

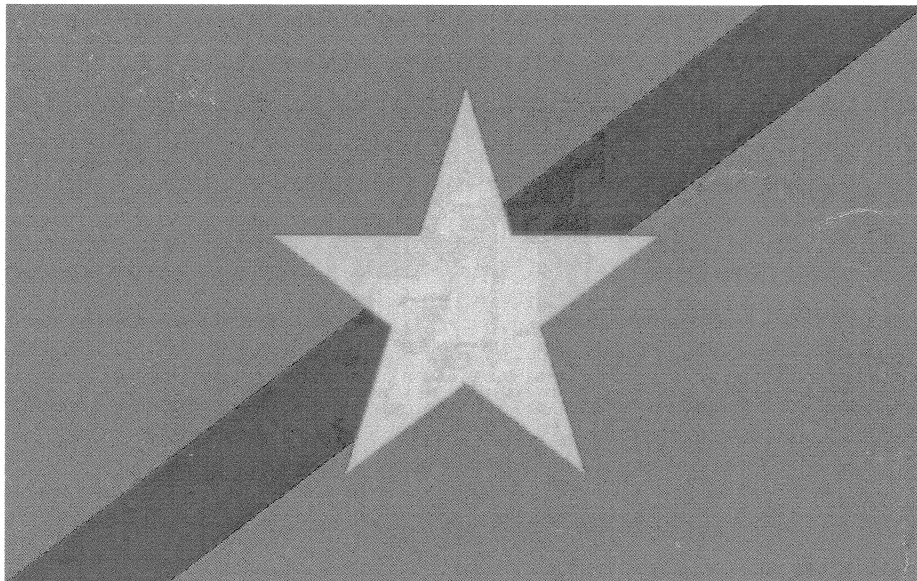


OFFICE OF THE PUBLIC AUDITOR
REPUBLIC OF PALAU

AUDIT REPORT

NGARAARD STATE GOVERNMENT

REPUBLIC OF PALAU



PERFORMANCE AUDIT REPORT

FOR THE PERIOD FROM OCTOBER 1, 2004 TO SEPTEMBER 30, 2007

Prepared by the Office of the Public Auditor

NGD05-07P-01*opa18



REPUBLIC of PALAU

P.O. BOX 850
KOROR, PALAU 96940
TEL: (680) 488-2889
FAX: (680) 488-2194
HOTLINE: (680) 488-5687
E-MAIL: palau.public.auditor@palaunet.com

Office of the Public Auditor

opa08-079au

April 29, 2008

Honorable Laurentino Ulechong
Governor
Ngaraard State Government
Office of the Governor
Koror, Republic of Palau

Subject: Final Report on the Audit of Ngaraard State Government for the period from October 1, 2004 through September 30, 2007.

Dear Governor Ulechong:

This report presents the results of our audit of Ngaraard State Government for the period from October 1, 2004 through September 30, 2007.

The Office of the Public Auditor (OPA) received your response to the draft audit report. The response is published together with the final audit report.

The OPA has established an audit recommendation tracking system to keep track of the status of recommendations issued in this report. The OPA will issue follow-up letters on June 30 and December 31 each year to determine what action the State has taken to implement the recommendations. The status of the recommendations are reported to the Office of the President and the Olbiil Era Kelulau semi-annually for their information and disposition.

If you have any questions regarding matters of audit findings and recommendations, the OPA will be available to discuss such matters at your request.

Sincerely,

A handwritten signature in black ink, appearing to read "Satrunino", is written over a horizontal line.

Satrunino Tewid
Acting Public Auditor
Republic of Palau

Ngaraard State Government
Republic of Palau

Period from October 1, 2004 to September 30, 2007

Table of Contents

<u>Performance Audit Report on Ngaraard State Government</u>	<u>Page No.</u>
Executive Summary	1-2
Background	3
Objective, Scope and Methodology	3-4
Prior Audit Coverage	4
Detailed Findings:	
1. Certification of Contract by State Attorney	5
2. Competitive Procurement	5-7
3. Planning/Coordinating Purchase of Real Property	7-8
4. Accounting System	8
Exhibit I - Auditee's First Response	9-10
Exhibit II - Auditee's Second Response	11-12
Exhibit III - 8/4/03 Letter from Isaac Soaladaob, Chairman, NSPLA, to Evangelisto Ongalibang	13
Exhibit IV - 8/5/03 Letter from Evangelisto Ongalibang to Mr. Isaac Soaladaob	14-17
Exhibit V - 8/8/03 Letter from Isaac Soaladaob, Chariman, NSPLA, to Evangelisto Ongalibang	18-20

Office of the Public Auditor

Exhibit VI	- 8/8/06 Letter appointing Minister Elbuchel Sadang and Kaleb Udui to negotiate acquisition of property	21
Exhibit VII	- 9/14/06 Appraisal Report of property	22-37
Exhibit VIII	- 9/28/06 letter from Minister Sadang and Mr. Udui recommending the purchase of the property	38
Exhibit IX	- 10/17/06 Memo to Procurement File supporting Determination to proceed with Competitive Negotiated Contract	39-41
Exhibit X	- 10/17/06 Request for Proposal ("RFP")	42-43
Exhibit XI	- 10/30/06 Proposal Submission	44
Exhibit XII	- 3/26/07 Negotiated Real Estate Purchase Contract	45-46
Exhibit XIII	- 3/26/07 Request for Payment	47
Exhibit XIV	- 3/26/07 Receipt	48



REPUBLIC of PALAU

Office of the Public Auditor

P.O. BOX 850
KOROR, PALAU 96940
TEL: (680) 488-2889
FAX: (680) 488-2194
HOTLINE: (680) 488-5687
E-MAIL: palau.public.auditor@palaunet.com

April 29, 2008

Honorable Laurentino Ulechong
Governor
Ngaraard State Government

Dear Governor Ulechong:

This report presents the result of our performance audit of Ngaraard State Government for the three (3) year period ended September 30, 2007. Specifically, the audit covered the period from October 1, 2004 through September 30, 2007.

The objective of the audit was to determine whether: (1) expenditures were incurred in accordance with national and state government laws and regulations, including competitive bidding, (2) cash receipts were properly deposited into the state treasury, (3) expenditures and cash receipts were supported by adequate supporting documentation, (4) funds earmarked by the Olbiil Era Kelulau for specific CIPs or programs were expended for purposes for which they were appropriated and designated, and (5) the state has established proper internal controls to ensure proper safeguarding of its properties and transactions are properly recorded.

During our audit, we found no material weakness in the State's system of internal controls or non-compliance deficiencies that warrants reporting to management. However, we noted one particular transaction involving the purchase of a real property for which we cited the following deficiencies:

The State Attorney did not certify the "Negotiated Real Estate Purchase Contract" as to form and legality as required under the provisions of said instrument.

The procurement process for the acquisition of a building was not conducted in a manner that provided fair and open competition and did not conform to the Republic's Procurement Law and Regulations.

The State did not adequately plan for and coordinate the purchase of the building to capitalize on the investment.

Ngaraard State has established and implemented a computerized accounting system to record and account for financial activities of the State.

Recommendation

To resolve the above findings, we recommend the following course of action:

The State Attorney should certify as to form and legality all purchase contracts for the purchase of real property.

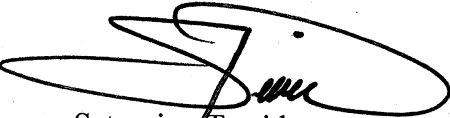
The Governor conducts procurement of real property in a fair and competitive manner and in accordance with the Republic of Palau's Procurement Law and regulations.

The State should establish a process to properly plan for and coordinate major acquisition of real property to better capitalize on its investment.

We commend the State for the implementation of improvements to its accounting system and recommend that it continues its efforts to maintain the system in the future.

Finally, we would like to thank the staff and management of the Ngaraard State Government for the professional courtesy and cooperation extended to us during the audit.

Sincerely,



Satrunino Tewid
Acting Public Auditor

Background

Ngaraard State is one of the sixteenth (16) states in the Republic of Palau. The State operates a constitutional government pursuant to the State Constitution, which was ratified on January 12, 1982. Pursuant to the Constitution, the State of Ngaraard shall take every step reasonable and necessary to provide for public education, health care, and well-being of all of the people in the State of Ngaraard.

The State Constitution calls for the establishment of the Office of the Governor and the Legislature (Olbetibel Era Ngaraard). The Governor is elected to a four (4) year term. The Governor shall be responsible for, among other duties, to execute and implement laws of the State of Ngaraard, to expend public funds and to collect taxes pursuant to laws, to represent the State in all legal actions, and to propose the State budget as required by law.

The Legislative power of the State of Ngaraard shall be vested in the Olbetibel Era Ngaraard. The Olbetibel shall consist of two bodies, the Assembly and the House of Chiefs. The Assembly members are elected for a four-year term, and the House of Chiefs is composed of the highest-ranking chief from each of the five counties of Ngaraard. The powers and responsibilities of the Olbetibel Era Ngaraard are prescribed in the State Constitution.

Article IX of the State Constitution states in part: "There is established a Ngaraard State Treasury into which all public funds raised or received by the State Government shall be deposited. No funds in the Ngaraard State Treasury shall be withdrawn except by law."

Objective, Scope and Methodology

The objective of the audit was to determine whether: (1) expenditures were incurred in accordance with national and state government laws and regulations, including competitive bidding, (2) cash receipts were properly deposited into the state treasury, (3) expenditures and cash receipts were supported by adequate supporting documentation, (4) funds earmarked by the Olbiil Era Kelulau for specific CIPs or programs were expended for purposes for which they were appropriated and designated, and (5) the state has established proper internal controls to ensure proper safeguarding of its properties and transactions are properly recorded

The scope of the audit covered the period beginning on October 1, 2004 through September 30, 2007. As this is a performance audit, we did not conduct audit procedures to assess the fairness of the financial statements of the State or any component or account within those financial statements and therefore express no opinion on the financial statements.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

Office of the Public Auditor

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our audit objective, we reviewed records maintained at the office of Ngaraard State, National Treasury, and interviewed employees of Ngaraard State Government and Bureau of Land and Survey.

The Public Auditing Act of 1985 empowers the Office of the Public Auditor to specifically act to prevent fraud, waste, and abuse in the collection and expenditures of public funds. The Public Auditor may make recommendations on the prevention and/or detection of fraud, waste, and abuse of public funds.

Prior Audit Coverage

The latest audit report of Ngaraard state is dated May 3, 2005 covering Ngaraard State Capital Improvement Projects. The Report contained four (4) finding including (1) violations of Republic of Palau procurement Law and Regulations, (2) expenditure of state funds without proper supporting documentation, (3) expenditure of earmarked CIP grants for purposes unrelated to the intent of the appropriation, and (4) use of earmarked CIP grants as a source of revenue on the State's budget.

Finding 1: Certification of Contract by State Attorney

The 40 PNCA Section 12, Republic of Palau Procurement Law, states in part: "The Attorney General or in the case of state government contracts, the State Attorney, if any, shall certify the form and legality of every government contract and change order." In addition, Section 10 of the "Negotiated Real Estate Purchase Contract" requires Ngaraard State Attorney to certify the instrument as to form and legality.

During our audit, we found that the "Negotiated Real Estate Purchase Contract" for the purchase of a building in Ngaraard State by Ngaraard State Government was not certified by the State's attorney as to form and legality.

We were unable to determine why the State's attorney did not certify the purchase contract as to form and legality.

As a result, the State may not have followed the requirements of the procurement law and the contract.

We recommend the Governor ensure that the State Attorney certifies as to form and legality all future purchase contracts for purchase of real property.

NSG's Response: *Due to funding constraints, the State opted to obtain assistance from the Ministry of Administration Assistant Attorney General for drafting the contract for this transaction. The Ministry of Administration is required to assist State Governments with their financial systems and this assistance was appropriate. It was understood that certification of this contract form was implied and the lack of signature was an oversight as a result.*

Finding 2: Competitive Procurement

The Republic of Palau Procurement Law and Regulations has, among its other objectives, the following provisions:

- To ensure the fair and equitable treatment of all persons who deal with the procurement system of the Republic or any state government,
- To provide for increased economy in all procurement and to maximize purchasing value of public funds,
- To encourage competition.

