

**AGREEMENT BETWEEN THE
GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE
GOVERNMENT OF THE REPUBLIC OF PALAU
FOLLOWING THE COMPACT OF FREE ASSOCIATION
SECTION 432 REVIEW**

In recognition of the ties that were developed between the United States of America and Palau during World War Two, and the subsequent half century of United States administration of Palau and the continuing close relationship between the Governments of the United States and Palau under the Compact of Free Association (“Compact”), following the fifteenth anniversary review of the relationship conducted pursuant to Section 432 of the Compact (which provides: “Upon the fifteenth and thirtieth and fortieth anniversaries of the effective date of this Compact, the Government of the United States and the Government of Palau shall formally review the terms of this Compact and its related agreements and shall consider the overall nature and development of their relationship. In these formal reviews, the governments shall consider the operating requirements of the Government of Palau and its progress in meeting the development objectives set forth in the plan referred to in Section 231(a). The governments commit themselves to take specific measures in relation to the findings of conclusions resulting from the review. Any alteration to the terms of this Compact or its related agreements shall be made by mutual agreement, the terms of this Compact and its related agreements shall remain in force until otherwise amended or terminated pursuant to Title Four of this Compact”), and in light of the desire of the United States of America and the Republic of Palau to deepen their relationship, now, therefore, the Government of the United States of America and the Government of the Republic of Palau agree as follows:

1. Compact Section 211(f) Fund

The Government of the United States of America (the “Government of the United States”) shall contribute \$30.25 million to the Fund referred to in Section 211(f) of the Compact in accordance with the following schedule: \$3 million annually for ten years beginning with Fiscal Year 2013 through Fiscal Year 2022, and \$250,000 in Fiscal Year 2023.

2. Infrastructure Maintenance Fund

(a) The Government of the United States shall provide a grant of \$2 million annually from the beginning of Fiscal Year 2011 through Fiscal Year 2024 to create a trust fund (the “Infrastructure Maintenance Fund”) to be used for the routine and periodic maintenance of major capital improvement projects financed by funds provided by the United States. The Government of the Republic of Palau (the “Government of Palau”) will match the contributions made by the United States by making contributions of \$150,000 to the Infrastructure Maintenance Fund on a quarterly basis from the beginning of Fiscal Year 2011 through Fiscal Year 2024. Implementation of this subsection shall be carried out in accordance with the provisions of Appendix A to this Agreement.

(b) The \$3 million owed to the Government of the United States under paragraph 3(d) of Article V of the Agreement Concerning Special Programs Related to the Entry Into Force of the Compact of Free Association Between the Government of the United States and the Government of the Republic of Palau (the Guam Accords) done at Guam, May 26, 1989, plus accumulated interest, shall be paid into the Infrastructure Maintenance Fund. The \$3 million shall remain in the Infrastructure Maintenance Fund and not be expended for any purpose. All past and future income generated by the \$3 million shall be used exclusively for the routine maintenance of the Compact Road provided by the United States under Section 212 of the Compact.

3. Fiscal Consolidation Fund

The Government of the United States shall provide the Government of Palau \$5 million in Fiscal Year 2011 and \$5 million in Fiscal Year 2012 for deposit in an interest bearing account to be used to reduce government payment arrears of Palau. Implementation of this section shall be carried out in accordance with the provisions of Appendix B to this Agreement.

4. Direct Economic Assistance

(a) In addition to the \$13.25 million in economic assistance provided to the Government of Palau by the Government of the United States in Fiscal Year 2010, and unless otherwise specified in this Agreement or in an Appendix to this Agreement, the Government of the United States shall provide the Government of Palau \$107.5 million in economic assistance as follows: \$13 million in Fiscal Year 2011; \$12.75 million in Fiscal Year 2012; \$12.5 million in Fiscal Year 2013; \$12 million in Fiscal Year 2014; \$11.5 million in Fiscal Year 2015; \$10 million in Fiscal Year 2016; \$8.5 million in Fiscal Year 2017; \$7.25 million in Fiscal Year 2018; \$6 million in Fiscal Year 2019; \$5 million in Fiscal Year 2020; \$4 million in Fiscal Year 2021; \$3 million in Fiscal Year 2022; and \$2 million in Fiscal Year 2023. The funds provided in any fiscal year under this subsection shall be provided in four (4) quarterly payments (thirty percent (30%) in the first quarter, thirty percent (30%) in the second quarter, twenty percent (20%) in the third quarter, and twenty percent (20%) in the fourth quarter) unless otherwise specified in this Agreement or in an Appendix to this Agreement.

(b) Notwithstanding the provisions of Compact section 211(f) and the Agreement Between the Government of the United States and the Government of Palau Regarding Economic Assistance Concluded Pursuant to Section 211(f) of the Compact of Free Association, with respect to Fiscal Years 2011 through Fiscal Year 2023 and except as otherwise agreed by the Government of the United States and the Government of Palau, the Government of Palau agrees not to exceed the following distributions from the Section 211(f) Fund: \$5 million annually beginning in Fiscal Year 2011 through Fiscal Year 2013; \$5.25 million in Fiscal Year 2014; \$5.5 million in Fiscal Year 2015; \$6.75 million in Fiscal Year 2016; \$8 million in Fiscal Year 2017; \$9 million in Fiscal Year 2018; \$10 million in Fiscal Year 2019; \$10.5 million in Fiscal Year 2020; \$11 million in Fiscal Year 2021; \$12 million in Fiscal Year 2022; and \$13 million in Fiscal Year 2023.

(c) No portion of the funds provided to the Government of Palau under this section, including the funds distributed from the Section 211(f) Fund, shall be used, directly or indirectly, to fund state

block grants, or the activities of the Office of the President of Palau, of the Olbiil Era Kelulau (the Palau National Congress), or of the Palau Judiciary. Annually, \$15 million of the funds provided to the Government of Palau under this section, including the funds distributed from the Section 211(f) Fund, shall be used exclusively for purposes related to education, health, and the administration of justice and public safety, recognizing that these funds are subject to the provisions of subsection 4(h) herein.

(d) In order to increase the long term economic stability of Palau and to maximize the benefits of the economic assistance provided by the Government of the United States, the Government of Palau shall undertake economic, legislative, financial, and management reforms, and shall give due consideration to reforms such as those described in the International Monetary Fund's (IMF) Country Report No. 08/162, Republic of Palau: Selected Issues and Statistical Appendix, (May 2008), and the Asian Development Bank's (ADB) Strategy and Program Assessment, Palau: Policies for Sustainable Growth, A Private Sector Assessment (July 2007) and any other similar subsequent and future reports and recommendations issued by the IMF, the ADB, and other credible institutions, organizations or professional firms. To the extent that anticipated fiscal and economic reforms require substantial financial resources to design, implement, or mitigate negative impacts, the Government of Palau may propose and the two governments may agree to the use of additional funds from the Section 211(f) Fund, provided that the two governments agree in writing that the additional withdrawals from the Section 211(f) Fund will not impair the ability of the fund to provide \$15 million annually from Fiscal Year 2024 through Fiscal Year 2044, and that the proposed reforms are a necessary and prudent use of the funds. Government to government communications shall be through diplomatic channels.

(e) The Government of the United States and the Government of Palau shall establish, effective on the day this Agreement enters into force, an Advisory Group on Economic Reform (the "Advisory Group"). The purpose of the Advisory Group is to contribute to the long-term economic sustainability of Palau by recommending economic, financial, and management reforms. The Advisory Group shall be composed of five (5) members, two (2) of whom shall be designated by the President of Palau and two (2) of whom shall be designated by the Government of the United States, the fifth of whom shall be chosen by the Government of the United States from a list of not fewer than three (3) persons not residents of Palau submitted by the President of Palau. In the event the Government of the United States rejects the persons enumerated in the list submitted by the President of Palau, then the fifth member shall be chosen by the President of Palau from a list of not fewer than three (3) persons submitted by the Government of the United States. In making their designations, the President and the Government of the United States shall give consideration to the mix of expertise that would be most beneficial to the work of the Advisory Group. The Advisory Group will be chaired by a member chosen by the members from among their number. Its meetings will be held once a year in Palau and once a year in Hawaii, unless otherwise agreed by the members. Each government shall provide the necessary support for its designated representatives on the Advisory Group. Support for the fifth member shall be borne by the government that recommended the member. Unless otherwise agreed by the two governments the Advisory Group shall terminate at the end of Fiscal Year 2023.

(f) The Advisory Group shall recommend economic, financial and management reforms and the schedule on which the reforms should be implemented. The Advisory Group shall report annually not less than thirty (30) days prior to the annual bilateral economic consultations to be held on or about June 1 every year on the Government of Palau's progress in implementing reforms recommended by the Advisory Group or other reforms taken by the Government of Palau. The two governments are committed to these annual economic consultations being meaningful, substantive and comprehensive.

