in the Faichuk Region.

## **Scope of Services**

**Party A** administers the Capital Improvement Programs and Infrastructures for the Faichuk Region, State of Chuuk, and identifies the funding for all capital improvement projects approved for the Faichuk Region.

**Party C** offers an internationally-recognized financing source to **Party A** for any programs which may require start-up or additional funding for its government projects which comply under the mandated program guidelines of **Party C** and guarantees payment for all projects outlined in this Memorandum of Understanding (MOU).

**Party B** agrees to provide the necessary initial capitalization to finance, develop the property and construct the capital improvement projects pursuant to the required specifications set forth by **Party A**, and stands ready to mobilize its labor force, supplies and equipment for the above described purposes.

## Terms

In consideration of the above offer, goodwill representation and mutual utilization of all parties' services, the parties agree to the following:

1. **Party A** identifies the capital improvement projects to be in its conceptual developmet and outlines the projects as follows:
  - a) Electrical Power Generation (13.78 to 15 megawatt power plant)
  - b) Water & Sewer Lines Construction (Main Lines & Laterals)  
(approximately 30,000 people)
  - c) Highway Construction (2-Lane Primary of about 50 miles)

**Party A** assures **Party B** that negotiations with any other third parties not identified within this MOU will cease and that all detailed discussions with **Party B** will commence for mutual and satisfactory performance for said capital improvement projects.

2. **Party C** offers financial guaranty in the initial amount not to exceed *Two Hundred Million Dollars (\$200M USD)* to **Party A** for purposes of funding **Party A's** above-described capital improvement projects which fall under the mandated program guidelines of **Party C's** financing program.
3. **Party B** makes an offer on behalf of its client(s) to finance, develop the properties, and construct the required capital improvement projects, complete and deliver said projects in satisfactory performance under the terms and conditions outlined in a formal Contract prepared to meet all the governing legal concurrences and to be subsequently presented to all parties for execution upon complying and satisfying all required elements mutually agreed upon.
4. **Party B** further offers on behalf of its client(s) to set aside *Fifty Million Dollars (\$50M USD)* as good faith deposit in an interest-bearing account of its choice for purposes of assuring **Party A and Party C** of its financial commitment to accept and undertake **Party A's** identified capital improvement projects. Said account must be held at any of the following recognized top banks:

Industrial & Commercial Bank of China, Beijing, China  
(ranking #18 in the World's Top 50 Banks)

Bank of China, Beijing, China  
(ranking #25 in the World's Top 50 Banks)

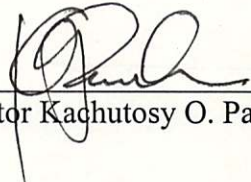
The Hongkong and Shanghai Banking Corporation, Limited, Hong Kong,  
(ranking #45 in the World's Top 50 Banks)

5. **Party C** assures and certifies to **Party B** that the *Fifty Million Dollars (\$50M USD)* will have no other party's identification or signatory requirement except the owner of the deposit and account. Proof of Funds must be executed by the Bank's two officers to certify that the account is opened, the account name holder, the amount of funds in said account, and the time-certificate term of one year required by **Party C**.
6. **Party B**, on behalf of its client(s), will dedicate, hypothecate, reserve, and/or block said account for a period not less than one (1) year one (1) week to **Party C**, **Party A's guarantor**, as assurance of **Party B's** client's commitment to satisfy and perform the required contractual services for **Party A's** capital improvement projects which may be authorized to commence by the end of this year. This reserve fund is not, and should not be considered to be, an assignment or a promised tender to any individual, partnership, company, or any other third-party entity. This reserve fund as blocked to the financing guarantor (**Party C**) shall not be defined, interpreted or construed as monies owing or due to either **Party A** or **Party C**. This reserve fund although blocked to **Party C** remains under the sole name of the owner of said funds as sole account holder and shall not have any other authority governing the account except the owner of the funds as account holder.
7. In recognition of **Party B's** financial strength and its good faith deposit and goodwill representation to demonstrate its corporate endorsement to dedicate and block **Fifty Million Dollars (\$50M USD)** to **Party C**, **Party C** offers the following to **Party B**:
  - a) On or before August 1<sup>st</sup> no later than August 7<sup>th</sup>, all documents and/or other instruments required to effectuate the above reserved and blocked fund must be executed and filed with **Party C** and **Party A**.
  - b) **Party B** must obtain Proof of Funds signed by two officers of the banking institution at which the reserved deposit and account is opened. The Proof of Funds cannot be more than five (5) days old. **Party B** must immediately deliver said Proof of Funds to **Party C**.
  - c) Upon receipt of said Proof of Funds, **Party C** offers and delivers to **Party B** for its good faith commitment to accept and undertake the Faichuk Government capital improvement projects a *fifty percent (50%)* or more entitlement yield of return in sums of monies at a monthly (weekly if preferred) timetable disbursement schedule chosen by **Party B** as its mode of payment for the ensuing ten (10) banking months (or 40 banking weeks, if preferred) as more outlined in the attached Schedule.