During the audit we found that Ngaraard State may not have negotiated and procured real property (building) in a manner that provided open and fair competition. For instance, although the State put out a Request for Proposal (RFP), the fact that an appraisal was conducted on a particular building preceding the RFP preempts the RFP process. In addition, although the

Office of the Public Auditor

appraisal is one of the required specifications in the RFP, the State paid for the appraisal services for the above particular building. The competitive nature of the procurement was further diminished by the fact that the committee established to oversee and negotiate the purchase had made its recommendation to the Governor to purchase a particular building prior to the issuance of the RFP. It would appear that the Committee had made its decision prior to the issuance of the RFP, thus denying opportunities to potential interested bidders. Furthermore, the RFP contained restrictive specifications that tend to limit competition.

We were unable to determine why Ngaraard State conducted the procurement of real property in a manner that restricted competition and effective use of public funds.

We recommend the Governor administer Ngaraard State's procurements of real property in accordance with the Republic of Palau Procurement Law and Regulations. Specifically, a Request for Proposal should be issued and published for the required time period to provide opportunities for interested bidders to submit proposals. The RFP should not contain specifications that restrict competition. In addition, negotiations should only be conducted after the close of the RFP, proposal evaluations and selection of proposals for negotiations. Moreover, if the RFP contains a specification requiring appraisal of property, the responsibility for appraisal of property should fall upon the property owner.

NSG's Response: *The circumstances surrounding the procurement of this State Building were complex and the State approached the situation cautiously before issuing a competitive bid for which this property was offered and accepted for acquisition. As the attached documents show, the subject property was initially a state development project under the previous administration (see attached correspondence between NSPLA Chairman and Developer dated August 4, 5, and 8, 2003).*

Under this project, the previous Governor and a State Legislator arranged for the subject site to be developed into fishing cooperative. Due to funding constraints, the developer invested his own funds into developing the site. Subsequent to that development, the State abandoned the project leaving the developer in possession of the site. Approval of the State Public Land Authority was never obtained hence the communication that ensued between the State Land Authority and Developer.

The matter was never resolved until the current administration took up the matter. As part of the resolution strategy, the State engaged an independent study to determine a possible resolution amenable to both the State and the developer. Recognition of the good faith shown in the developer utilizing his funding to develop the site was a consideration. As part of this research, a certified appraiser was engaged to determine fair market value for the improvements in preparation for the procurement process which was to follow these preparations.

A resolution was negotiated before a competitive bid was issued to confirm available sites and this was offered, accepted and then payment was issued. We also wish to note that payment was negotiated at below market value further showing good faith by developer. In essence, the State resolved two issues with one transaction.

OPA Comments: The supporting documents accompanying your response show that Ngaraard State Public Lands Authority was in the process of evicting the tenant from “Olkerodel era Urung”, which tenant was occupying without a lease agreement or paying rent for such use. But instead of allowing the eviction process to culminate, the State changed course and decided to negotiate with the tenant for the purchase of the building, which eventually the State did so.

Finding 3: Planning/Coordinating Purchase of Real Property

Proper planning and coordination is essential in the investment in real property to ensure the State capitalizes on the use of the property and to avoid idleness in property for which the State invested significant sums of money to obtain.

During the audit we found that on March 26, 2007, Ngaraard State purchased a building in Ngaraard State from a private individual for \$30,000 and, as of January 23, 2008, almost 11 months later, the building remains unoccupied and idle.

It appears the State did not properly plan for and coordinate the purchase of the building to maximize its full use after the purchase.

The effect of the above condition is that the State is not realizing any economic gains or benefits on its investment. Alternatively, the State could have used the \$30,000 on alternative investment schemes (i.e. money market) to gain some return on its investment instead of a building which sits unoccupied and idle.

We recommend that the State properly plan and coordinate future investments in real property to ensure that investments are employed in productive activities for the benefit of the State.

NSG's Response: *Despite the State's best efforts, funding constraints limit the implementation of State plans. A State Office was years in planning for the current State Administration. Economic Stimulus funds were available for projects but delays were experienced when Pacific Savings Bank collapsed and State Funds were rendered unavailable. Site location and acquisition and further funding for renovation and improvement were and are additional challenges facing the State. The State should not be penalized for delays beyond its control. Further, we also believe it is inappropriate to state that there was a failure to plan given the extensive efforts made to research the site referenced above which also resulted in the settlement of a public lands issue. As evidenced by the volunteers used in this transaction, there are limited qualified human resources available to the State to address complicated issues such as these. The use of volunteers demonstrates forethought in planning the resolution of matters such as these with the scarce resources available to the State.*

OPA's Comments: Documents obtained from the State show that Ngaraard State was paid \$99,655.89 on March 20, 2007, six (6) days prior to the purchase of the building, as a settlement on its deposit in connection with the collapse and closure of Pacific Savings Bank. If the State did indeed plan the purchase of the building, then the plans should have included the costs and

source of funds to pay for the renovation and improvements. On the contrary, on March 26, 2007 the State purchased the building for \$30,000 and, almost twelve (12) months later, the building continues to sit unused and idle, wear and tear continuing to prevail upon the structure with no apparent renovation or improvements thereon.

Finding 4: Accounting System

A properly designed and operating accounting system is essential to record and account for the financial activities of the State, to provide accurate and timely information to the State leadership for decision making purposes, and to ensure compliance with State Laws and Regulations.

During the audit we found that Ngaraard State has established and implemented a computerized recordkeeping system to record and account for financial activities of the State. To complement the accounting system, the State has also improved its filing system of records to ensure that transactions are properly documented. Notably, we saw improvements in these specific areas noted below:

1. Disbursements: The State is using computerized software to record and classify expenditures by office, function, and program in accordance with the State budget. This enables the State to accurately and timely classify, monitor, and control expenditures in accordance with the State Budget. The process also provides historical data with which to prepare expenditure estimates in the preparation of the State unified budget.
2. Revenues: The State is using computerized software to record and classify revenues by source. This enables the State to accurately and timely classify, monitor, and control revenues to the State Budget. The process also provides historical data with which to prepare revenue estimates in the preparation of the State unified budget.
3. The State is using the computerized system to perform monthly reconciliation. This enables the state to maintain accurate bank accounts and detect errors that may occur in a timely fashion.
4. Ngaraard State has improved its methods of filing and safekeeping records to ensure that expenditures contain adequate supporting documentation.

We commend the state for the implementation of improvements to its accounting and recordkeeping system which strengthens accountability and transparency in the use of public funds. We recommend the State continue its efforts to maintain and improve the system as conditions change.



NGARAARD STATE **EXHIBIT 1**
Office of the Governor
P.O. Box 6026
Republic of Palau 96940

Tel: 488-1320/4490

Email: demok@palaunet.com

Fax: 488-4855

January 31, 2008

NSL2008-008

Mr. Satrunino Tewid
Acting Public Auditor
Office of the Public Auditor
P.O. Box 850
Koror, Republic of Palau 96940

Office of the Public Auditor	
Received	
Date <u>01/31/08</u>	Time <u>2:30 PM</u>
Received By <u>Amw.</u>	
No. OPA <u>08-026</u>	

Re: Draft Audit Report on Ngaraard State Government

Dear Mr. Tewid:

Thank you for providing the Draft Audit Report on Ngaraard State Government for our review and comment. We are pleased with the positive view that is presented of the State's management of its finances as noted in "Finding(4) Accounting System."

We wish to state our disagreement however, with findings numbered one (1) through three (3). These findings pertain to the procurement of real property and improvements in the State and the associated contract and procurement procedure for that transaction. We therefore ask that these findings be removed for the following reasons:

Finding 1: Certification of Contract by State Attorney. Due to funding constraints, the State opted to obtain assistance from the Ministry of Administration Assistant Attorney General for drafting the contract for this transaction. The Ministry of Administration is required to assist State Governments with their financial systems and this assistance was appropriate. It was understood that certification of this contract form was implied and the lack of signature was an oversight as a result.

Finding 2: Competitive Procurement. The circumstances surrounding the procurement of this State Building were complex and the State approached the situation cautiously before issuing a competitive bid for which this property was offered and accepted for acquisition. As the attached documents show, the subject property was initially a state development project under the previous administration (see attached correspondence between NSPLA Chairman and Developer dated August 4, 5, and 8, 2003).

Under this project, the previous Governor and a State Legislator arranged for the subject site to be developed into fishing cooperative. Due to funding constraints, the developer invested his own funds into developing the site. Subsequent to that development, the State abandoned the project leaving the developer in possession of the site. Approval of the State

EXHIBIT 1

Letter to Mr. Tewid

January 31, 2008

Page 2.....

Public Land Authority was never obtained hence the communication that ensued between the State Land Authority and Developer.

The matter was never resolved until the current administration took up the matter. As part of the resolution strategy, the State engaged an independent study to determine a possible resolution amendable to both the State and the developer. Recognition of the good faith shown in the developer utilizing his funding to develop the site was a consideration. As part of this research, a certified appraiser was engaged to determine fair market value for the improvements in preparation for the procurement process which was to follow these preparations.

A resolution was negotiated before a competitive bid was issued to confirm available sites and this site was offered, accepted and then payment was issued. We also wish to note that payment was negotiated at below market value further showing good faith by developer. In essence, the State resolved two issues with one transaction.

Finding 3: Planning/Coordinating Purchase of Real Property. Despite the State's best efforts, funding constraints limit the implementation of State plans. A State Office was years in planning for the current State Administration. Economic Stimulus funds were available for projects but delays were experienced when Pacific Savings Bank collapsed and State Funds were rendered unavailable. Site location and acquisition and further funding for renovation and improvement were and are additional challenges facing the State. The State should not be penalized for delays beyond its control. Further, we also believe it is inappropriate to state that there was a failure to plan given the extensive efforts made to research the site referenced above which also resulted in the settlement of a public lands issue. As evidenced by the volunteers used in this transaction, there are limited qualified human resources available to the State to address complicated issues such as these. The use of volunteers demonstrates forethought in planning the resolution of matters such as these with the scarce resources available to the State.

We believe that the above responses adequately support our position that these finding be removed from the final report. These documents were available from our Office during fieldwork and would have been presented had the opportunity been given. Please advise if you have questions or require further clarification.

Sincerely,


Laurentino Ulechong
Governor



EXHIBIT II

NGARAARD STATE
Office of the Governor
P.O. Box 6026
Republic of Palau 96940

Tel: 488-1320/4490
Email: demok@palaunet.com
Fax: 488-4855

March 31, 2008

NSL2008-021

Mr. Satrunino Tewid
Acting Public Auditor
P.O. Box 850
Koror, Republic of Palau 96940

Office of the Public Auditor	
Received	
Date <u>4/1/08</u>	Time <u>11:25 am</u>
Received By <u>mmr.</u>	
No. OPA <u>08-05</u>	

Re: Audit Report, Ngaraard State Government Fiscal Year 2005 to 2007

Dear Mr. Tewid:

I have had the opportunity to review the above Audit Report, and, for the record, wish to further respond to and supplement the findings made regarding the transaction whereby the State purchased a structure located at the Urung dock from a private individual. For this purpose, I ask the enclosed documents be made part of the audit record, including:

- (1) 8/4/03 Letter from Isaac Soaladaob Chairman, NSPLA to Evangelisto Ongalibang.
- (2) 8/5/03 Letter from Evangelisto Ongalibang to Mr. Isaac Soaladaob.
- (3) 8/8/03 Letter from Isaac Soaladaob, Chairman, NSPLA to Evangelisto Ongalibang.
- (4) 8/8/06 Letter appointing Minister of Finance Elbuchel Sadang and National Development Bank President Kaleb Udui to deal with the issue of the acquisition of the subject property.
- (5) 9/14/2006 Appraisal Report.
- (6) 9/28/2006 letter from Minister Sadang and Mr. Udui recommending the purchase of the subject property.
- (7) 10/17/06 Memo for Procurement File determining to proceed with a Competitive Negotiated Contract.