(g) The Government of Palau's progress in achieving reforms shall be reviewed at the annual bilateral economic consultations. Examples of significant progress in a fiscal year would be, but are not limited to: meaningful improvements in fiscal management, including the elimination and prevention of operating deficits; a meaningful reduction in the national operating budget from the previous fiscal year; a meaningful reduction in the number of government employees from the level the previous fiscal year; a meaningful reduction in the annual amount of the national operating budget dedicated to government salaries from the previous fiscal year; demonstrable reduction of government subsidization of utilities, and meaningful tax reform .

(h) If the Government of the United States determines after the annual bilateral economic consultations that the Government of Palau has not made significant progress in implementing meaningful reforms, then, after direct consultation with the President of Palau, the Government of the United States may, after ninety (90) days notice to the Government of Palau, delay payment of economic assistance under this section. The Government of the United States shall determine the amount of the economic assistance to be delayed. Any assistance delayed shall be held and released when the Government of the United States determines that Palau has made sufficient progress on the reforms.

5. Infrastructure Projects

The Government of the United States shall provide grants totaling \$40 million to the Government of Palau as follows: \$8 million annually in Fiscal Years 2011 through Fiscal Year 2013; \$6 million in Fiscal Year 2014; and \$5 million annually in Fiscal Years 2015 and 2016; towards one or more mutually agreed infrastructure projects in accordance with the provisions of Appendix C to this Agreement.

6. Reporting and Auditing

Palau shall resolve all deficiencies in the Annual Single Audit such that by 2018 no deficiency or recommendation dates from before Fiscal Year 2016. By the first day of the fourth quarter of each fiscal year or as soon as practicable thereafter, in the annual report it submits under Section 231(b) of the Compact, the Government of Palau shall report on the status and use of all funds provided under this Agreement. The status and use of all funds provided under this Agreement shall also be discussed in the annual bilateral economic consultations. The financial information relating to this funding shall conform to the standards of the Government Accounting Standards Board. All funds provided under this Agreement shall be subject to a financial and compliance audit and other requirements in accordance with the provisions of Appendix D to this Agreement.

7. Federal Programs and Services

The Government of the United States shall make available to Palau through Fiscal Year 2024, in accordance with and to the extent provided through amendments to the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association, signed at Palau on January 10, 1986, the services and related programs covered in that agreement as amended herein. The amendments to that agreement constitute Appendix E to this Agreement.

8. Telecommunication Services

The Agreement Regarding the Provision of Telecommunication Services by the Government of the United States to Palau Concluded Pursuant to Section 131 of the Compact of Free Association, signed at Koror, Republic of Palau, January 10, 1986 and the Agreement Regarding the Operation of Telecommunication Services of the Government of the United States in Palau Concluded Pursuant to Section 132 of the Compact of Free Association, signed at Koror, Republic of Palau, January 10, 1986 are amended and these amended agreements constitute Appendix F to this Agreement.

9. Passport Requirement

Section 141 of Article IV of Title One of the Compact shall be construed and applied as if it read as follows:

“Section 141

(a) Any person in the following categories may be admitted to, lawfully engage in occupations, and establish residence as a nonimmigrant in the United States and its territories and possessions without regard to paragraphs (5) or (7)(B)(i)(II) of section 212(a) of the Immigration and Nationality Act, 8 U.S.C. § 1182(a)(5) or (a)(7)(B)(i)(II), provided that the passport presented to satisfy section 212(a)(7)(B)(i)(I) of such Act is a valid unexpired machine-readable passport that satisfies the internationally accepted standard for machine readability:

(1) a person who, on September 30, 1994, was a citizen of the Trust Territory of the Pacific Islands, as defined in Title 53 of the Trust Territory Code in force on January 1, 1979, and has become and remains a citizen of Palau;

(2) a person who acquires the citizenship of Palau, at birth, on or after the effective date of the Constitution of Palau; or

(3) a naturalized citizen of Palau, who has been an actual resident of Palau for not less than five years after attaining such naturalization and who holds a certificate of actual residence.

Such persons shall be considered to have the permission of the Secretary of Homeland Security of the United States to accept employment in the United States.

- (b) The right of such persons to establish habitual residence in a territory or possession of the United States may, however, be subjected to non-discriminatory limitations provided for:
 - (1) in statutes or regulations of the United States; or
 - (2) in those statutes or regulations of the territory or possession concerned which are authorized by the laws of the United States.
- (c) Section 141(a) does not confer on a citizen of Palau the right to establish the residence necessary for naturalization under the Immigration and Nationality Act, or to petition for benefits for alien relatives under that Act. Section 141(a), however, shall not prevent a citizen of Palau from otherwise acquiring such rights or lawful permanent resident alien status in the United States."

10. Effective Date, Amendment, and Duration

- (a) This Agreement, including its Appendices, shall enter into force on the date of the last note of an exchange of diplomatic notes by which the Government of the United States and the Government of Palau inform each other that all internal procedures necessary for its entry into force have been fulfilled.
- (b) This Agreement may be amended at any time by the mutual written consent of the Government of the United States and the Government of Palau.
- (c) This Agreement shall remain in full force and effect until terminated by mutual written consent, or until termination of the Compact, whichever occurs first.

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments, have signed this Agreement.

DONE AT Honolulu, USA, in duplicate, this 3rd day of September, 2010, in the English language.

FOR THE GOVERNMENT
OF THE UNITED STATES OF AMERICA:

Franklin A. Clegg

FOR THE GOVERNMENT
OF THE REPUBLIC OF PALAU:

Johnson Toribio

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APPENDIX A—INFRASTRUCTURE MAINTENANCE FUND

1. Subject to the terms of this Appendix, the Government of the United States shall provide the grants specified in section 2(a) of the Agreement between the United States of America and the Government of the Republic of Palau following the Compact of Free Association Section 432 Review (the “Agreement”) to which this document is an appendix.
2. If, in a given Fiscal Year, the Government of Palau does not make the contributions agreed to in section 2(a) of the Agreement, economic assistance funds to be provided to Palau in the following fiscal year under section 4 of the Agreement will be redirected to the Infrastructure Maintenance Fund to make up the contributions owed by the Government of Palau.
3. Grant funds from the Government of the United States and Government of Palau contributions to the Infrastructure Maintenance Fund shall be deposited in an account established by the Government of Palau. Fiscal control and accounting procedures shall be sufficient to permit the preparation of required reports and to permit the tracing of funds to a level of expenditure adequate to establish that such funds have been used in compliance with this Appendix.
4. Palau shall report, at the annual bilateral economic consultations, the sources of its contributions to the Infrastructure Maintenance Fund.
5. The Infrastructure Maintenance Fund, and any interest accruing thereon, is to be used by the Government of Palau for the maintenance of United States financed capital improvement projects such as the road system (Compact Road) provided by the United States under Section 212 of the Compact and the capital improvements provided by the United States to the Airai International Airport. The Government of Palau may request in writing the use of the Infrastructure Maintenance Fund for maintenance of U.S. financed capital improvement projects other than these two, such as the U.S. financed capital improvements reflected in the Palau national hospital and schools. The Government of the United States shall give due consideration to any such request and shall endeavor to make a determination within sixty (60) days of receipt of the request. Although the primary purpose of the Infrastructure Maintenance Fund is to provide for routine and periodic maintenance, it may be used, when mutually agreed upon in writing, to mitigate damage and make emergency repairs to capital improvement projects funded by the United States.

6. The Government of Palau shall identify to the Government of the United States the Government of Palau official and office responsible for maintenance of the infrastructure with Fund monies. The official shall be responsible for activities necessary to plan and implement annual programs of maintenance of the Compact Road and the International Airport at Airai, and all other public infrastructure. The official shall be responsible for keeping each facility as nearly as possible in its original condition as constructed. The official shall develop an annual maintenance plan and related budget for reactive, preventive, repetitive, non-recurrent, and emergency-generated maintenance of the infrastructure specified in paragraph 5 and for all other public infrastructure. The plan will include descriptions and schedules of planned activities and shall identify the related costs. The plan for the infrastructure specified in paragraph 5 shall be submitted to the Government of the United States for its approval no less than sixty (60) days prior to the beginning of each fiscal year.
7. The Government of the United States will base its approval or disapproval of the plan for the infrastructure specified in paragraph 5 on its consideration of the effectiveness of the plan within the bounds of annual resources. Approval by the Government of the United States will be in the form of an annual grant which incorporates the approved maintenance plan and budget. Acceptance of the grant by the Government of the Republic of Palau will obligate the Government of Palau to the implementation of the annual maintenance plan and budget for the infrastructure specified in paragraph 5.
8. The grant, annual maintenance plan, and budget for the infrastructure specified in paragraph 5 may be amended by written mutual agreement.
9. Use of the Fund monies shall be subject to 43 Code of Federal Regulations 12 and all other applicable laws and regulations governing the use of grant funds provided by the Government of the United States. These funds may not be used for any purpose other than that for which they are offered.
10. Any grant funds remaining unexpended at the end of a fiscal year shall remain in the Infrastructure Maintenance Fund and may be included in subsequent annual maintenance plans and budgets.
11. Reporting Requirements:
 - (a) A Standard Form SF 425 (or successor form) and a narrative project status report shall be submitted quarterly.
 - (b) Reports are due within thirty (30) days of the end of each quarter. Final reports are due ninety (90) days after the expiration or termination of the award.
 - (c) All required plans and reports must be submitted to the U.S. Department of the Interior Office of Insular Affairs grant manager for the grant.