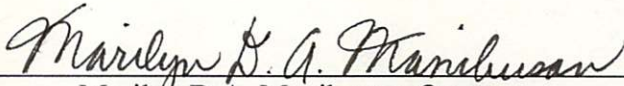
- d) **Party C** must provide **Party B** with all required documentation necessary to complete the transaction, forward and file the appropriate instruments to the the banking institutions authorized to act on the program.
- e) **Party C** must also give and deliver notices immediately to **Party B** of any and each separate and distinct act, transaction, activity or reference to **Party B's** funds or account, both in writing and by electronic communication. Any act, activity or transaction alienating **Party B's** client's funds and/or account for such purposes other than outlined in this MOU shall be considered a reason for **Party B** to arbitrarily and unilaterally terminate all terms and conditions of this MOU.
8. Since the Faichuk Government's 2001 Fiscal Year begins on October 1, 2000, **Party A** can only commence contract negotiations thereafter when the government's budget allocation is authorized and other financing guarantees are secured by the Municipal Government through **Party C** or other alternative funding sources, such as the Asian Development Bank, etc.

IN WITNESS WHEREOF, we the undersigned have executed this Memorandum of Understanding this 26<sup>th</sup> day of July, 2000.

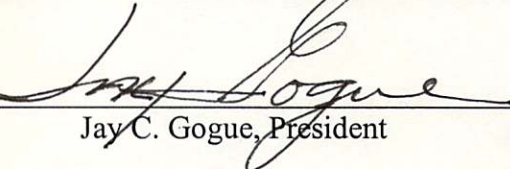
**PARTY A:**  
CAPITAL IMPROVEMENT PROGRAMS & INFRASTRUCTURES

By:   
\_\_\_\_\_  
Senator Kachutosy O. Paulus, Chairman

**PARTY B:**  
MANIBUSAN & ASSOCIATES

By:   
\_\_\_\_\_  
Marilyn D.A. Manibusan, Owner

**PARTY C:**  
CAPITAL INTERNATIONAL INVESTMENTS, LTD.

By:   
\_\_\_\_\_  
Jay C. Gogue, President

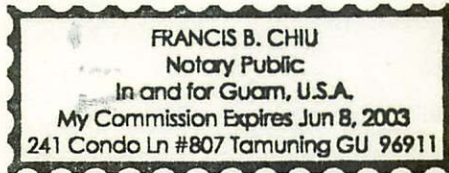
**Acknowledgment**

Territory of Guam )  
: SS.  
City of Hagatna )

On this 26<sup>TH</sup> day of July, 2000, personally appeared before me SENATOR KACHUTOSY O. PAULUS, the person whose name is subscribed to the within Memorandum of Understanding as the Chairman of the FAICHUK CAPITAL IMPROVEMENT PROGRAMS & INFRASTRUCTURES, and that he acknowledged to me that he executed the same as Chairman and as the duly authorized officer to do so.

SUBSCRIBED AND SWORN TO before me on the date aforementioned above.

*Francis B. Chiu*  
\_\_\_\_\_  
NOTARY PUBLIC



Territory of Guam )  
: SS.  
City of Hagatna )

On this 26<sup>TH</sup> day of July, 2000, personally appeared before me MARILYN D.A. MANIBUSAN, the person whose name is subscribed to the within Memorandum of Understanding as the Owner of MANIBUSAN & ASSOCIATES, and that she acknowledged to me that she executed the same as such.

SUBSCRIBED AND SWORN TO before me on the date aforementioned above.

*Francis B. Chiu*  
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NOTARY PUBLIC

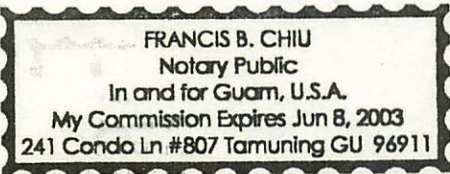


Territory of Guam )  
: SS.  
City of Hagatna )

On this 26<sup>TH</sup> day of July, 2000, personally appeared before me JAY C. GOGUE, the person whose name is subscribed to the within Memorandum of Understanding as the President of CAPITAL INTERNATIONAL INVESTMENTS, LTD., and that he acknowledged to me that he executed the same as President and as the duly authorized officer to do so.

SUBSCRIBED AND SWORN TO before me on the date aforementioned above.

*Francis B. Chiu*  
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NOTARY PUBLIC



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## SCHEDULE OF ENTITLED YIELD OF RETURN

<b>Deadline:</b>	<b>60%</b> <b>Blocked by: 7/31/00</b>	<b>55%</b> <b>Blocked by: 8/01/00</b>	<b>50%</b> <b>Blocked by: 8/07/00</b>
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<b>(DEPOSIT AS INSTRUMENT IN 10 BANKING MONTHLY DISBURSEMENT)</b>			
Each Month:	\$30M USD	\$27.5M USD	\$25M USD
10 Months:	\$300M USD	\$275M USD	\$250M USD
Plus interest			

**(DEPOSIT AS INSTRUMENT IN 40 BANKING WEEKLY DISBURSEMENT)**  
Each Week:

40 Weeks:  
Plus Interest

<b>Deadline:</b>	<b>60%</b> <b>Blocked by: 7/31/00</b>	<b>55%</b> <b>Blocked by: 8/01/00</b>	<b>50%</b> <b>Blocked by: 8/07/00</b>
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<b>(DEPOSIT AS CASH IN 10 MONTHLY BANKING DISBURSEMENT)</b>			
Each Month:	\$60M USD		
10 Months:	\$600M USD		
Plus interest			

**(DEPOSIT AS INSTRUMENT IN 40 BANKING WEEKLY DISBURSEMENT)**  
Each Week:

40 Weeks:  
Plus Interest

Exhibit A – Appended to MOU