EXHIBIT II

Mr. Saturnino Tey

March 31, 2008

Page 2

- (8) 10/17/06 Request for Proposal ("RFP").
- (9) 10/30/06 proposal submission
- (10) 3/26/07 Negotiated Real Estate Purchase Contract
- (11) 3/26/07 Request for Payment
- (12) 3/26/07 Receipt

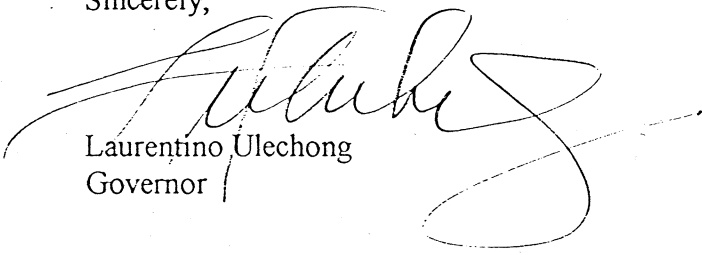
As is shown by these records, following the appraisal of the property at \$40,000.00, Minister Sadang and Mr. Udui were able to negotiate a purchase price of \$30,000.00. While the RFP was issued after that negotiation, it really did not serve any purpose in the procurement process, as the State's intent was to acquire the specific property for a specific purpose. Even if the RFP had been issued in the initial stages, the process still would have been noncompetitive due to the nature of the State's very legitimate intent, which unfortunately is not well accommodated by the procurement statutes.

This acquisition led to the seller's relocation from the Urung dock, which in turn made that public facility more attractive and user-friendly to the community. While the State could have attempted to resolve the long-standing dispute over the seller's occupancy of this property through the judicial process, this would have been time-consuming, entailed substantial legal fees, and, in our opinion, potentially have been more expensive than the negotiated resolution that was achieved.

I wish to thank you once again for affording us the opportunity to make a complete record. As I know that you agree, this Administration has been very open and transparent regarding all of its financial matters, and this submission is made in that spirit.

Thank you for your consideration.

Sincerely,



Laurentino Ulechong
Governor



NGARAARD STATE PUBLIC LANDS AUTHORITY

P.O. BOX 6026
REPUBLIC OF PALAU 96940
TEL: 488-4490/1320

EXHIBIT III

Board of Trustees

August 4, 2003

Isaac H. Soaladaob
Chairman

Jonathan Haul
Vice Chairman

Lucy Matsutaro
Treasurer

Priscilla B. Subris
Secretary

Thomas Remengesau, Jr.
Chief Madrengebuked
Member

Jadashi Sakuma
Governor
Member

Benjamin Mangloi
Member

Benjamin Stephanus
Member

Etengakl Evangelisto Ongalibang
Vice Speaker
6th Olbetibel Era Ngaraard
Republic of Palau 96940

Dear Vice Speaker Ongalibang:

Ungil sils el mer kau ma telungalk er kau. Ngsoak el nguu tial techall e ouchais er kau ra miting ra delongeel a Governor mengak el Chairman ra Ngaraard State Public Lands Authority el kirel a tekoi ra kerruul mera Beluu ra Ngaraard.

Me ngultuil er tial meeting eng mloterkokl el kmo a uchelel a ungil kerruul a ultuil ra ungil lolkerodel el tabesul a usbechel el mora amt ma errengel a buai el rokir.

Ng mlo moterkokl er tial miting el kmo, a Olkerodel ra Urung a mla mo kirel tinaut a ureor er ngii e meketmokl meng mo sebechel otekur tial luldase el ngii a lak lemereched el meketmokl eng mosebechel koteketii a uldasu el kirel a sisichel a kerruul el mera beluu ra Ngaraard.

Me ngultuil ra deruchellek el Chairman ra Ngaraard State Public Lands Authority ma llechul a beluu ra Ngaraard ma Belau, ea kuuchais er kau el kmo, a beluu ra Ngaraard a mocha rengii a usbechellel el kirel chutem buai el ngarngii a siobai er kau er ngii, el telkib ra olkerodel ra Urung, ma chelsel a oketiu (90) el klebesei e mngukl a kloklem ra elsel me bol sebechel a amt era Ngaraard el mechelii e oketmeklel tial olkerodel el kirel a moktek el elbangel er ngii.

Ke kmal miesulang,

Isaac Soaladaob
Chairman

Cc: Governor Sakuma, Madrengebuked Remengesau, Speaker Kanai, All members of the Olbetibel Era Ngaraard, All members of the NSPLA, Chairman, NSPC

EXHIBIT IV

August 05, 2003

Mr. Isaac Soaladaob
Chairman, Ngaraard State
Public Lands Authority (NSPLA)
Republic of Palau 96940

Dear Chairman Soaladaob:

A babier er kau era August 4, 2003 a ouchais el kmo kau el Chairman era Ngaraard State Public Land Authority ma Governor er kid er Ngaraard a mle kaumiting e tibir el kmo a olkerodel era Urung el rokir el menguu a telkib el basio el dechor a blai era siobai er ngak er ngii "a mla mo kirel tmaut a urreor er ngii e meketmokol meng mo sebechel otekur tial uldasue (uldasue era kerruul) el ngii a lak lemereched el meketmokol eng mosebechel koteketii a uldasue el kirel a sisichel a kerruul el mera beluu ra Ngaraard.

Kemelekoi er tial babier er kau el kmo koltirakl a llechul Ngaraard ma llechul Belau e ouchais er ngak el kmo a beluu era Ngaraard a ngargii a usbechel el kirel tial chutem el dechor er ngii a siobai er ngak, meng kirek el nguklii era chelsel oketiu el klebesei (90 days)

A babier er kau a diak lebeketakl a tekoi el kuumerang el kmo ngkirel lobeketakl:

- 1) Ng ngeral urreor era kerruul a mla mo kirel tmaut era kerodel era Urung?
- 2) Tial ureor era keruul el muluumiting kau ma Governor el kirel ng mlodubech loyal a llach el tilobed era Olbetibel adang ngoyak a regulation el tilobed erar chedal a Ngaraard State Public Land Authority?

EXHIBIT IV

- 3) Tial ureor era keruul ngmo chomuchel era oingerang?
- 4) Tiang kmal ngeral ureor era kerruul, e ngeral chelchad malechub etechad a mo omekdubech er ngii? A tara tekoi a kmo, tial urreor era keruul ng state government a mo oungerachel er ngii, adang nglai a esmerel mora private?
- 5) Alsekum eng government a mo omekdubech ertial urreor era kerruul, eng ngarang, engeral llach ma ngeral udoud a mla motobed el kirel?
- 6) Alsekum eng private a mo omekdubech er tial urreor era kerruul, eng ngarang, e ngral lease/rental policy a blal ketmeklii a Ngaraard Public Land Authority ma lechub eng melatk el dirk momengetmoki erngii el mo bleketaki el lebo loltiraki er ngii ar bek el chad el mo sorir el morngii el techall era kerruul?
- 7) Tial urreor era kerruul el mosaod erngii kau ma Governor ngdiak el sebechel mukdubech a lakem terbengii tial telkib el roel a kerruul ma keizai el kuruul er ngii era kerodel el chelechal taem e tultuil erngii ar betok el chad era Ngaraard?
- 8) Al metrob tial tekoi era kerruul ma ilmoki era keizai el morar chad ra Ngaraard eloyak tial siobai erngak era elsel oketiu el klebesei eng oingerang eruriul eng sebechel tial urreor era kerruul el mosaod erngii kau ma Governor el mosebechel Imuut el mekdebechii meng mo melemolem osisiu malechub eng Imuut el ngarbab el kerruul el morar chad er Ngaraard?
- 9) Ngmlarngii a techellem kau ma Governor el smaod a ildisel a udoud el ngak a chiloit el mekedecherur tial blai era siobai ma moktek era Governor el kilengei e oldubech er okedecherul tial blai era siobai el mo melisiich era Fishing Coop era beluu era Ngaraard el mle mekwak ngii me a tial bilas era omenged el milngai el mer Ngaraard loyak a grant era ?

EXHIBIT IV

10) Ng mlarngii a techellem kau ma Governor el smodii a taem eral borngii a mondaï era beluu mar dertal chad el kirel tial blai eral bol merek ma Governor a silodii el kmo elechal blal bolak a Fishing Coop ea State Government a sebechel harau a ududek e chotebedak? Ngmlo sebechel mesaod el kmo tial tekoi a dirrek el mlora ngidil chad el soal engdi, ngdimlak a chad malechub eng tekoi el lekitmeklii a state government el mei?

A kulengit mebol sebechem el meskak a bleketakel nger erkau el moraikal kerik er sel kot el mereched el temem mebol sebechek el mereched ngak ma chad ra llach er ngak e loterkeklii el kmo ngeral rael a bokuyak ngii e tuobed. A babilngem eloltobed erngak er tial telkib el basio era olkerodel a meringel e oberoed eleng mle kakar a betok ludoud ma uldasue el kirel- endi alsekum a beluu era Ngaraard a meral mla kutmeklii a moktek erngii loltirakl a bleketakl el roel a llach loyak tial babier er kau eng kirel mo bleketakel.

Ngdirrek el kirel mo bleketakl el kmo ngdimlak a ududel a Fishing Coop el mekedecherur a blil oterullel a ngikel era Urung ma basio el dongetmokol a elderir a rechad ra Fishing Coop era Ngaraard e oltak el mora Federation era Oreor. Ngdirrek el dimlak a udoud era State Government ma Governor amlo oldubech e meskak a kengei el mo omekedechor elolab a ududek. Mak mlo mekedecherur tial blai el mle kirel mo melisiich era oterullel ma oketmeklel a elderir ar chad era Fishing Coop era Ngaraard e osisiu el taem eyak kuusiobai el kuk kirel a medal a ududek. Tiang a locha dimlak el meknig it eluldasue. A dimlo kentil a dimlak lemukeroul a Fishing Coop eleng mle bilas ra omenged ear chad a dikeal sorir omenged. Sera bolak omenged eya techall era siobai er tial basio a mlo meringel el dolekeed erngii el meketeket el taem. A rokui el song-ngai

EXHIBIT IV

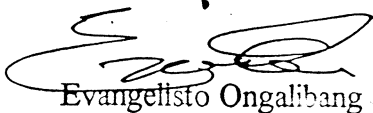
ertial uldasui era siobai el ultuir era Fishing Coop el dimaleh el meketmokol a dik ngilai el rokui eleng ngak a ulemekedechor.

Ak melatk el kmo alsekum ea tekoi era kerruul el omosaod er ngii kau ma Governor a diak el kautok ngii me tial kekerel tekoi era kerruul el kuruul erngii, eng locha bai melemalt el domes era techall el mo mengetmokol era melemalt e ta besul el lease agreement er tial basio el mo oltirakl era beches el llechul a lease el mo meketmokol era Ngaraard State Public Land Authority. A kengei el kngiluu era Government era Ngaraard a kuumerang el kmong ng milketmokol e mengiil ersel borngii a llechul a lease layak a Ngaraard State Public Land Authority.

Ngsoak a bol bleketakl el kmo a chad ra llach erngak a soal a lakukerang el molmuut era knguu a bleketakel henzi er kau el mora rokui el ker el ngar tial babier. Kekmal mesulang. Edi kungiil era nger er kau er sel kot el mereched el temem.

Adi uchei era kungesimer eng soak a bol bleketakel el kmo a babier er kau a mesaod a tekoi era bedengek el diak el tekingel a Olbetibel mar chedal a Council of Chiefs engdi kuluuchais er tir layak a utsusi era babier er kau meng mocha kirek el melemolem el mesterir a utsusi er tial babilngek. Ngkora telkib el metengchokl era uldesuek eyak di oumerang el kmo ar chedal Olbetibel mar Rubekul Ngaraard el ngara Council of Chiefs a tmolch osengir era tekoi meng sebechir el mes aikal tekoi el mo ilekyakel meng diak lechesang a uldasue ^{eng} bleketakel el ngerachel ra buai.

Kek kmal mesulang.