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APPENDIX B—FISCAL CONSOLIDATION FUND

1. Subject to the terms of this Appendix, the Government of the United States shall provide the Government of Palau the amounts specified in section 3 of the Agreement of the United States of America and the Government of the Republic of Palau following the Compact of Free Association Section 432 Review (the “Agreement”) to which this document is an appendix. Until disbursed, these funds will be deposited in an interest bearing account and the interest generated shall also be used to reduce Palau’s government payment arrears in accordance with the provisions of this Appendix.
2. The purpose of these funds is to allow the Government of Palau to discharge the level of debts accumulated prior to September 30, 2009. None of the principal or interest accrued on these funds may be disbursed to discharge a debt until the governments agree upon a specific list of debts to be paid with each annual contribution. The funds may not be used to pay off debt owed to another government, to pay an international organization, or to pay off debts which are the subject of current or pending litigation. Unless agreed to in writing by the Government of the United States, the funds may not be used to pay any entity owned or controlled by any member of the government, elected or appointed; to pay any entity owned or controlled by any member of the immediate family of any member of the government; to pay any entity from which a member of the government derives income; or to pay any creditor if the creditor owes money to the Government of Palau unless arrangements are made immediately to offset amounts owed to the Government of Palau from the funds made available to the creditor. Debts owed to U.S. creditors must receive priority. All debts to be paid with these funds must be properly documented as legitimate debts of the Republic of Palau using generally accepted accounting principles. The total amount of the debt to be paid shall not exceed the general fund deficit established by the Single Audit Report as of September 30, 2009.
3. The Government of Palau shall report quarterly to the Government of the United States on the use of these funds until they are expended and, until expended, the status and use of these funds shall be a regular agenda item for annual bilateral economic consultations to be held around June 1 of every year. If eligible debts do not amount to \$10 million, upon the request of the Government of Palau, the funds remaining after payment of the eligible debts shall be added to the amounts provided for infrastructure projects in section 5 of the Agreement.

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APPENDIX C—INFRASTRUCTURE PROJECTS

1. Subject to the terms of this Appendix, the Government of the United States shall provide grants towards one or more mutually agreed infrastructure projects as specified in section 5 of the Agreement of the United States of America and the Government of the Republic of Palau following the Compact of Free Association Section 432 Review (the “Agreement”) to which this document is an appendix. These infrastructure grants shall be subject to 43 Code of Federal Regulations 12 and all other applicable laws and regulations governing the use of grant funds provided by the Government of the United States. Grant funds may not be used for any purpose other than that for which they are offered.
2. Payment of grant funds shall be made as reimbursement of actual or accrued expenditures, using a format provided by the Government of the United States or as mutually agreed.
3. Prior to requesting reimbursement or payment, the Government of Palau shall, as applicable, provide the following documentation to the Government of the United States:
 - (a) Evidence of title, leasehold agreement, or other legal authority for use of the land upon which the capital improvement project(s) is (are) to be constructed.
 - (b) A detailed project budget for each infrastructure project. The budget shall include a breakdown of costs (in-house and contract) for planning, engineering and design, real estate, supervision and administration, construction, and construction management and inspection. The Government of Palau and the Government of the United States shall mutually agree to the format of this submission.
 - (c) A scope of work that describes the work to be performed and the schedule from planning through completion of construction. A certified professional engineer or architect shall sign both the scope of work and budget for each construction project.
4. Prior to disbursing funds requested to reimburse for actual project construction, the Government of the United States may review construction plans and specifications, any revised detailed cost estimate, and a detailed construction schedule.
5. All grant monies shall remain available until expended, unless otherwise provided in this Appendix.

6. Failure to comply with objectives, terms and conditions, or reporting requirements may result in the suspension of grant payments until the deficiency is corrected.
7. Reporting Requirements:
 - (a) A Standard Form SF 425 (or successor form) and a narrative project status report shall be submitted quarterly.
 - (b) Reports are due within thirty (30) days of the end of each quarter. Final reports are due ninety (90) days after the expiration or termination of the award.
 - (c) All required documents and reports must be submitted to the U.S. Department of the Interior Office of Insular Affairs grant manager for the grant.

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APPENDIX D—AUDIT STANDARDS AND RESPONSIBILITIES

1. The Government of Palau shall perform a financial and compliance audit, within the meaning of the Single Audit Act, as amended (31 U.S.C. 7501 et seq.), of the uses of the funding provided pursuant to the Agreement Between the Government of the United States of America and the Government of the Republic of Palau following the Compact of Free Association Section 432 Review (the “Agreement”) for each fiscal year during which the Agreement is in effect. The results of these Audits shall be available not later than the beginning of the fourth fiscal quarter following the end of the fiscal year under review, as required by the Single Audit Act. The costs of these audits are to be borne by the Government of Palau, and may be a recognized expense to funds provided under section 4 of the Agreement. If the Government of the Republic of Palau does not endeavor to perform a Single Audit in any given fiscal year, economic assistance funds to be provided to Palau in the following fiscal year under section 4 of the Agreement shall be redirected to pay for the required Single Audit.
2. In conducting the audits required under this Appendix, the auditors shall take into account relevant laws and regulations of the United States and Palau, including U.S. laws and regulations on the conduct of audits, and Palauan laws and regulations which relate in a material, substantial or direct way to financial statements and operations of the Government of Palau.
3. The authority of the Government of the United States set forth this Appendix shall continue for at least three (3) years after the last Grant or element of assistance by the Government of the United States under this Agreement has been provided and expended.
4. Audit officials or agents of the Government of the United States may perform audits on the use of all funding provided pursuant to this Agreement, including grants and other assistance provided to the Government of Palau. The Government of the United States is responsible for all costs attendant to the discharge of this authority.
5. Audit officials from the Government of the United States are the officials and employees of the Government of the United States who are responsible for the discharge of its audit responsibilities, including those of the Comptroller General of the United States and any Inspector General of an agency of the Government of the United States with programs operating in or otherwise serving the Republic of Palau. While present in the Republic of Palau for the purposes of this Appendix, audit officials from the Government of the United States shall be immune from civil and criminal process relating to words spoken or written and all acts performed by them in their official capacity and falling within their

functions, except insofar as such immunity may be expressly waived by the Government of the United States. The Comptroller General and his duly authorized representatives, and other audit officials from the Government of the United States, shall not be liable to arrest or detention pending trial, except in the case of a grave crime and pursuant to a decision by a competent judicial authority, and such persons shall enjoy immunity from seizure of personal property, immigration restrictions, and laws relating to alien registration, fingerprinting, and the registration of foreign agents. Such persons shall enjoy the same taxation exemptions as are set forth in Article 34 of the Vienna Convention on Diplomatic Relations. The privileges, exemptions and immunities accorded under this paragraph are not for the personal benefit of the individuals concerned but are to safeguard the independent exercise of their official functions. Without prejudice to those privileges, exemptions and immunities, it is the duty of all such persons to respect the laws and regulations of the Government of the Republic of Palau.

6. Audit officials from the Government of the United States shall provide the Government of Palau with advance notice of the specific dates and nature of their visits prior to entering the Republic of Palau and shall show verifiable identification to officials of the Government of Palau when seeking access to records. In the performance of their responsibilities under this Agreement, audit officials from the Government of the United States shall have due regard for the laws of the Republic of Palau and the duties and responsibilities of the officials of the Government of Palau. Officials of the Government of Palau shall cooperate fully to the extent practicable with the United States audit officials to enable the full discharge of their responsibilities.
7. The Comptroller General of the United States, and officials of the United States Government Accountability Office acting on his or her behalf, shall have coextensive authority with the executive branch of the Government of the United States as provided by this Appendix. The audit officials from the executive branch of the Government of the United States shall avoid duplication between their audit programs and those of the United States Government Accountability Office. The Government of Palau shall cooperate fully to the extent practicable with the Comptroller General of the United States in the conduct of such Audits as the Comptroller General of the United States determines necessary in accordance with this Appendix to enable the full discharge of his responsibilities.
8. The Government of Palau shall provide audit officials from the Government of the United States with access, without cost and during normal working hours, to all records, documents, working papers, automated data, and files which are relevant to the uses of funding received pursuant to the Agreement by the Government of Palau. To the extent that such information is contained in confidential official documents, the Government of Palau shall undertake to extract information that is not of a confidential nature and make it available to the audit officials from the Government of the United States in the same manner as other relevant information or to provide such information from other sources.