Evangelisto Ongalibang

Cc: Governor Sakuma, Maderngebuked Remengesau Sr., Speaker Kanai, All members of the Olbetibel Era Ngaraard, All members of the NSPLA, Chairman, NSPC



NGARAARD STATE PUBLIC LANDS AUTHORITY

P.O. BOX 6026
REPUBLIC OF PALAU 96940
TEL: 488-4490/1320

EXHIBIT V

Board of Trustees

Isaac H. Soaledaob
Chairman

Jonathan Maul
Vice Chairman

Lucy Matsutaro
Treasurer

Priscilla B. Subis
Secretary

Thomas Remengesau, Jr.
Chief Medrongebuked
Member

Jadashi Sakuma
Governor
Member

Benjamin Manglot
Member

Benjamin Stephenus
Member

August 8, 2003

Evangelisto Ongalibang
Ulimang, Ngaraard State
Republic of Palau 96940

Dear Mr. Ongalibang:

Ke kmal mesulang ra babilengem el blak nguu el bai mlatelkib el smodii emeketeklii a uchul eke mlo soiseb er tial basio el klalou buai, el kau a melekoi el kmo kau ma Governor a tilbir e diak a babier el keltmokl loltirakl a llechul a usbechel a utem buai, e chelechang ke mengerker lousiobai ra elsel e melekoi el kmo kousiobai el kirel a medal a ududem. Tial tekoi alsekum eng klemerang eng bleketakl el kau ma Governor a dimlak moltirakl a llechul a usbechel a utem buai meng sebechel moseuadel ra kerrekeriil a bodolemolem er tial uldesuel a beluu ra Ngaraard.

Kedirrek el melekoi el kmo: a chad ra llach er kau a kmurkau el kmo lak mokerang el mo lmuut ra mnguu a bleketakl el nger er ngak el mora rokui el ker er kau ra mereched el taem.

Ma bleketakl el omsodel a kmo: a Beluu ra Ngaraard a mla mousbech er tial klokliir el kirel a moktek er tir el dimlak a keltmokl el turk ekemo soiseb ra elsel. Engdi me kulasem el mo nger a bebir ra kmal betook el kerim loltirakl ra beldeklel a babilengem el uatia teletelel.

A doltirakl a llechul a Belau ma Ngaraard el kirel a utem buai e ngii dil chad el ousbech a utem buai el mlengai a turk ra amt malechub eng dimlak eng mlo soiseb e ousbech, eng sbadel e morngii a ungil besul taem el kirel omelukl alsekum a amt a morngii a uldesuel mousbech ra utem.

A usbechellel a kerodel ra Urung a ultuil ra urungulir a Rubekul Ngebuked el sorir lodersii el mora Ngaraard er rokir, me bo lousbech er ngii el kirel a oketmeklel a Kabekel el mo sebechel losongel ra rechad ra Ngaraard mar bek el chad el meldingel er Ngaraard ea rechad ra Ngaraard a mosebechir el meruul a oterullir el mer tial basio. Tiang a dirrek lultuil ra rekil a rael el dimerael

EXHIBIT V

momerek ma re mousbech er tial rael a sebecir el kuk me tuab e oler
omechar a kall ma ilumel e mochu melemolem a omerollir, el uaikel ngarnii ra
ngebard el omeruul el tabesul a usbechellel mora rokui el chad. Ngdirrek el
besichel a beluu.

Meng diak a llach ra Olbetibel el mleketmoki el kirel tial tekoi malechub eng
State Public Land Authority, ngdirrek el diak a tokubets el udoud el kirel. Ng tara
ikel luldase el diak lultuil ra udoud eng meketmoki eng bai ultuil ra tabesul tekoi
ma keltareng ra beluu eng meketmoki loeak a imorir ar beluu, ma beluu sel bol
mesisiich loldubech e seikid ea beluu ra Ngaraard a mo sebecel lultuil er ngii el
mo did ra meklou el ngeheu ra ikrel Belau el mera beluu ra Ngaraard.

Ng mla morngii a omesodel ra Beluu ra Ngaraard ea amt ra Ngaraard a mo ultuil
ra rechad ra Ngaraard el kirel a orretel tial tekoi, mekau el chad ra siobai a dirrek
el mo sebecem el ngmai a oterullem el mertial basio.

Tial teletelel a kerruul el soadel a morngii a techellir ar bek el chad era Ngaraard,
ng diak el ua elechal sils el dikau a sebecem lousbech er ngii le ke mesisiich e
betook a ududem ea re chebuul chad ra Ngaraard a diak a techellir.

Ngdiak bo lengiil engdi sebecel a basent (%) ra oterullir a momengai el uaikel
ngarnii ra bebil ra beluu ra ikel okedongall el kmo makit ra buai (public market).
Ng dirrek el morngii a techellem el molterau a oterullem er tial basio el tabesul
mora rokui el chad.

Ng uaisei el ngak ma Governor a mlornii a techellam el mle kamanget el
chadecheduch e ulemdasu el kirel a ududem el cheloit ma taem el mngara elsel
tial basio e ousbech er ngii el mengerker el kirel a bedengem, ma dirrek el
ngelseuir a amt ra beluu ra Ngaraard el kirel oketmeklel tial basio el dirkak a tal
moleng er ngii el mer chelechang, e mo metik er ngii el kmo, ke kmal tara
ngeltengat el chad ra Ngaraard el mlornii a techellem lousbech a klalou buai el
kirel a siobai er kau el diak el lengiil (tada) meng lengelir ar betook el chad ra
siobai mar chad ra Ngaraard.

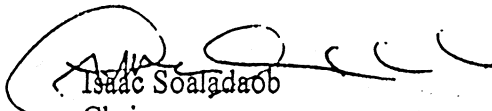
Ma kuumerang el kmo a temem el ngara chelsel tial basio e mongerker el diak
moleng er ngii ekemla korker e osiseb a udoud el sebecel mekmad a ududem el
blam choit. Ak medengei el kmo, tia oberoed el tekoi al bora ngidil chad ra
Ngaraard, engdi kau a sebecem lotekur le kemetekoked e meduis el chad ma
uchul eng klou a siobai er kau el sebecem lodak a betook el deruchall ra Oreor
me kurrekodel a deruchall ra beluu ra Ngaraard ma beluu er Belau meng beot er
kau el nguklii a siobai er kau ra chelsel oketiu el klebesei. A oketiu el klebesei el
kelsem el kirem el melukl a meskau a klou el techellem el mengetmoki er kau
meng diak msal mo meriked el kirel tial omelukl er kau.

EXHIBIT V

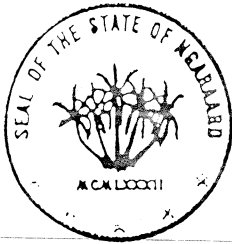
Ngdirrek el soak louchais er kau el kmo, a babilengek lilekong a mesaod el kirel a khalou buai el mocha usbechall el diak el berrotel el tekoi misei a uchul a rechad ra amt ra Ngaraard a kirir el mo medengeli tial tekoi e sebechir lotobed a uldesuir el kirel alsekum eng metengchokl ra uldesuir tial tekoi.

A ulebongel e kau tial mla sikii a chad ra llach er kau meng soak el mo medengeli me bol sebechek el mesang el kirel tial orechudel el tekoi mel sebechel meketmokl eng chebuul a imol beluu a bol meterkokl a uldesuel el di tal chad a uchul.

Ke kmal mesulang,


Isaac Soaladaob
Chairman

Cc: Governor Sakuma, Maderngbuked Remengesau, Speaker Kanai, Members of Olbetibel, All Chiefs, All members of NSPLA, and Chairman, NSPC.



NGARAARD STATE
Office of the Governor
P.O. Box 6026
Republic of Palau 96940

EXHIBIT VI

Tel: 488-1320/5740/4490
Email: demok@palaunet.com
Fax: 488-4855

August 8, 2006

NSL 2006-87

The Hon. Elbuchel Sadang
Minister
Ministry of Finance
Republic of Palau 96940

&

Mr. Kaleb Udui Jr.
President
National Development Bank of Palau
Republic of Palau 96940

Dear Minister Sadang & Mr. Udui Jr.:

This is to appoint both of you to represent me as Governor of Ngaraard State to find resolutions for the State of Ngaraard to acquire back the public land and to purchase the house on it belonging to Rechelbang Avan Ongalibang at Uchul-a-Kisaks at Urung, Ngaraard State. The State has a pressing need for the location and land parcel and thus seeks an amiable solution between Rechelbang and the State.

With your recommendation, please list down your evaluation including your recommendations and/or reasons, and price, and any other pertinent information, on which I may consider in order to arrive at a decision. I would ask that you accomplish the task in 30 days beginning at the date of this communication.

I am aware that this appointment is demanding with heavy responsibilities; however, I believe that you have the knowledge and experience and are able to perform this negotiation to the best interest of both Rechelbang and Ngaraard State. I hope you will accept this appointment and I look forward to the result of your negotiation. Thank you.

Yours sincerely,

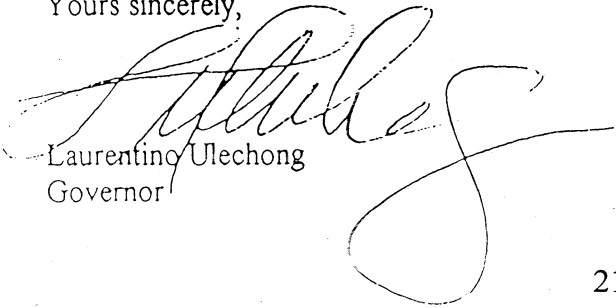
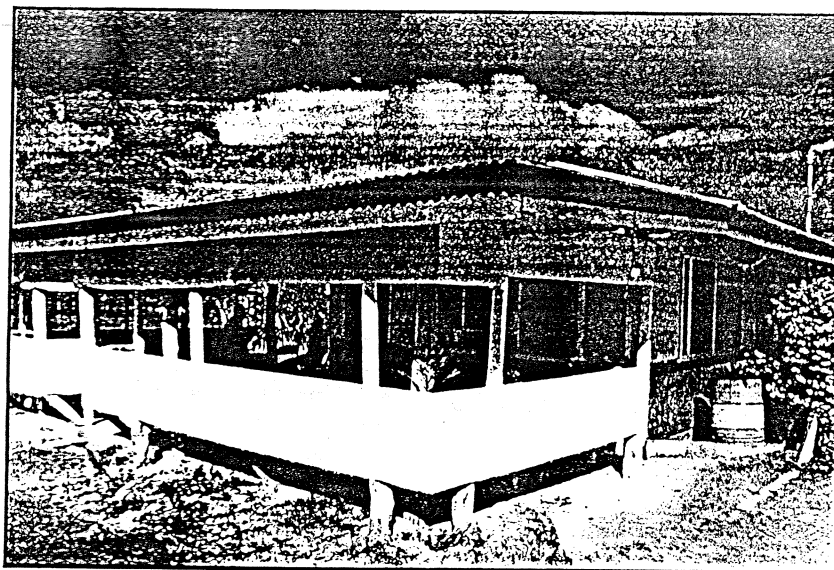

Laurentino Ulechong
Governor

EXHIBIT VII

Borrower/Client	Ngaraard State Government	File No.	06048
Property Address	Ngeduxed, Ngaraard		
City	County Ngaraard	State	Palau
Lender		Zip Code	96940

TABLE OF CONTENTS



USPAP Identification	1
Subject Photos	2
Subject Photos	3
Subject Photos	4
URAR	5
Building Sketch	6
Site Map	7
Text Adenda	9
Statement of Limiting Conditions	12

Borrower: Ngaraard State Government		File No. 06048	
Property Address: Ngebuked, Ngaraard			
City:	County: Ngaraard	State: Palau	Zip Code: 96940
Lender:			

APPRAISAL AND REPORT IDENTIFICATION

This appraisal conforms to one of the following definitions:

☒ Complete Appraisal (The act or process of estimating value, or an opinion of value, performed without invoking the Departure Rule.)

☐ Limited Appraisal (The act or process of estimating value, or an opinion of value, performed under and resulting from invoking the Departure Rule.)

This report is one of the following types:

☐ Self Contained (A written report prepared under Standards Rule 2-2(a) of a Complete or Limited Appraisal performed under STANDARD 1.)

☒ Summary (A written report prepared under Standards Rule 2-2(b) of a Complete or Limited Appraisal performed under STANDARD 1.)

☐ Restricted (A written report prepared under Standards Rule 2-2(c) of a Complete or Limited Appraisal performed under STANDARD 1 for client use only.)

Comments on Standards Rule 2-3

I certify that, to the best of my knowledge and belief:

- ☐ The statements of fact contained in this report are true and correct.
- ☐ The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- ☐ I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- ☐ I have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
- ☐ My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- ☐ My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- ☐ My analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- ☐ I have made a personal inspection of the property that is the subject of this report.

Comments on Appraisal and Report Identification

Note any departures from Standards Rules 1-2, 1-3, 1-4, plus any USPAP-related issues requiring disclosure:

Highest and Best Use

As though vacant: Develop for Single Family Residential

As Improved: Continue use of existing improvement

APPRAISER:

Signature: [Signature]

Name: Gilbert Gille, Palau Appraisal

Date Signed: September 14, 2006

State Certification #: _____

or State License #: _____

State: _____

Expiration Date of Certification or License: _____

SUPERVISORY APPRAISER (only if required):

Signature: [Signature]

Name: Ken Uyehara, Palau Appraisal

Date Signed: September 14, 2006

State Certification #: CA 04-031

or State License #: _____

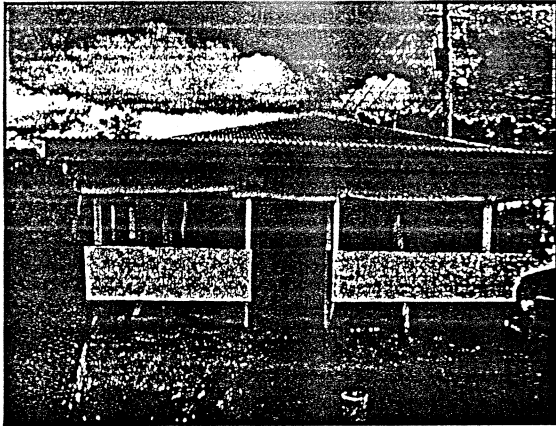
State: _____

Expiration Date of Certification or License: _____

☒ Did ☐ Did Not Inspect Property

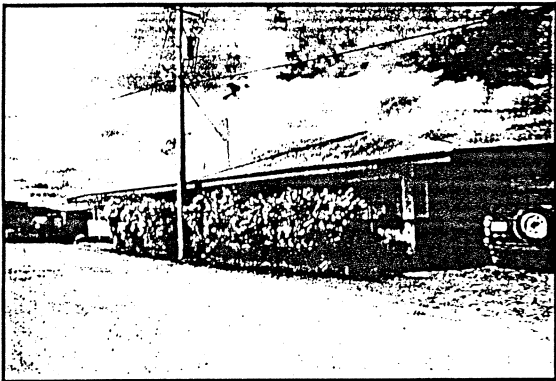
Subject Photo Page

Borrower/Client	Ngaraard State Government		
Property Address	Ngebuked, Ngaraard		
City	County Ngaraard	State Palau	Zip Code 96940
Lender			

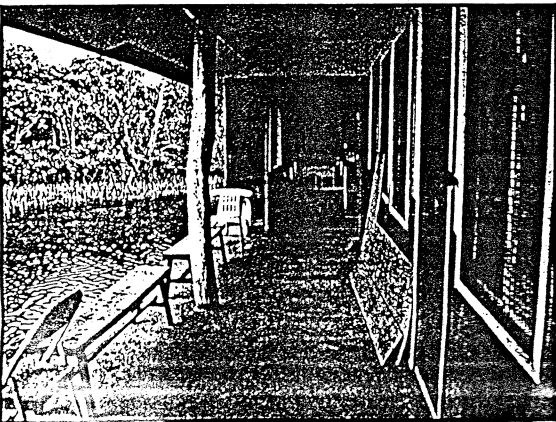


Subject's Front

Ngebuked, Ngaraard
 Sales Price 0
 Gross Living Area 880
 Total Rooms 4
 Total Bedrooms 1
 Total Bathrooms 1
 Location Ngaraard
 View Ocean frontage
 Site Not Included
 Quality Good \$40
 Age 8 years



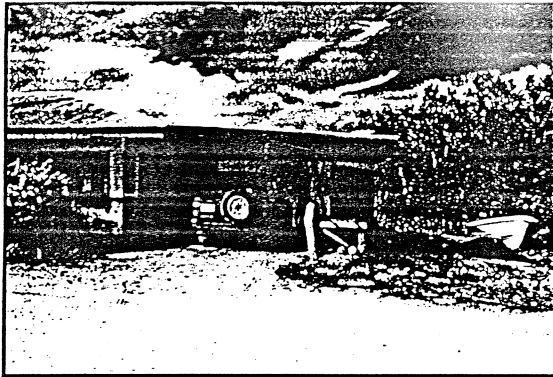
Subject's West Side



Subject's East Side

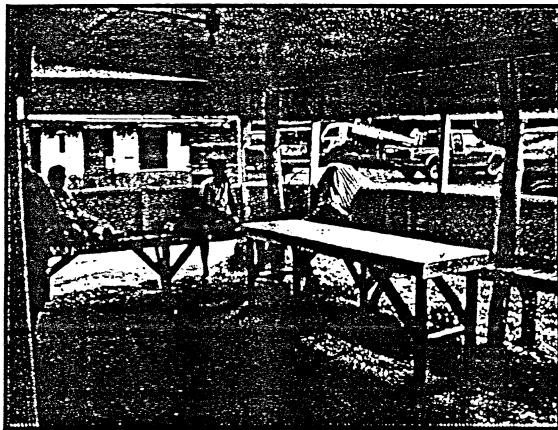
Subject Photo Page

Borrower/Client	Ngaraard State Government		
Property Address	Ngebuked, Ngaraard		
City	County Ngaraard	State Palau	Zip Code 96940
Lender			



Subject's South Side

Ngebuked, Ngaraard	
Sales Price	0
Gross Living Area	880
Total Rooms	4
Total Bedrooms	1
Total Bathrooms	1
Location	Ngaraard
View	Ocean frontage
Site	Not Included
Quality	Good \$40
Age	8 years



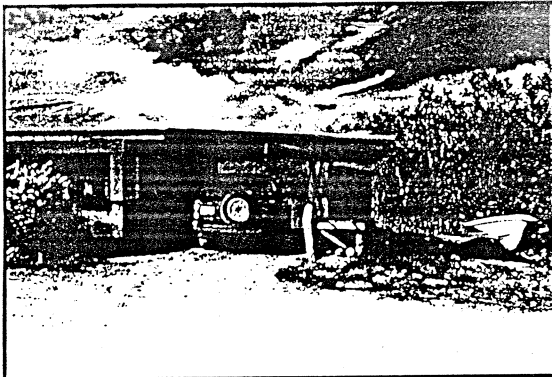
Waiting Area



Street Scene

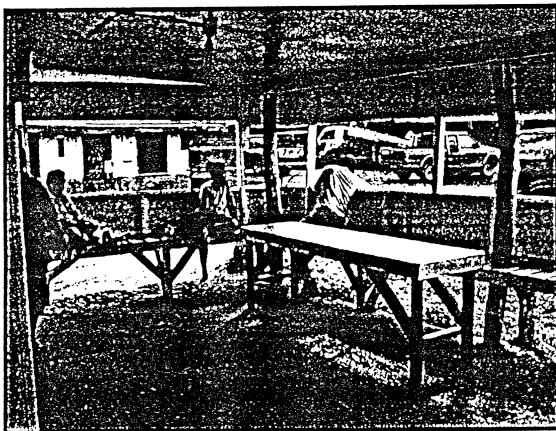
Subject Photo Page

Borrower/Client	Ngaraard State Government		
Property Address	Ngebuked, Ngaraard		
City	County Ngaraard	State Palau	Zip Code 96940
Lender			

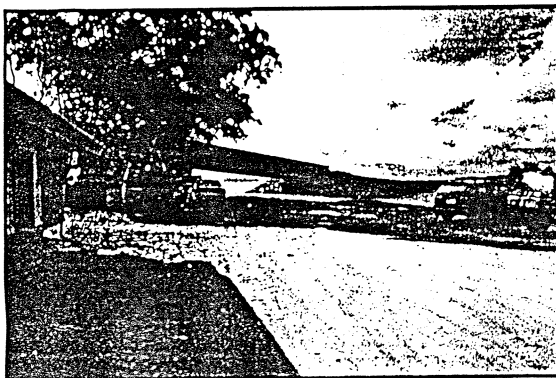


Subject's South Side

Ngebuked, Ngaraard	
Sales Price	0
Gross Living Area	880
Total Rooms	4
Total Bedrooms	1
Total Bathrooms	1
Location	Ngaraard
View	Ocean frontage
Site	Not Included
Quality	Good S40
Age	8 years



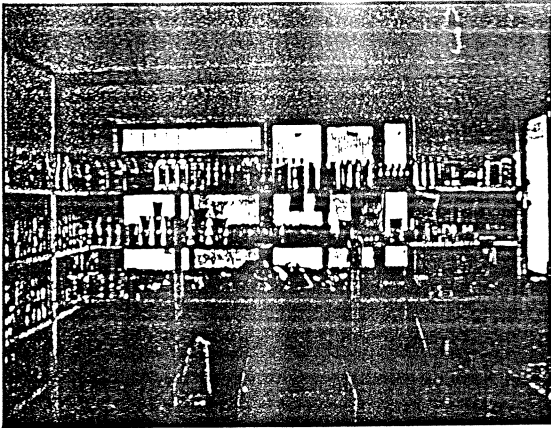
Waiting Area



Street Scene

Subject Photo Page

Borrower/Client: Ngaraard State Government			
Property Address: Ngebuked, Ngaraard			
City:	County: Ngaraard	State: Palau	Zip Code: 96940
Lender:			

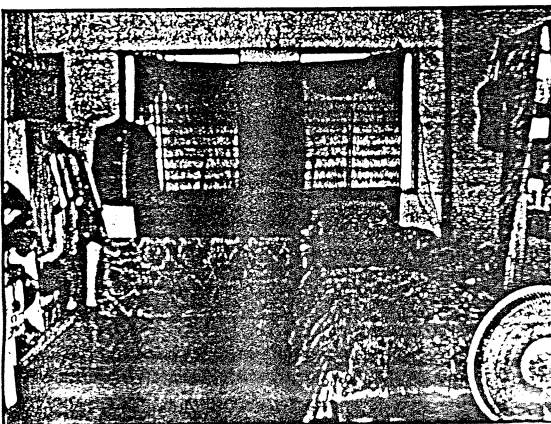


Store

Ngebuked, Ngaraard
 Sales Price 0
 Gross Living Area 880
 Total Rooms 4
 Total Bedrooms 1
 Total Bathrooms 1
 Location Ngaraard
 View Ocean frontage
 Site Not Included
 Quality Good \$40
 Age 8 years