9. In order to reduce the level of interference in the daily operation of the activities of the Government of Palau, audit officials from the Government of the United States shall, to the extent practicable, inform the Government of Palau of their need for information, including the type of information and its relation to their annual audit schedule. To the extent practicable, the Government of Palau shall make available the information requested by audit officials from the Government of the United States relevant to Audits and available in a manner consistent with generally accepted accounting procedures that allows for the distinction of the Grants, assistance, and payments provided by the Government of the United States from any other funds of the Government of Palau. Such information shall be used and returned as quickly as accurate audit testing and surveying allow.
10. The Government of Palau shall maintain records, documents, working papers, automated data, files, and other information regarding each such Grant or other assistance for at least three (3) years after such Grant or assistance was provided.
11. Audit organizations and officials from the Government of the United States, including the Comptroller General of the United States and his duly authorized representatives, shall provide the Government of Palau with at least thirty (30) days to review and comment on draft audit reports prior to the release of the reports. The comments of the Government of Palau shall be included, in full, in the final audit reports. Should a draft audit report be revised based on the comments of the Government of Palau, the Government of Palau shall have an additional period to review and comment on the report prior to its release.

Appendix E(1):

Agreement Between
the Government of the United States of America
and
the Government of the Republic of Palau
to Amend Article VI of the Federal Programs and Services
Agreement Concluded Pursuant to Article II of Title Two and
Section 232 of the Compact of Free Association

The Government of the United States of America and the Government of the Republic of Palau hereby agree to amend Article VI of the Federal Programs and Services Agreement Concluded pursuant to Article II of Title Two and Section 232 of the Compact of Free Association, signed at Palau on January 10, 1986 (the Compact), to read as follows:

Article VI
Postal Services and Related Programs

1. The Government of Palau shall maintain responsibility pursuant to its laws and regulations for all local postal services.
2. The Government of Palau shall be responsible for all its own postal staff, facilities and equipment.
3. The Government of Palau shall issue postage stamps and other prescribed postal indicia, which shall be used for prepayment of postage rates and other postal charges on all mail originating in its territory, except for mail sent through the military postal system provided for in Article VII of the Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact of Free Association.
4. The United States Postal Service (USPS) shall provide the following services for the Republic of Palau through Fiscal Year 2024 commencing on the effective date of this Agreement without compensation by the Government of Palau; provided that the United States Postal Service is reimbursed for the provision of such services from funds appropriated by the United States Congress in implementation of this Agreement:
 - (a) maintain a reasonable and cost effective level of service for conveyance of mail to and from the United States and the Palau International Airport at Arai;
 - (b) dispatch, documentation, statistical, accounting, and settlement operations in connection with the international exchange of mail with other countries;
 - (c) Express Mail, except that no service guarantee will be provided; registered mail; and insured parcel service; and

(d) technical assistance as provided in paragraph 16 of this Article.

5. As of the effective date of this Agreement, COD (cash on delivery) will no longer be available and, one (1) year after the effective date of this Agreement, USPS Money orders will no longer be available. Services requiring delivery scans or electronic signature capture will also not be made available for mail addressed to ZIP codes in Palau.

6. The Government of Palau shall undertake to protect the postal services provided by the Government of the United States from use that is inconsistent with mailing standards as set forth in the Domestic Mail Manual and International Mail Manual or that involves the shipment of commercial goods for direct or indirect resale outside the Republic of Palau. The USPS shall notify the President of the Government of Palau in writing of any such instances of which the USPS becomes aware. The Government of Palau shall reimburse USPS for all expenses, including but not limited to, air transportation costs, directly related to any such use as determined by the USPS following consultation with the Government of Palau. Reimbursement shall be made by cashier's check made payable to the USPS no later than ninety (90) days after the USPS invoice for reimbursement is transmitted to the Government of Palau.

7. The Government of the United States shall provide mail service pursuant to this Article with the understanding that the volume of mail may increase in proportion to population increases and ordinary growth of local commercial enterprise. If, after the effective date of this Agreement, there is an increase in the volume of mail serviced by the USPS relating to Palau in a fiscal year (October 1 through September 30) that exceeds the average volume of the preceding three (3) fiscal years by more than twenty percent (20%), the Government of Palau shall reimburse the USPS for the costs incurred for the volume in excess of twenty percent at the rate paid by the USPS in transportation costs plus ten percent (10%) of those costs for administrative expenses. At five-year intervals after the effective date of this Agreement, the volume figure of twenty percent and the reimbursement provisions of this paragraph will be reviewed by both parties at the request of either party.

8. The Government of Palau shall ensure that all mail turned over to the USPS for conveyance to the United States or other countries complies with the postal conventions to which the United States adheres and with the postal laws and regulations of the United States. International documentation (parcel bills for registered and insured parcels, letter bills for registered letters, and AV-7/CN-38 manifests for Express Mail) shall be required for those special services provided between the exchange office of the Republic of Palau and designated exchange offices of the United States. Pursuant to paragraph 16 of this Article, the Government of the United States shall, upon request, assist the Government of Palau in developing local practices and procedures to fulfill the requirements of this paragraph.

9. Pursuant to this Agreement mail shall be exchanged at the exchange office designated in this paragraph, and outgoing mail from the Republic of Palau shall be merged with United States mail for conveyance to the United States or to other countries. Such outgoing mail from the Republic of Palau shall be treated as though it were mail from the United States for dispatch, documentation, statistical, accounting and settlement operations with other countries. The designated exchange office shall be located at the Palau International Airport at Arai.

10. The Government of Palau may determine postal rates for internal mail to local addresses within the Republic of Palau.

11. After the effective date of this Agreement, the Government of Palau shall be responsible for determining the postal rates for mail being sent from addresses in the Republic of Palau to addresses in the United States and to other countries. The floor established for postage rates of mail from the Republic of Palau to the United States shall be the published United States domestic postage rates at the time. The floor established for postage rates of mail from the Republic of Palau to countries other than the United States, shall be the published United States standard international postage rates at the time. The Government of Palau may agree to establish a floor of United States domestic postage rates for mail exchanged between addresses of the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia. If, after the effective date of this Agreement, the USPS experiences severe losses as a result of providing postal services to the Republic of Palau pursuant to this Article, the USPS and the Government of Palau shall consult at the request of the USPS to find mutually acceptable measures to address the losses suffered by the USPS. If the USPS and the Government of Palau cannot agree on mutually acceptable measures to address the losses, the USPS may establish special cost-related rates or may opt to establish standard international rates and classifications for mail from the United States to the Republic of Palau, provided that international rates will be phased in over a period of not less than five (5) years, beginning no sooner than 2014.

12. Revenues derived from the sale of stamps issued by the Government of Palau for postal services or for philatelic purposes shall be retained by the Government of Palau. The Government of Palau agrees to provide, pursuant to its constitutional processes, adequate funding for the operation of its postal services in a manner which will allow the USPS to perform its responsibilities under this Agreement in an efficient and economical manner, with any disputes arising under this paragraph to be resolved pursuant to Article II of Title Four of the Compact.

13. Liability for the loss of registered and insured items shall rest with the Government which, having received it without comment, cannot prove either delivery to the addressee or correct transfer to another administration. Pursuant to paragraph 16 of this Article, the Government of the United States shall, upon request, assist the Government of Palau in developing local practices and procedures to fulfill the requirements of this paragraph.

14. The Government of Palau shall not impose any terminal dues or other charges on the USPS or the postal administrations of any other governments for mail conveyed to the Republic of Palau by the USPS pursuant to this Agreement.

15. One (1) year from the effective date of this Agreement, the Government of Palau shall discontinue the sale of Postal Money Orders on USPS forms in accordance with USPS regulations. One (1) year from the effective date of this Agreement, the Republic of Palau shall return to the USPS all devices, USPS money order forms, and supplies used for the imprinting of Postal Money Orders and shall remit to the USPS all amounts collected in conjunction with the issuance of Postal Orders issued on USPS forms, including the Postal Money Order fees.

16. Pursuant to this Agreement the USPS may provide such technical assistance (including technical assistance to provide any employee training) as the USPS and appropriate officials authorized to act on behalf of the Government of the Palau mutually agree to be necessary and appropriate. This technical assistance would not require compensation from the Republic of Palau, provided that USPS is reimbursed the costs of such technical assistance from funds appropriated by the United States Congress. In addition, appropriate officials of the Government of Palau shall consult with the USPS with regard to fiscal planning and postal administration for the purpose of promoting economical and efficient postal services and programs.

17. United States Postal Service Inspectors, in concert with the Republic of Palau law enforcement agencies, shall be authorized to investigate any incident, issue or claim regarding mail originating from the United States destined for the Republic of Palau, and to seek reimbursement for any cost associated with such investigations.

18. The obligations of the Governments signatory to this Agreement under this Article shall terminate September 30, 2024. Prior to the termination of this Agreement, the USPS and the Government of Palau shall enter into bilateral arrangements to establish mutually acceptable terms and conditions for the exchange of the mail between the United States and the Republic of Palau.

19. If the Government of Palau is interested in joining relevant international or regional postal organizations, it shall give advance notice to the Government of the United States, including the USPS. As mutually agreed, the United States shall assist the Government of Palau in acquiring membership in relevant international or regional postal organizations.

This Agreement to amend Article VI of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association shall enter into force on the date of the last note of an exchange of diplomatic notes by which the Government of the United States of America and the Government of the Republic of Palau inform each other that all internal procedures necessary for its entry into force have been fulfilled. This Agreement may be amended by the Government of the United States of America and the Government of the Republic of Palau at any time by mutual written agreement. This Agreement shall remain in force through September 30, 2024, subject to Article IV, Title Four of the Compact.

Agreement Between
the Government of the United States of America
and
the Government of the Republic of Palau
to Amend Article VI of the Federal Programs and Services
Agreement Concluded Pursuant to Article II of Title Two and
Section 232 of the Compact of Free Association

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments,
have signed this Agreement.

DONE AT Honolulu, USA, in duplicate, this 3^d day of September, 2010, in the
English language.

FOR THE GOVERNMENT
OF THE UNITED STATES OF AMERICA:

Franklin A. Reed

FOR THE GOVERNMENT
OF THE REPUBLIC OF PALAU:

Johnson Trubing

Appendix E(2):

Agreement Between
the Government of the United States of America
and
the Government of the Republic of Palau
to Amend Article VII of the Federal Programs and Services
Agreement Concluded Pursuant to Article II of Title Two and
Section 232 of the Compact of Free Association

The Government of the United States of America and the Government of the Republic of Palau hereby agree to amend Article VII of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association, signed at Palau on January 10, 1986 (the Compact), to read as follows:

Article VII
Weather Services and Related Programs

1. The United States Department of Commerce's National Oceanic and Atmospheric Administration's (NOAA) National Weather Service (hereafter referred to as the National Weather Service) shall, subject to the availability of appropriated funds, provide weather services and related programs in Palau as described in this Article at the levels equivalent to those available to Palau during Fiscal Year 2009.
2. These services and related programs shall be provided pursuant to:
 - (a) the provisions of the National Weather Service organic authority, 15 U.S.C. 313; the International Aviation Facilities Act, 49 U.S.C. 47301-47306; and 49 U.S.C. 44720;
 - (b) other provisions of the laws of the United States to the extent they expressly apply to the National Weather Service;
 - (c) weather treaties and other international weather agreements to which the United States is a party;
 - (d) applicable Executive Orders of the President of the United States; and
 - (e) implementing National Weather Service regulations.
3. The Government of Palau may issue weather forecasts under such terms as may be mutually agreed with the National Weather Service. The Government of the United States shall, however, continue to provide public, marine and aviation weather forecasts and severe weather warnings.

4. The Government of Palau may take such transitional actions as may be necessary to prepare for the establishment and support of its own weather service. Such transitional actions may be initiated at any time prior to termination of the Compact pursuant to Article IV of Title Four of the Compact or prior to termination of this Article pursuant to Article XII of this Agreement. At the request of the Government of Palau, prior to the establishment of its own weather service, the National Weather Service shall provide advice in the development of the weather service of Palau.

5. The National Weather Service shall provide weather services and related programs pursuant to this Article, in part, through Weather Service Offices (WSO) established in Palau.

(a) As of October 1, 1994 all employees at the WSO in Palau shall be employed in like positions by the Government of Palau;

(b) Reimbursements for weather services and duties and responsibilities of station employees shall be set forth in the contract statement of work, negotiated between the National Weather Service and the Government of Palau; and

(c) The Government of the United States shall reimburse the Government of Palau for costs incurred under this paragraph.

6. The Government of Palau shall provide land, suitable to both Parties for construction of a Weather Service Office. Said land will be conveyed to the United States via a no cost lease through the life of this Agreement and subsequent agreements.

7. As required to implement the services and related programs provided pursuant to this Article or to meet technological change, the National Weather Service shall train employees of the Government of Palau assigned to WSOs and Supplemental Aviation Weather Reporting Station (SAWRS) observing sites. The Government of the United States shall reimburse the Government of Palau for costs incurred for training approved by the National Weather Service.

8. The National Weather Service shall inspect all WSOs and SAWRS observing sites on a regular basis to assure the quality of meteorological operations.

9. The National Weather Service shall provide and maintain WSOs pursuant to Article V of this Agreement, including meteorological observatories and other buildings, and shall maintain and replace meteorological and other equipment of the National Weather Service.

10. The National Weather Service shall provide the supplies and expendables required for the operation of its programs and related services.

11. Pursuant to Article III of Title One of the Compact, the radio operating frequencies in the bands 401-406 MHz and 1660-1700 MHz shall be protected by the Government of Palau in order to ensure their interference-free use for rawinsonde observations, in accordance with the provisions of Radio Regulations annexed to the International Telecommunication

Convention. Other radio operating frequencies may be substituted for those set forth in this paragraph by mutual agreement of the Government of Palau and the Government of the United States.

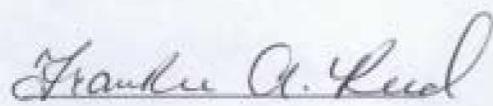
12. The Government of Palau, in order to assure that it receives the most current meteorological information and that such information will be available on a global basis, shall provide continuing access to its telecommunications services, for meteorological traffic to and from Guam, and such other points as may be designated by the Government of the United States. Additionally, the NWS may install satellite communications capabilities (VSAT) within the Palau weather service office to ensure redundant communications paths.

This Agreement to amend Article VII of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association shall enter into force on the date of the last note of an exchange of diplomatic notes by which the Government of the United States of America and the Government of the Republic of Palau inform each other that all internal procedures necessary for its entry into force have been fulfilled. This Agreement may be amended by the Government of the United States of America and the Government of the Republic of Palau at any time by mutual written agreement. This Agreement shall remain in force through September 30, 2024, subject to Article IV, Title Four of the Compact.

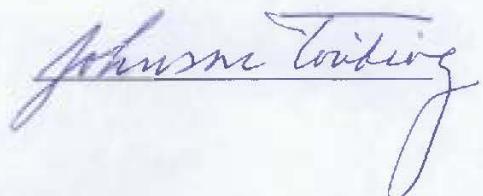
IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments, have signed this Agreement.

DONE AT Honolulu, USA, in duplicate, this 3rd day of September, 2010, in the English language.

FOR THE GOVERNMENT
OF THE UNITED STATES OF AMERICA:



FOR THE GOVERNMENT
OF THE REPUBLIC OF PALAU:



Appendix E(3):

Agreement Between
the Government of the United States of America
and
the Government of the Republic of Palau
to Amend Article VIII of the Federal Programs and Services Agreement
Concluded Pursuant to Article II of Title Two and
Section 232 of the Compact of Free Association

The Government of the United States of America and the Government of the Republic of Palau hereby agree to amend Article VIII of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of The Compact of Free Association, signed at Palau on January 10, 1986 (the Compact), to read as follows:

Article VIII
Civil Aviation Safety Services and Related Programs

1. The Government of the United States and the Government of Palau agree that the Federal Aviation Administration (FAA) shall provide aviation safety services in the Republic of Palau in accordance with this Article, subject to the availability of appropriated funds, with the common desire to:

- (a) promote the common interests of the Government of the United States and the Government of Palau in fostering safe and efficient air service; and
- (b) provide advice and guidance to aviation safety statutory and regulatory regimes and aviation safety authorities of the Government of Palau.

2. The Administrator of the FAA may determine, after consultation with the Government of Palau, the appropriate level of services and related programs that the FAA shall provide under the Compact and this Agreement, provided the levels of services and related programs are consistent with the principles and objectives of the Compact and this Agreement, including paragraph 1 above and paragraphs 3 and 5 below.

3. On behalf of the Government of Palau, the Government of the United States shall provide aviation safety services in the Republic of Palau as follows:

- (a) en route air traffic services within that air space including the Republic of Palau for which the Government of the United States has responsibility under the appropriate regional air navigation plan approved by the International Civil Aviation Organization (ICAO);

(b) flight inspection and ground certification of non-directional beacons and distance-measuring equipment, and periodic review and evaluation of the need for, and the maintenance, modification, improvement or replacement of, non-directional beacons, distance-measuring equipment and other aviation navigational systems in the Republic of Palau (the non-directional beacons and distance-measuring equipment shall be removed from service when the Government of the United States determines the need for them no longer exists); and

(c) development and updating of instrument approach procedures, standard instrument departure procedures and standard terminal arrival routes for airports in the Republic of Palau, and issuance of appropriate Notices to Airmen.