Dining



Bedroom

UNIFORM RESIDENTIAL APPRAISAL REPORT

File No. 06048

Property Description		Property Address Ngebuked, Ngaraard		City		State Palau		Zip Code 96940																																																																																																																																					
Legal Description Ngaraard State Property		County Ngaraard		Assessor's Parcel No.		Tax Year		R.E. Taxes \$ N/A																																																																																																																																					
Borrower Ngaraard State Government		Current Owner Ngaraard State Government		Occupant		Owner		Special Assessments \$																																																																																																																																					
Property rights appraised		Fee Simple		Leasehold		Project Type		PUD																																																																																																																																					
Neighborhood or Project Name Ngaraard		Map Reference		Census Tract		Sale Price \$ 0		Date of Sale																																																																																																																																					
Lender/Client		Address		Description and \$ amount of loan charges/concessions to be paid by seller		None																																																																																																																																							
Appraiser Gilbert Gille, Palau Appraisal		Address P.O. Box 1468, Koror, Palau 96940																																																																																																																																											
Location		☐ Urban ☒ Suburban ☐ Rural		Predominant occupancy		Single family housing		Present land use %																																																																																																																																					
Built up		☐ Over 75% ☒ 25-75% ☐ Under 25%		☒ Owner		PRICE \$ (000) 36,000		One family 30																																																																																																																																					
Growth rate		☐ Rapid ☒ Stable ☐ Slow		☐ Tenant		AGE (yrs) Low new		2-4 family 5																																																																																																																																					
Property values		☐ Increasing ☒ Stable ☐ Declining		☐ Vacant (0-5%)		350,000 High 30		Multi-family 5																																																																																																																																					
Demand/supply		☐ Shortage ☒ In balance ☐ Over supply		☒ Vac (over 5%)		Predominant		Commercial 5																																																																																																																																					
Marketing time		☐ Under 3 mos. ☐ 3-6 mos. ☒ Over 6 mos.						Vacant 55																																																																																																																																					
Note: Race and the racial composition of the neighborhood are not appraisal factors. Neighborhood boundaries and characteristics: The village is bound by the Pacific Ocean to the east, Philippine Sea to the west, Ngarchelong State to the north and Ngirwal State to the south.																																																																																																																																													
Factors that affect the marketability of the properties in the neighborhood (proximity to employment and amenities, employment stability, appeal to market, etc.): Ngaraard is next to Ngarchelong, the northern most tip of Babeldaop. Small convenience stores are located within the immediate area. North Beach Cottage Resort is near the subject. Like most states in Babeldaop, there are no major employment areas and other conveniences. Overall the neighborhood appeal is good.																																																																																																																																													
Market conditions in the subject neighborhood (including support for the above conclusions related to the trend of property values, demand/supply, and marketing time -- such as data on competitive properties for sale in the neighborhood, description of the prevalence of sales and financing concessions, etc.): For many years Ngaraard's population has been stable over the the past years. But with the opening and paving of the Babeldaop Road, access to the main island will begin and Ngaraard may see a population increase. This will lead to the migration of Palau's population from Koror to the Northern states. The added variable relocation of the nation's capitol to Melekeok will also contribute to the out migration of individuals in Koror.																																																																																																																																													
Project Information for PUDs (if applicable) -- Is the developer/builder in control of the Home Owners' Association (HOA)? ☐ Yes ☒ No Approximate total number of units in the subject project _____ Approximate total number of units for sale in the subject project _____ Describe common elements and recreational facilities: _____																																																																																																																																													
SITE Dimensions Not Included Site area Not Included Corner Lot ☒ Yes ☐ No Specific zoning classification and description Residential Zoning compliance ☒ Legal ☐ Legal nonconforming (Grandfathered use) ☐ Illegal ☐ No zoning Highest & best use as improved: ☒ Present use ☐ Other use (explain) Utilities Public Other Off-site Improvements Type Public Private Electricity ☒ Street ☒ ☐ Gas ☐ Private bottled ☐ Curb/gutter ☐ ☐ Water ☒ Sidewalk ☐ ☐ Sanitary sewer ☐ Septic Tank ☒ Street lights ☐ ☐ Storm sewer ☐ Alley ☐ ☐ Comments (apparent adverse easements, encroachments, special assessments, slide areas, illegal or legal nonconforming zoning use, etc.): No apparent adverse or unfavorable easements or encroachments noted.																																																																																																																																													
DESCRIPTION OF IMPROVEMENTS <table border="1"> <thead> <tr> <th colspan="2">GENERAL DESCRIPTION</th> <th colspan="2">EXTERIOR DESCRIPTION</th> <th colspan="2">FOUNDATION</th> <th colspan="2">BASEMENT</th> <th colspan="2">INSULATION</th> </tr> </thead> <tbody> <tr> <td>No. of Units</td> <td>One</td> <td>Foundation</td> <td>Concrete</td> <td>Slab</td> <td>Concrete</td> <td>Area Sq. Ft.</td> <td>None</td> <td>Roof</td> <td>None</td> </tr> <tr> <td>No. of Stories</td> <td>One</td> <td>Exterior Walls</td> <td>Plywood</td> <td>Crawl Space</td> <td>No</td> <td>% Finished</td> <td>None</td> <td>Ceiling</td> <td></td> </tr> <tr> <td>Type (Det/Att.)</td> <td>Detached</td> <td>Roof Surface</td> <td>Tin</td> <td>Basement</td> <td>None</td> <td>Ceiling</td> <td>None</td> <td>Walls</td> <td></td> </tr> <tr> <td>Design (Style)</td> <td>Tropical</td> <td>Gutters & Dwnspnts.</td> <td>None</td> <td>Sump Pump</td> <td>None</td> <td>Walls</td> <td>None</td> <td>Floor</td> <td></td> </tr> <tr> <td>Existing/Proposed</td> <td>Existing</td> <td>Window Type</td> <td>Jalousie</td> <td>Dampness</td> <td>None noted</td> <td>Floor</td> <td>None</td> <td>None</td> <td></td> </tr> <tr> <td>Age (Yrs.)</td> <td>8 years</td> <td>Storm/Screen</td> <td>Screens</td> <td>Settlement</td> <td>None noted</td> <td>Outside Entry</td> <td>None</td> <td>Unknown</td> <td></td> </tr> <tr> <td>Effective Age (Yrs.)</td> <td>8 years</td> <td>Manufactured House</td> <td>No</td> <td>Infestation</td> <td>None noted</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>ROOMS</th> <th>Foyer</th> <th>Living</th> <th>Dining</th> <th>Kitchen</th> <th>Den</th> <th>Family Rm.</th> <th>Rec. Rm.</th> <th>Bedrooms</th> <th># Baths</th> <th>Laundry</th> <th>Other</th> <th>Area Sq. Ft.</th> </tr> </thead> <tbody> <tr> <td>Basement</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>None</td> </tr> <tr> <td>Level 1</td> <td></td> <td>1</td> <td>Area</td> <td>1</td> <td></td> <td></td> <td></td> <td>1</td> <td>1</td> <td></td> <td>1</td> <td>880</td> </tr> <tr> <td>Level 2</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> Finished area above grade contains: 4 Rooms; 1 Bedroom(s); 1 Bath(s); 880 Square Feet of Gross Living Area INTERIOR Materials/Condition HEATING none Floors Concrete/Good Type none Walls Plywood/Fair Fuel none Trim/Finish Paint/Fair Condition none Bath Floor Concrete/Good COOLING Dishwasher none Bath Wainscot Plywood/Fair Central Fan/Hood none Doors Flush/Fair Other Microwave none Condition Washer/Dryer Finished KITCHEN EQUIP. Refrigerator ☐ None Range/Oven ☐ Stairs ☐ Disposal ☐ Drop Stair ☐ Scuttle ☐ Floor ☐ Heated ☐ Walkways ☒ ATTIC Fireplaces # ☐ Patio ☐ Deck ☐ Porch ☐ Fence ☐ Pool ☐ AMENITIES CAR STORAGE: Garage ☒ # of cars Attached ☐ Detached ☐ Built-In ☐ Carport ☐ Driveway ☒										GENERAL DESCRIPTION		EXTERIOR DESCRIPTION		FOUNDATION		BASEMENT		INSULATION		No. of Units	One	Foundation	Concrete	Slab	Concrete	Area Sq. Ft.	None	Roof	None	No. of Stories	One	Exterior Walls	Plywood	Crawl Space	No	% Finished	None	Ceiling		Type (Det/Att.)	Detached	Roof Surface	Tin	Basement	None	Ceiling	None	Walls		Design (Style)	Tropical	Gutters & Dwnspnts.	None	Sump Pump	None	Walls	None	Floor		Existing/Proposed	Existing	Window Type	Jalousie	Dampness	None noted	Floor	None	None		Age (Yrs.)	8 years	Storm/Screen	Screens	Settlement	None noted	Outside Entry	None	Unknown		Effective Age (Yrs.)	8 years	Manufactured House	No	Infestation	None noted					ROOMS	Foyer	Living	Dining	Kitchen	Den	Family Rm.	Rec. Rm.	Bedrooms	# Baths	Laundry	Other	Area Sq. Ft.	Basement												None	Level 1		1	Area	1				1	1		1	880	Level 2												
GENERAL DESCRIPTION		EXTERIOR DESCRIPTION		FOUNDATION		BASEMENT		INSULATION																																																																																																																																					
No. of Units	One	Foundation	Concrete	Slab	Concrete	Area Sq. Ft.	None	Roof	None																																																																																																																																				
No. of Stories	One	Exterior Walls	Plywood	Crawl Space	No	% Finished	None	Ceiling																																																																																																																																					
Type (Det/Att.)	Detached	Roof Surface	Tin	Basement	None	Ceiling	None	Walls																																																																																																																																					
Design (Style)	Tropical	Gutters & Dwnspnts.	None	Sump Pump	None	Walls	None	Floor																																																																																																																																					
Existing/Proposed	Existing	Window Type	Jalousie	Dampness	None noted	Floor	None	None																																																																																																																																					
Age (Yrs.)	8 years	Storm/Screen	Screens	Settlement	None noted	Outside Entry	None	Unknown																																																																																																																																					
Effective Age (Yrs.)	8 years	Manufactured House	No	Infestation	None noted																																																																																																																																								
ROOMS	Foyer	Living	Dining	Kitchen	Den	Family Rm.	Rec. Rm.	Bedrooms	# Baths	Laundry	Other	Area Sq. Ft.																																																																																																																																	
Basement												None																																																																																																																																	
Level 1		1	Area	1				1	1		1	880																																																																																																																																	
Level 2																																																																																																																																													
Additional features (special energy efficient items, etc.): There is a walkway at the east side of the house and a covered waiting area at the front. A riprap is constructed at the east side to support the structure. There are no other additional features. Condition of the improvements, depreciation (physical, functional, and external), repairs needed, quality of construction, remodeling/additions, etc.: The subject is residential and a portion is used as a store. There is a dirt carport at the south side of the house. The improvements are in fair condition.																																																																																																																																													
Adverse environmental conditions (such as, but not limited to, hazardous wastes, toxic substances, etc.) present in the improvements, on the site, or in the immediate vicinity of the subject property: No adverse conditions noted.																																																																																																																																													

Valuation Section

UNIFORM RESIDENTIAL APPRAISAL REPORT

File No. 06048

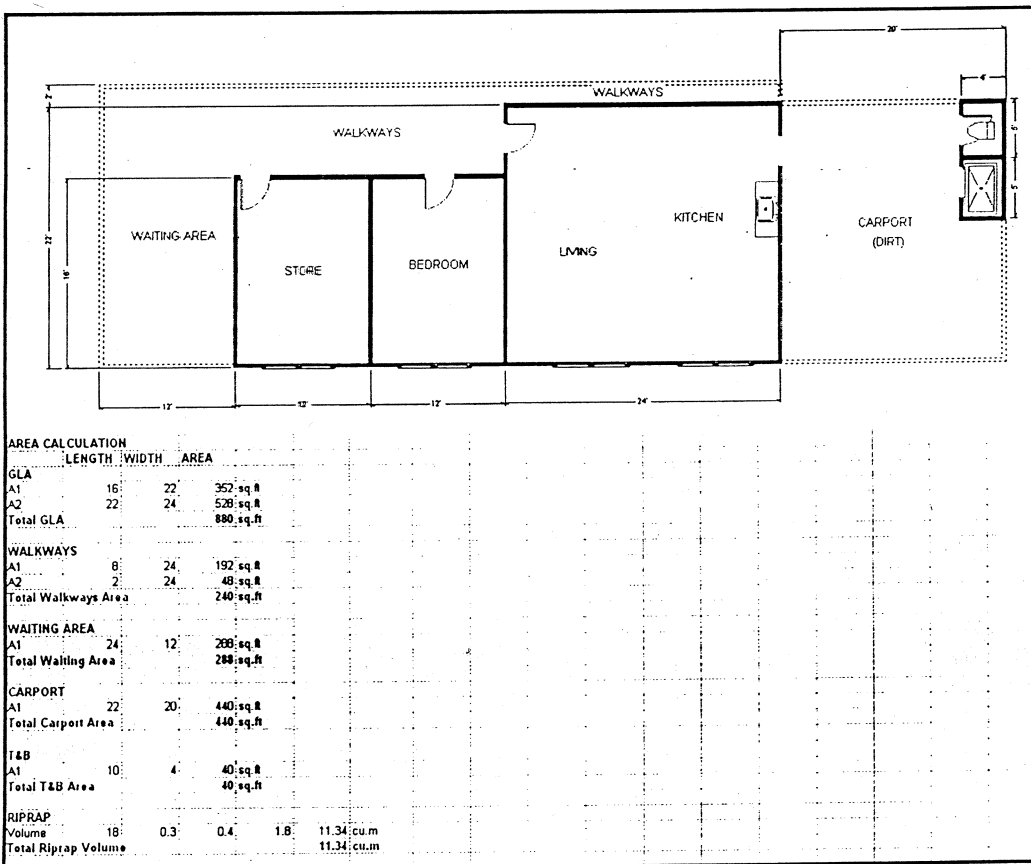
ESTIMATED SITE VALUE Not Included = \$ 0		Comments on Cost Approach (such as, source of cost estimate, site value, square foot calculation and for HUD, VA and FmHA, the estimated remaining economic life of the property): Our cost estimates are based on local construction bids and contracts. This has been validated with the Marshall and Swift costing program.	
ESTIMATED REPRODUCTION COST-NEW OF IMPROVEMENTS:			
Dwelling 880 Sq. Ft. @ \$ 40.00 = \$ 35,200	Walkways 288 Sq. Ft. @ \$ 5.00 = 1,440		
Riprap, T&B, Waiting Area = 5,050	Garage/Carport 440 Sq. Ft. @ \$ 5.00 = 2,200		
Total Estimated Cost New = \$ 43,890			
Less Physical Functional External			
Depreciation 10,033 = \$ 10,033	Depreciated Value of Improvements = \$ 33,857		
As-is Value of Site Improvements = \$ 3,000	INDICATED VALUE BY COST APPROACH \$40,000 = \$ 36,857		

ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Ngebuked, Ngaraard				
Address Ngaraard				
Proximity to Subject				
Sales Price	\$ 0	\$	\$	\$
Price/Gross Living Area	\$	\$	\$	\$
Data and/or Verification Source	On site Inspection			
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+ (-)\$ Adjust	DESCRIPTION
Sales or Financing Concessions				
Date of Sale/Time				
Location	Ngaraard			
Leasehold/Fee Simple	Fee Simple			
Site	Not Included			
View	Ocean frontage			
Design and Appeal	Tropical			
Quality of Construction	Good \$40			
Age	8 years			
Condition	Fair			
Above Grade	Total : Bdrms : Baths	Total : Bdrms : Baths		Total : Bdrms : Baths
Room Count	4 : 1 : 1			
Gross Living Area	880 Sq. Ft.	Sq. Ft.		Sq. Ft.
Basement & Finished	None			
Rooms Below Grade	None			
Functional Utility	None			
Heating/Cooling	None			
Energy Efficient Items	None			
Garage/Carport	Carport \$2,200			
Porch, Patio, Deck, Fireplace(s), etc.	Walkway \$1,440			
Fence, Pool, etc.	T&B \$200			
Waiting Area	Riprap \$530			
Net Adj. (total)	\$4,320			
Adjusted Sales Price of Comparable				
Comments on Sales Comparison (including the subject property's compatibility to the neighborhood, etc.): There has been no sale for this type of property. The Sales Comparison approach is not applicable.				

ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Date, Price and Data Source, for prior sales within year of appraisal	No prior sales within the past 3 years.			
Analysis of any current agreement of sale, option, or listing of subject property and analysis of any prior sales of subject and comparables within one year of the date of appraisal:				
INDICATED VALUE BY SALES COMPARISON APPROACH \$				
INDICATED VALUE BY INCOME APPROACH (if Applicable) Estimated Market Rent \$ 500 /Mo. x Gross Rent Multiplier 120 = \$ 60,000				
This appraisal is made ☒ "as is" ☐ subject to the repairs, alterations, inspections or conditions listed below ☐ subject to completion per plans & specifications.				
Conditions of Appraisal: The subject is being rented and the income approach is applicable. The client's interest is in the value of the structure only.				
The land is the property of Ngaraard State Government and is not included in the appraisal analysis.				
Final Reconciliation: The range of value is from \$40,000 to \$60,000 with the income approach being \$60,000 and the cost approach at \$40,000. We have reconciled to the lower value because the cost approach is supportable. The income approach is not supportable since there is an absence of commercial rentals in the area.				
The purpose of this appraisal is to estimate the market value of the real property that is the subject of this report, based on the above conditions and the certification, contingent and limiting conditions, and market value definition that are stated in the attached Freddie Mac Form 439/FNMA form 1004B (Revised _____).				
(WE) ESTIMATE THE MARKET VALUE, AS DEFINED, OF THE REAL PROPERTY THAT IS THE SUBJECT OF THIS REPORT, AS OF September 12, 2006				
(WHICH IS THE DATE OF INSPECTION AND THE EFFECTIVE DATE OF THIS REPORT) TO BE \$ 40,000				
APPRaiser: SUPERVISOR APPRAISER (ONLY IF REQUIRED):				
Signature: _____ Did ☒ Did Not ☐				
Name: Gilbert Gilie, Palau Appraiser Inspect Property				
Date Report Signed: September 14, 2006				
State Certification #: _____ State: GU				
Or State License #: _____ State: _____				

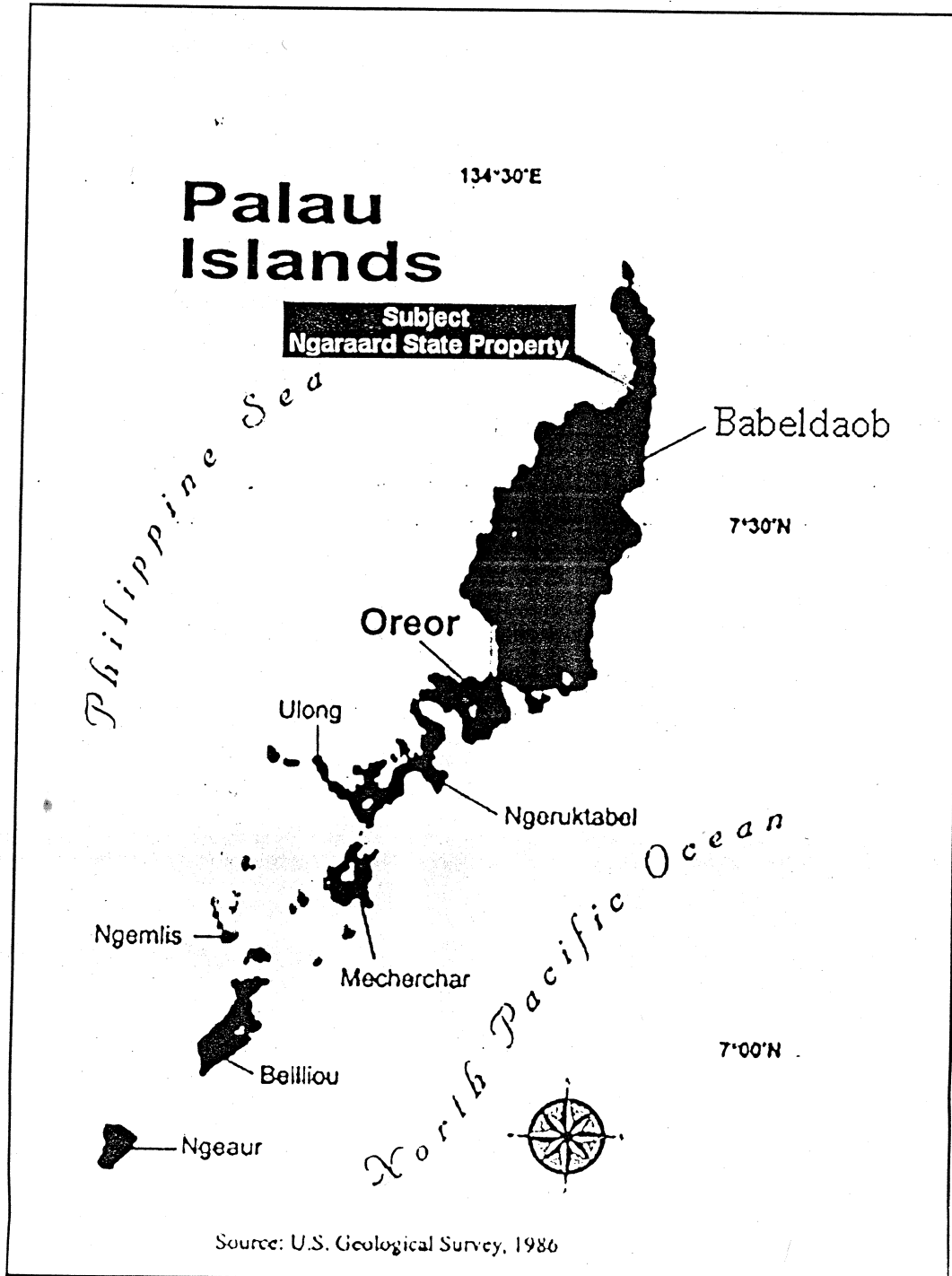
Building Sketch

Borrower/Client Ngaraard State Government			
Property Address Ngebuked, Ngaraard			
City	County Ngaraard	State Palau	Zip Code 96940
Lender			



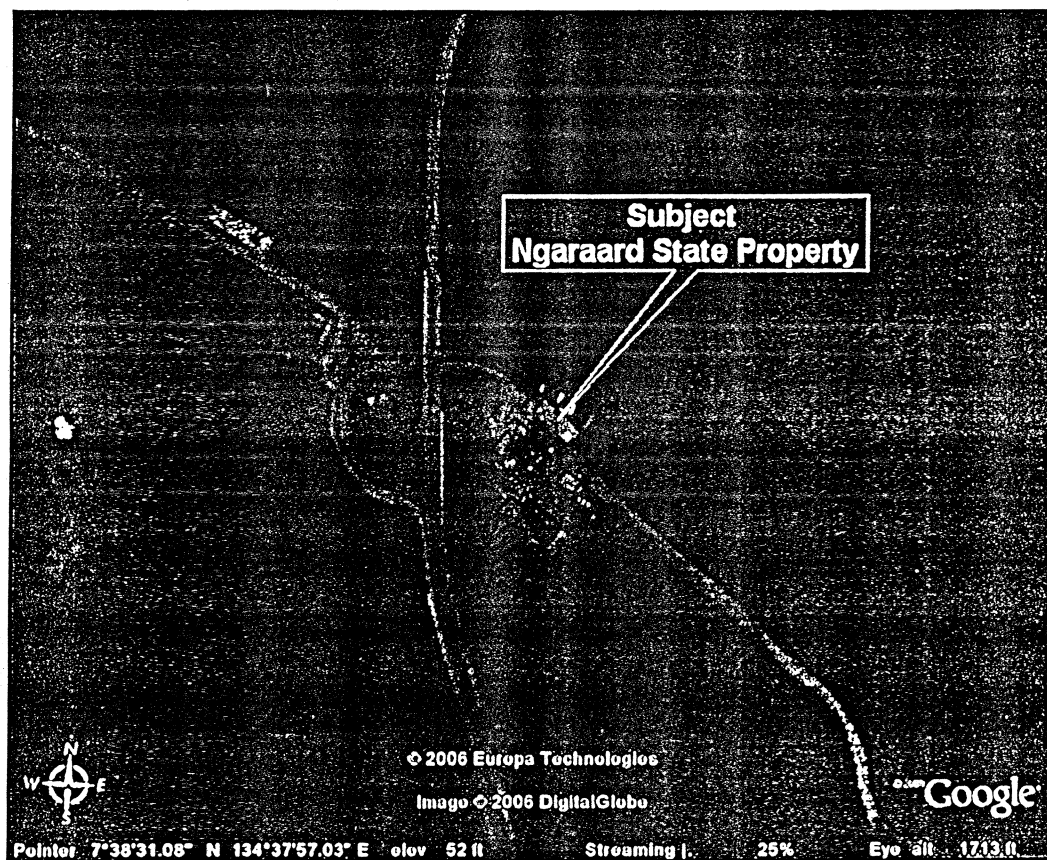
Island Map

Borrower/Client	Ngaraard State Government		
Property Address	Ngebuked, Ngaraard		
City	County	State	Zip Code
	Ngaraard	Palau	96940
Lender			



Site Map

Borrower/Client Ngaraard State Government			
Property Address Ngabuked Ngaraard			
City	County Ngaraard	State Palau	Zip Code 96940
Lender			



Text Address

File No. 06048

Borrower/Client	Ngaraard State Government		
Property Address	Ngebuked, Ngaraard		
City	County	State	Zip Code
		Palau	96940
Lender			

This is a summary appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a summary appraisal report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analysis is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and to the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

SCOPE OF THE APPRAISAL

The scope of the appraisal refers to the extent of the process of collecting, confirming, and reporting data. The standards clearly impose a responsibility on the appraisers to determine the extent of the work and the report required in relation to the significance of the appraisal problem. A clear and accurate description of the scope of the appraisal is desirable to protect other parties whose reliance on the appraisal may be affected.