4. The Government of Palau, pursuant to Section 471(b) of the Compact, shall take all necessary steps to ensure the conformity of its laws, regulations and administrative procedures with the provisions of this Article. The aviation safety services specified under paragraph 3 of this Article shall be provided exclusively pursuant to treaties and other international agreements relating to aviation safety to which the United States is a party and the laws and regulations of the United States. The Government of Palau:

(a) consistent with Resolutions A33-14, Appendix N, Air Navigation, of ICAO Assembly Resolutions in force as of October 5, 2001, assigns and delegates to the Government of the United States sole authority and responsibility for providing aviation safety services as specified in paragraph 3(a) of this Article until such time as those responsibilities are transferred at the request of the Government of Palau, and with the approval of the Government of the United States and ICAO, from the Government of the United States to the Government of Palau; and

(b) grants unobstructed access by FAA personnel and FAA equipment to the airport and to the property on which the navigational and landing aids set forth in paragraph 3(b) of this Article are located.

5. The FAA shall provide technical assistance to the Government of Palau to develop civil aviation safety authorities and to assist the Government of Palau in the administration of safety certification and related aviation safety programs. Such technical assistance shall be provided pursuant to implementing agreements to be negotiated from time to time between the Government of the United States and the Government of Palau. The FAA shall provide such technical assistance in accordance with the provisions of Title 49, United States Code, Subtitle VII, Part A, Sections 40101 et seq., and Part B, Chapter 473, Sections 47301 et seq. The technical assistance provided by the FAA includes, but is not limited to:

(a) continuing development of aviation safety statutes, regulations and aviation safety authorities;

(b) training, in the United States or its territories, of personnel designated by the Government of Palau;

(c) stationing of FAA personnel in the Republic of Palau to provide continuing advice and guidance to aviation safety authorities at the request of the Government of Palau. Such advice and guidance may include assistance to aviation required for certification by the Government of Palau of airmen, aircraft, airports and air agencies, as the term "air agencies" is used in 49 U.S.C. 44702 and 44707; and

(d) equipment, tools, and facilities determined to be necessary to ensure aviation safety.

6. Pursuant to Article III, Title One, of the Compact, the Government of Palau shall protect radio frequency bands allocated in accordance with Article 5 of the Radio Regulations of the International Telecommunications Union (ITU) to the aeronautical mobile, mobile, aeronautical fixed, fixed, aeronautical radionavigation, and radionavigation services in accordance with the provisions of the ITU Radio Regulations, in order to ensure their use free of interference for these allocated purposes in support of civil aviation.

7. The Government of Palau, in order to ensure that it transmits and receives the most current meteorological information for civil aviation purposes and that such information it provides shall be available on a global basis, shall provide continuing access to their telecommunications services for meteorological traffic to and from Guam or other points as may be designated by the Government of the United States in consultation with the Government of Palau.

8. The Government of Palau, in order to ensure that they transmit and receive the most current flight movement and airmen information data for civil aviation purposes, and that such information received or provided by them will be available on a global basis, shall provide continuing access to their telecommunications services for flight movement and airmen information traffic to and from Guam or other entry points into the Aeronautical Fixed Service of the International Civil Aviation Organization as may be designated in accordance with the Convention on International Civil Aviation, Annex 10, Volumes 1 and 2, by the Government of the United States in consultation with the Government of Palau.

9. The sponsors of airports located in the Republic of Palau shall be eligible for grants under Title 49, United States Code, Subtitle VII, Part B, Sections 47115 and 47116.

10. The Government of the United States and the Government of Palau shall from time to time enter into such agreements as may be necessary to implement subparagraphs (b) and (c) of paragraph 3 of this Article.

This Agreement to amend Article VIII of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association shall enter into force on the date of the last note of an exchange of diplomatic notes by which the Government of the United States of America and the Government of the Republic of Palau inform each other that all internal procedures necessary for its entry into force have been fulfilled. This Agreement may be amended by the Government of the United States of America and the Government of the Republic of Palau at any time by mutual written agreement.

This Agreement shall remain in force through September 30, 2024, subject to Article IV, Title Four of the Compact.

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments, have signed this Agreement.

DONE AT Honolulu, USA, in duplicate, this 3rd day of September, 2010, in the English language.

FOR THE GOVERNMENT
OF THE UNITED STATES OF AMERICA:

Franka A. Reed

FOR THE GOVERNMENT
OF THE REPUBLIC OF PALAU:

William Tribes

Appendix E(4):

Agreement Between
the Government of the United States of America
and
the Government of the Republic of Palau
to Amend Article IX of the Federal Programs and Services Agreement
Concluded Pursuant to Article II of Title Two and
Section 232 of the Compact of Free Association

The Government of the United States of America and the Government of the Republic of Palau hereby agree to amend Article IX of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of The Compact of Free Association (the Compact), signed at Palau on January 10, 1986 (the Compact), to read as follows:

Article IX
Civil Aviation
Economic Services and Related Programs

1. The Government of the United States and the Government of Palau agree that the following provisions of this Article shall apply to the economic regulation of air services of the Republic of Palau.
2. The Government of Palau shall exercise independent economic regulatory jurisdiction over air services to, from and within Palau, which for the purposes of this Agreement are points outside the United States, as the term "United States" is defined in 49 U.S.C. 40102(a)(46).
3. In accordance with Section 124 of the Compact, the Government of the United States, if requested and as mutually agreed, shall negotiate or assist in negotiations for air rights with third countries on behalf of the Government of Palau.
4. The U.S. Department of Transportation, upon request, shall provide the following assistance to the Government of Palau:
 - (a) preparation of statutory and regulatory proposals for the economic regulation of civil aviation;
 - (b) processing, in Washington, D.C., on behalf of and on the basis of procedures mutually agreed with the Government of Palau of applications from any person seeking authority to engage in air services to, from or within the Republic of Palau, respectively; the power of ultimate disposition of such applications rests with the Government of Palau;
 - (c) training in the processing of air service applications, in Washington, D.C., of not more than two persons annually, and a total of not more than six persons for the duration of

this Agreement. The Government of Palau shall be responsible for travel, subsistence and similar expenses of its designated persons while in such training; and

(d) such other assistance as may from time to time be specifically agreed to by the U.S. Department of Transportation.

5. Subject to approval of the Congress of the United States, the Government of the United States shall establish:

(a) A distinct classification of foreign air carrier, as the term "foreign air carrier" is defined in 49 U.S.C. 40102(a)(21), to be known as "Freely Associated State Air Carrier." This classification shall apply exclusively to a carrier which:

(1) is organized under the laws of Palau; and

(2) has consent to such classification from the Government of Palau, and consent to such classification from the Government of the United States pursuant to standards adopted by the Government of the United States for such classification.

(b) Authority for the U.S. Department of Transportation to authorize Freely Associated States Air Carriers to carry local traffic between Guam, the Commonwealth of the Northern Mariana Islands, and Honolulu, and within the Commonwealth of the Northern Mariana Islands.

(c) Notwithstanding the provisions of 49 U.S.C. 40101(a)(15), Air Micronesia, Inc. shall qualify as a U.S. citizen air carrier, within the meaning of 49 U.S.C. 4012(a)(2), for so long as it continues to be (1) incorporated in the United States or its Territories or possessions, and (2) controlled by citizens of the United States or by a corporation or corporations controlled by citizens of the United States.

(d) The U.S. Department of Transportation shall adopt rules to implement the provisions of this paragraph as the Department in its discretion, deems appropriate.

6. Notwithstanding paragraph 2, the Government of Palau shall authorize, without restrictions or impairment, United States air carriers to operate air services to, through, beyond, within and between the Republic of Palau and to establish tariffs applicable to such air services. The Government of the United States shall promptly notify the Government of Palau, of the filing with the U.S. Department of Transportation of any application by a United States air carrier for authority under the laws of the United States to operate air services pursuant to this paragraph. The Government of Palau shall designate competent authorities pursuant to Article II, paragraph 10, of this Agreement for the purpose of receiving such notice. The Government of Palau shall be accorded an opportunity to present its views which shall be considered in reaching any decision. Should a formal or informal proceeding be instituted by the Government of the United States in connection with any such application, the Government of Palau shall be made a party to such proceeding with full rights in accordance with the applicable procedural rules.

7. The Government of the United States shall sympathetically consider requests by the Government of Palau for negotiations of a bilateral air transport agreement between the Government of the United States and the Government of Palau. The Government of Palau and the United States shall, on the basis of reciprocity, exempt air carriers that are authorized by either government to provide air services, from customs duties and taxes imposed by their national authorities, and shall not impose user charges which exceed an equitable proportion of the reasonable costs of providing the facilities, or which are discriminatory.

8. The Government of Palau may terminate the operation of any of three categories of economic services described in the subparagraphs of this Article and set forth below. Such partial termination, which may be effected in the same manner as this Article, may be terminated in accordance with Article XII of this Agreement and may be exercised only for the categories listed below.

- (a) Category 1 -- paragraph 4;
- (b) Category 2 -- subparagraph (b) of paragraph 5; or
- (c) Category 3 -- subparagraphs (a) and (b) of paragraph 5.

If the Government of Palau terminates the operation of the subparagraphs in Category 3, that Government may, in accordance with Article XII of this Agreement, also terminate the operation of paragraph 6 of this Article.

If the Government of Palau elects to terminate both the operation of the subparagraphs in Category 3 and the operation of paragraph 6 of this Article, the remaining provisions of this Article shall cease to be in effect two years after such termination, unless otherwise agreed by the Government of United States and the Government of Palau.

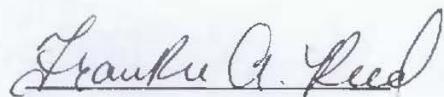
This Agreement to amend Article IX of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association shall enter into force on the date of the last note of an exchange of diplomatic notes by which the Government of the United States of America and the Government of the Republic of Palau inform each other that all internal procedures necessary for its entry into force have been fulfilled. This Agreement may be amended by the Government of the United States of America and the Government of the Republic of Palau at any time by mutual written agreement. This Agreement shall remain in force through September 30, 2024, subject to Article IV, Title Four of the Compact.

Agreement Between
the Government of the United States of America
and
the Government of the Republic of Palau
to Amend Article IX of the Federal Programs and Services Agreement
Concluded Pursuant to Article II of Title Two and
Section 232 of the Compact of Free Association

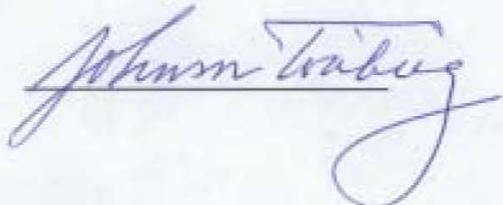
IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments,
have signed this Agreement.

DONE AT Honolulu, USA, in duplicate, this 3rd day of September, 2010, in
the English language.

FOR THE GOVERNMENT
OF THE UNITED STATES OF AMERICA:



FOR THE GOVERNMENT
OF THE REPUBLIC OF PALAU:



Appendix E(5):

Agreement between
the Government of the United States of America
and
the Government of the Republic of Palau
to Amend Article XII of the Federal Programs and Services Agreement
Concluded Pursuant to Article II of Title Two and Section 232 of the
Compact of Free Association

The Government of the United States of America and the Government of the Republic of Palau hereby agree to amend paragraph 3 of Article XII of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association, signed at Koror, Republic of Palau, on June 10, 1986 (the Compact), to read as follows:

3. This Agreement shall remain in force through September 30, 2024, subject to Article IV, Title Four of the Compact.

This Agreement to Amend Article XII of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of the Compact of Free Association shall enter into force on the date of the last note of an exchange of diplomatic notes by which the Government of the United States of American and the Government of the Republic of Palau inform each other that all internal procedures necessary for its entry into force have been fulfilled.

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments, have signed this Agreement.

DONE AT Honolulu, USA, in duplicate, this 3rd day of September, 2010, in the English language.

FOR THE GOVERNMENT
OF THE UNITED STATES OF AMERICA:

Franklin G. Reed

FOR THE GOVERNMENT
OF THE REPUBLIC OF PALAU:

Johnson Toriboj

Appendix F(1):

Agreement between
the Government of the United States of America
and
the Government of the Republic of Palau
to Amend the Agreement Regarding the Provision of Telecommunication
Services by the Government of the United States to Palau Concluded
Pursuant to Section 131 of the Compact of Free Association

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The Government of the United States of America and the Government of the Republic of Palau hereby agree to amend the Agreement Regarding the Provision of Telecommunication Services by the Government of the United States to Palau Concluded Pursuant to Section 131 of the Compact of Free Association, signed at Koror, Republic of Palau, January 10, 1986 (the Compact), to read as follows:

Article I
Definitions

The definition of terms set forth in Article VI of Title Four of the Compact are incorporated in this Agreement.

For the purpose of this Agreement only, the term "ITU Administration" shall mean the Government of the United States.

Article II
Authority and Responsibility

1. The Government of Palau, which is competent and capable under Section 121 of the Compact to conduct foreign affairs in its own name and right with respect to, among other things, communications, has requested that the Government of the United States act as its agent with regard to the provision of certain communications services set forth in Section 131 of the Compact.

2. The Government of the United States shall provide telecommunication services to the Government of Palau as authorized by Section 131 of the Compact. Pursuant to Section 131, the

Government of the United States shall represent the interests of the Government of Palau before the International Telecommunication Union (ITU) and other administrations concerned with international telecommunication in matters pertaining to the ITU Constitution and Convention.

3. When the Government of the United States acts on behalf of the Government of Palau pursuant to paragraph 2 of this Article, the Government of the United States shall act in accordance with the provisions of the laws and regulations of the United States that the Government of the United States determines are applicable to Palau at such time. The actions of the Government of the United States shall be consistent with the following:

(a) Prior to the Government of the United States acting on behalf of the Government of Palau in its capacity as the ITU Administration, wherever preparation for or representation at plenipotentiary or administrative conferences of the Union is concerned, the Government of the United States shall consult with the Government of Palau on matters which, in the opinion of the Government of the United States, relate to or affect the Government of Palau. These consultations shall occur in order for the Government of Palau to present its views to the Government of the United States, which shall consider these views when developing United States proposals and positions in connection with the conference preparatory efforts cited above. No consultations need be undertaken in respect of matters which, in the opinion of the ITU Administration, arise by virtue of due application of the regulatory provisions of the international Radio Regulations then in force.

(b) The Government of the United States shall notify the Government of Palau of significant actions of the ITU and other administrations which the Government of the United States regards as relating to or affecting either Government.

(c) When developing those rules and regulations of the United States that may be applicable to the Government of Palau pursuant to paragraph 2 of this Article, the Government of the United States shall give prior notice of its intentions to the Government of Palau and shall take into account all views expressed by or on behalf of the Government of Palau in connection with the relevant rulemaking proceedings.

(d) The provisions of Section 421 of the Compact shall apply, and the Government of the United States shall confer promptly at the request of the Government of Palau and that government shall confer promptly with the Government of the United States on matters relating to this Agreement, except in respect of matters which, in the opinion of the ITU Administration, arise by virtue of due application of the regulatory provisions of the International Radio Regulations then in force.

(e) For the purpose of carrying out the provisions of this Agreement, Competent Authorities shall be designated by each of the signatory Governments. The Competent Authority of the Government of the United States and the Competent Authority of the Government of Palau may communicate directly with each other. The designation by either Government of its Competent Authority will be communicated in writing to the other signatory Government, and such designation may, from time to time, be amended.

4.
 - (a) The authority and responsibility of the Government of the United States pursuant to paragraph 1 of this Article is without prejudice to the authority and responsibility of the Government of Palau with regard to telecommunications in Palau, except as may otherwise be required by the ITU Constitution and Convention as complemented by the ITU Administrative Regulations.
 - (b) The Government of Palau shall develop, prior to conducting any telecommunication activity in Palau, standards and procedures, as recommended by the Government of the United States, which shall be consistent with the ITU Constitution and Convention inasmuch as the ITU Constitution and Convention are treaty obligations of the ITU Administration for the Government of Palau. In developing, implementing and maintaining these standards and procedures, the Government of Palau shall take whatever steps may be required by the ITU Constitution and Convention, as complemented by the ITU Administrative Regulations, such that the ITU Administration for the Government of Palau may fully meet its obligations under the ITU Constitution and Convention.

Article III Transition

1. Upon receipt of notice pursuant to Article IV of this Agreement from the Government of Palau, the Government of the United States shall assist the requesting government in obtaining membership in the ITU. After receipt of notice from the ITU of the Government of Palau's qualification to act, the Government of the United States shall take such actions as may be necessary to transfer to Palau all relevant obligations and rights.
2. Upon termination of the functions enumerated in Section 131 of the Compact by the Government of the United States, the applicability of all laws of the United States, and of its regulations, practices, policies, treaties, conventions, and arrangements which are applicable to this Agreement shall cease to be applicable in the territory of the Republic of Palau, and any authority and responsibility of the Government of the United States in respect to such services shall also cease.

Article IV Effective Date, Amendment and Duration

1. This Agreement may be amended by the Government of the United States of America and the Government of the Republic of Palau at any time by mutual written agreement.
2. This Agreement shall remain in force as long as the Compact remains in force, subject to Article IV of Title Four of the Compact and in the absence of action to the contrary by a Plenipotentiary Conference of the ITU, unless terminated by a signatory Government in the following manner:

(a) Termination of this Agreement by either signatory Government shall be effected by a written notification to either the Government of the United States or to the Government of Palau, as appropriate, and

(b) Termination shall take effect as mutually agreed or one (1) year after the recipient Government has been notified, but not before receipt of notice from the ITU of the qualification to act.

This Agreement to Amend the Agreement Regarding the Provision of Telecommunication Services by the Government of the United States to the Government of Palau Concluded Pursuant to Section 131 of the Compact of Free Association shall enter into force on the date of the last note of an exchange of diplomatic notes by which the Government of the United States of America and the Government of the Republic of Palau inform each other that all internal procedures necessary for its entry into force have been fulfilled.

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments, have signed this Agreement.

DONE AT Honolulu, USA, in duplicate, this 3rd day of September, 2010, in the English language.

FOR THE GOVERNMENT
OF THE UNITED STATES OF AMERICA:

Franklin A. Roosevelt

FOR THE GOVERNMENT
OF THE REPUBLIC OF PALAU:

Tony Touby

Appendix F(2):

Agreement between
the Government of the United States of America
and
the Government of the Republic of Palau
to Amend the Agreement Regarding the Operation of Telecommunication
Services of the Government of the United States in Palau Concluded
Pursuant to Section 132 of the Compact of Free Association

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The Government of the United States of America and the Government of the Republic of Palau hereby agree to amend the Agreement Regarding the Operation of Telecommunication Services of the Government of the United States in Palau Concluded Pursuant to Section 132 of the Compact of Free Association, signed at Koror, Republic of Palau, January 10, 1986 (the Compact), to read as follows:

Article I
Definitions

The Definitions of Terms set forth in the following documents are incorporated into this Agreement.

- (a) Article VI of Title Four of the Compact;
- (b) Paragraph 2 of Article I of the Status of Forces Agreement Concluded Pursuant to Section 323 of the Compact (the Status of Forces Agreement); and
- (c) Paragraph 2 of Article I of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of the Compact (the Federal Programs and Services Agreement).

Article II
General Provisions

1. The Governments of Palau shall permit the Government of the United States to operate telecommunications services in Palau to the extent necessary to fulfill the obligations of the Government of the United States under the Compact.
2. The Government of the United States may take within Palau measures for the installation, operation and maintenance of its telecommunication services, including:
 - (a) the operation and maintenance of all telecommunication facilities, and use of the associated radio frequencies authorized for use, or authorized in use by it, upon the entry into force of this Agreement;
 - (b) the installation, operation and maintenance of new or additional telecommunication facilities in Palau. Such actions will be coordinated with the Government of Palau;
 - (c) the regulation and control of all telecommunications of the Government of the United States, including the licensing of operations personnel; and
 - (d) the use of codes, ciphers and other means of cryptographic security.
3. The Government of Palau:
 - (a) permits the operation of United States telecommunication facilities in Palau, and will ensure that the provision of frequencies to the Government of the United States shall be free from all license requirements, taxes, duties, fees and charges;
 - (b) shall make prompt and reasonable efforts to satisfy requests by the Government of the United States for changes in existing frequencies and for requests for additional frequencies; and
 - (c) shall accept as its own, without a test or fee, the permits or licenses issued to United States personnel by the Government of the United States.
4. In Palau, permits and licenses issued to United States personnel by the Government of the United States shall be solely for the operation of telecommunications facilities of the Government of the United States.
5. (a) For the purpose of carrying out the provisions of this Agreement, Competent Authorities shall be designated by each of the signatory Governments. The Competent Authority of the Government of the United States and the Competent Authority of the Government of Palau may communicate directly with each other. The designation by a Government of the Competent Authority will be communicated in writing to each signatory Government and such designation may, from time to time, be amended.

(b) In order to harmonize the telecommunication operations of the Government of the United States with those of the Governments of Palau, the Competent Authorities shall establish a Joint Telecommunication Board which shall meet at least annually or more often as may be required. The Board will review plans for changes to the respective telecommunication systems of the parties to ensure maximum possible compatibility and interoperability. The secretariat and host for meetings of the Board will be as mutually agreed by the parties.

6. The Government of the United States, through its Competent Authority, shall coordinate proposed major changes to United States telecommunications and extraordinary activities or exercises which would have the potential of causing either electromagnetic or physical interference with other systems used or licensed by the Government of Palau. The Government of Palau, through its Competent Authority, shall coordinate similar changes with the United States Competent Authority. The Government of the United States and Government of Palau shall use their best efforts to avoid both electromagnetic and physical interference to each other's telecommunication operations. In the event the Competent Authorities cannot reach a mutually satisfactory agreement through consultations, the matter will be referred to their respective Governments for resolution in accordance with the provisions of Article V of Title Three or Article II of Title Four of the Compact, as appropriate.

7. Transmitter and receiver antennas installed by the Government of the United States shall be located and constructed so as not to constitute hazards including, *inter alia*, hazards to air navigation.

Article III Defense Telecommunication Provisions

1. The Armed Forces of the United States and their United States contractors may take in Palau measures for the installation, operation and maintenance of telecommunication services pursuant to Title Three of the Compact and its related agreements. These measures include the right, as provided for in this Agreement, to install, operate and maintain:

(a) Radio communication, radar and telemetry systems including:

(1) Major radio communication facilities as links with the world-wide military network of the United States;

(2) Such other lesser radio-telephonic and telegraphic communication Facilities, including the Military Affiliate Radio System as may be required for the support of military and administrative services of the Armed Forces of the United States;

(3) Television systems;

(4) Radio facilities for communication with aircraft and surface vessels;

- (5) Satellite communications;
- (6) Such other broadcasting stations contributing to the morale, welfare and training of the Armed Forces of the United States and its contractors, which includes the Armed Forces Radio and Television Service, and short-range broadcasting stations; and
- (7) Such other telecommunication facilities as may be required from time to time.
 - (a) Aids to air navigation and airfield approach control systems including electronic navigation and landing aids, such as airport surveillance radars, ground control approach (GCA), TACAN and instrument landing systems (ILS), and other such aids as may be developed and adapted for such use.
 - (b) Telecommunication equipment in connection with the operation of weather facilities.
 - (c) The list of activities contained in Article III, paragraph 1 above, of this Agreement, is a non-exclusive, illustrative listing of the telecommunications activities which the United States may take in Palau, i.e. the list from 1(a) to 1(c).
 - (d) The term "television systems" as used in Article III, paragraph 1(a)(3) refers only to such systems used for surveillance monitoring, security systems and other such uses, but does not include television broadcasting stations as addressed in Article III, paragraph 1 (a)(6).
 - (e) The Government of the United States shall not undertake any actions to install or operate broadcasting stations pursuant to Article III, paragraph 1(a)(6) of this Agreement without the prior agreement between the Government of the United States and the Government of Palau.

Article IV
United States Federal Programs and Services
Telecommunication Provisions

United States Federal Agencies and their United States Contractors may take in Palau measures for the installation, operation and maintenance of telecommunication services in support of United States Federal Programs and Services as set forth in the Agreement concluded pursuant to Article II of Title Two and Section 232 of the Compact.

Article V
Effective Date, Amendment and Duration

1. This Agreement may be amended by the Government of the United States of America and the Government of the Republic of Palau at any time by mutual agreement.

2. This Agreement shall remain in force in accordance with the following terms:

(a) Articles I, II, III and V of this Agreement shall remain in force as between the Government of the United States and the Government of Palau for the period of effectiveness of their respective Military Use and Operating Rights Agreements Concluded Pursuant to Sections 321 and 323 of the Compact; and

(b) Articles I, II, IV and V of this Agreement shall remain in force as between the Government of the United States and the Government of Palau for the period of effectiveness of the provisions of the Federal Programs and Services Agreement Concluded Pursuant to Article II of Title Two and Section 232 of the Compact.

This Agreement to Amend the Agreement Regarding the Operation of Telecommunication Services of the Government of the United States in Palau Concluded Pursuant to Section 132 of the Compact of Free Association shall enter into force on the date of the last note of an exchange of diplomatic notes by which the Government of the United States of America and the Government of the Republic of Palau inform each other that all internal procedures necessary for its entry into force have been fulfilled.

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments, have signed this Agreement.

DONE AT Honolulu, USA, in duplicate, this 3rd day of September, 2010, in the English language.

FOR THE GOVERNMENT
OF THE UNITED STATES OF AMERICA:

Franklin A. Reed

FOR THE GOVERNMENT
OF THE REPUBLIC OF PALAU:

John L. Lubicon