General data include information on the social, economic, governmental and environmental forces that affect property value. The appraisers have accumulated general data from a wide variety of sources, including Pacific Area regional information sources; U. S. Federal Governmental sources; Government of Palau sources; national, regional, and local real estate organizations; and trade associations. The appraiser's educational background and experience is utilized extensively in the collection and evaluation of general data.

Specific data include details about the property being appraised, comparable sales, rental properties, and relevant local market characteristics. In appraisals these data are used to determine highest and best use and to make the specific comparisons and analyses required to estimate market value. The appraisers concentrated on specific data related essentially to the subject's immediate neighborhood and the adjacent peripheral neighborhoods. This data is most relevant to the subject and comparables. Palau is a small enough community that almost every real estate transaction has some effect on the island as a whole. However, the appraiser's primary focus was on the subject's immediate neighborhood.

The appraisers confirmed the validity of all data used. Any information which could not be verified by a credible source was not used. The sources of confirmation included public records; interviews with the parties of transactions or offerings and their agents, such as realtors, bankers, developers, consultants, and others; and other appraisers and professionals. The appraisers made assumptions only as disclosed in the attached Assumptions and Limiting Conditions, or as specifically noted in the body of the report.

The data is organized and reported factually and completely in the attached report. No important facts have been withheld. The quality of the report is certified in the attached Letter of Transmittal.

VALUATION METHODOLOGY

The valuation process is a systematic procedure conducted to arrive at a value or conclusion regarding real property. The purpose of this report is to estimate the market value for the Highest and Best Use of the subject property utilizing accepted valuation methods or approaches. The three recognized approaches to value are the Cost Approach, Income Approach and the Sales Comparison Approach. These three approaches are examined, completed and correlated to establish the fair market value of the subject.

Appliances (stoves, refrigerator, dishwasher, microwave) are not included in the value conclusion unless it is a built-in appliance. Appliances are considered built-in if they are attached in a rather permanent manner and are considered part of the real estate. Built-in appliances are considered real property and are included in the value conclusion. The "KITCHEN EQUIP." check boxes on page 1 of the URAR are only used for built-in appliances.

Highest and Best Use Analysis

Definition taken from the Appraisal Institute of Real Estate Appraisal Dictionary of Real Estate Appraisal, Second Edition.

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest land value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Listings

Listings represent the current market expectations of sellers of properties similar to the subject. Generally, listings indicate a level above actual transaction prices and provide an indication of the highest value possible for the subject.

Text Adenda

File No. 06048 Page #10

File No. 06048

Borrower/Client: Ngaraard State Government			
Property Address: Ngebuked, Ngaraard			
City	County: Ngaraard	State: Palau	Zip Code: 96940
Lender			

Cost Approach to Valuation

The Cost Approach is based on the premise that value is indicated by the current cost to construct a new improvement minus accrued depreciation plus the value of the site (land). The processes involved in the Cost Approach includes three steps: 1) estimation of the cost to produce a replica of the existing structure at current prices or the cost to construct an equally desirable substitute improvement of equivalent standards and materials, 2) deduction of estimated accrued depreciation from all factors (for appraisal purposes, depreciation may be defined as a loss in property value from any cause such as aging, poor design, inadequacies or over-improvements), and 3) addition of the estimated land value (land is valued as if vacant by means of the market data or sales comparison approach). The Cost Approach is most reliable when the property's improvements are new or nearly new and the resulting accrued depreciation is relatively small.

Physical depreciation was assessed based on the modified age-life method. There were no Functional Depreciation concerns upon review of the subject's floor plan. There were no External Depreciation considerations observed in the neighborhood.

The Sales Comparison Analysis is the preferred method of valuing a site if comparable sales are available. The appraiser compiles sales of vacant parcels considered comparable to the subject; each sale has been researched, analyzed and then compared to the subject parcel. This comparison is made in terms of various physical attributes of the properties, and appropriate adjustments are made to the comparables for factors considered superior or inferior. The result is a set of adjusted sales prices for each of the comparables. The adjusted sales prices are then weighted in terms of overall comparability to the subject parcel, resulting in a weighted average. The mechanics of this process would be shown on an attached site valuation chart.

The Extraction Method is most often used when there are lack of sales of vacant parcels comparable to the subject, for example, properties located within a fully developed subdivision. This is a valuation method in which land value is extracted from the total sales price of an improved property by deducting the value contribution of the depreciated value of the improvements. The remaining value represents the value of the site.

Please note that if the Cost Approach on page 2 of the URAR form is filled out, the numbers there may not correspond with the numbers in the separate Cost Approach form included. This is due to differences in presentation only. The indicated value in each form will equal.

Income Approach to Valuation

The Income Approach is based on the assumption that value is related to the income (rent) a property can be expected to earn. The indication of value for this approach is the product of an appropriate Gross Rent Multiplier (GRM) and the estimated market rent of the subject. The GRM represents the relationship of income to sales prices for improvements which were rented at the time of sale. The analysis of several comparable rented sales will result in a range of GRM's from which the most applicable multiplier is selected for the subject. Analysis of currently rented comparable properties will result in a range of potential rents from which the market rent for the subject may be derived.

An indication of value for the Income Approach can also be derived through the application of Discounted Cash Flow (DCF) analysis. This is a set of procedures in which the quantity, variability, timing, and duration of periodic income, as well as the quantity and timing of reversions, are specified and discounted to a present value at a specified yield rate. DCF utilizes the anticipated rental incomes and projects operating expenses over a ten-year period to estimate the present value of the property's cash flow at an anticipated yield rate. This value is added to the present worth of the projected resale value of the property in the eleventh year to estimate the current property value based upon the income potential.

The Income Approach is most reliable when the property being appraised competes in an open market where investors seek to purchase the property for its potential rental income.

Sales Comparison Approach

The Sales Comparison Approach is the primary method used for valuation of single-family residences. The approach compares recent sales of properties similar to the subject. Each comparable property is analyzed using appropriate units of comparison, adjusted in relation to the amenities of the subject property, and reconciled to arrive at an indicated value. Units of comparison are selected for various physical attributes of the properties. Adjustments are made for comparable factors considered either superior or inferior. Reconciliation of the adjusted sales price for each of the comparables is related to overall similarity to the subject by means such as weighted average.

Text Adenda

File No. 06048 Page #

Property Owner: Ngaraard State Government			
Property Address: Ngebuked, Ngaraard			
City:	County: Ngaraard	State: Palau	Zip Code: 96940
Lender:			

DATE OF SALE/TIME - The time of sale is the date that the comparable parcel is sold. In order for the property to be deemed comparable to the subject, it must be adjusted for inflation or deflation that has occurred from the date of sale to the date of the appraisal. Over the period covered by this appraisal, no quantifiable price change attributable to time can be extracted from market transactions.

LOCATION - Adjustments are made when prices are affected by locational factors such as close proximity to neighborhood amenities, off-site improvements, jobs or by neighborhood appeal or, status.

VIEW - Adjustments are made for properties that have a view amenity such as panoramic ocean view, mountain and valley, or beach front access. Adjustments are normally considered within the adjustment for site due to the difficulty in separating this difference from other factors such as location and/or size.

DESIGN/APPEAL - Adjustments are made for differences in architectural design and superior or inferior appeal of the subject or comparable. When adjustments are required, these differences are normally based on the difference in dollar per square foot costs between the subject and comparable, and would be applied accordingly.

SITE - Adjustment represents difference in value between comparable and subject site values. It is typical that sites with similar utility will have a similar land value, regardless of small variations in size. The adjustment is calculated by taking the difference in site value of the subject and comparable. The site value of the subject is based on the site value conclusion in the cost approach. The site value of a comparable is estimated using land comparables or judgment if none are available. If applicable, site value will include site improvements such as septic tank and paved driveway.

QUALITY - This adjusts comparable (at its size) to same cost/per square foot as subject. This adjustment is calculated as the difference in per square foot construction cost of the subject and comparable, multiplied by the living area of the comparable, then multiplied by the percent remaining life of the comparable (remaining economic life of comparable divided by the economic life of the comparable, 50 years).

AGE - The adjustment for age is included in the condition adjustment.

CONDITION - The condition adjustment represents the difference in incurable physical depreciation between the subject and the comparable. Prices are usually affected by condition rather than age with the exception of newer homes. This adjustment is calculated by taking the difference in age between the subject and comparable and dividing by the estimated economic life (50 years). The figure is then multiplied by the per square foot cost of the subject and lastly by the living area of the comparable.

The condition adjustment also recognizes differences in items of deferred maintenance, and are made based on the estimated cost to repair. Only items which are economically feasible to repair including painting, when applicable and are considered for condition adjustment.

GROSS LIVING AREA - This adjustment is calculated by taking the difference in gross living area of the subject and comparable, multiplying this by the per square foot cost of the subject, and lastly by the percent remaining economic life of the subject. No adjustment is necessary for bathrooms or number of rooms since the adjustment for quality and living area simultaneously adjust for these differences.

OTHERS - Items such as carports, on-site improvements (porches, patios, etc.), air-conditioners, appliances security bars, energy efficient items are all adjusted based on reproduction or replacement cost less any depreciation. Adjustment for an extra bathroom is \$2,500 for full bath and \$1,000 for half bath.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he considers his own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgement.

STATEMENT OF LIMITING CONDITIONS AND APPRAISER'S CERTIFICATION

CONTINGENT AND LIMITING CONDITIONS: The appraiser's certification that appears in the appraisal report is subject to the following conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
2. The appraiser has provided a sketch in the appraisal report to show approximate dimensions of the improvements and the sketch is included only to assist the reader of the report in visualizing the property and understanding the appraiser's determination of its size.
3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
5. The appraiser has estimated the value of the land in the cost approach at its highest and best use and the improvements at their contributory value. These separate valuations of the land and improvements must not be used in conjunction with any other appraisal and are invalid if they are so used.
6. The appraiser has noted in the appraisal report any adverse conditions (such as, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.
7. The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he or she considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
8. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.
9. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.
10. The appraiser must provide his or her prior written consent before the lender/client specified in the appraisal report can distribute the appraisal report (including conclusions about the property value, the appraiser's identity and professional designations, and references to any professional appraisal organizations or the firm with which the appraiser is associated) to anyone other than the borrower; the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institution; or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting service(s) without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.

APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have researched the subject market area and have selected a minimum of three recent sales of properties most similar and proximate to the subject property for consideration in the sales comparison analysis and have made a dollar adjustment when appropriate to reflect the market reaction to those items of significant variation. If a significant item in a comparable property is superior to, or more favorable than, the subject property, I have made a negative adjustment to reduce the adjusted sales price of the comparable and, if a significant item in a comparable property is inferior to, or less favorable than the subject property, I have made a positive adjustment to increase the adjusted sales price of the comparable.
2. I have taken into consideration the factors that have an impact on value in my development of the estimate of market value in the appraisal report. I have not knowingly withheld any significant information from the appraisal report and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.
3. I stated in the appraisal report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the contingent and limiting conditions specified in this form.
4. I have no present or prospective interest in the property that is the subject to this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or the estimate of market value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property.
5. I have no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property.
6. I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.
7. I performed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place as of the effective date of this appraisal, with the exception of the departure provision of those Standards, which does not apply. I acknowledge that an estimate of a reasonable time for exposure in the open market is a condition in the definition of market value and the estimate I developed is consistent with the marketing time noted in the neighborhood section of this report, unless I have otherwise stated in the reconciliation section.
8. I have personally inspected the interior and exterior areas of the subject property and the exterior of all properties listed as comparables in the appraisal report. I further certify that I have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I am aware and have made adjustments for these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.
9. I personally prepared all conclusions and opinions about the real estate that were set forth in the appraisal report. If I relied on significant professional assistance from any individual or individuals in the performance of the appraisal or the preparation of the appraisal report, I have named such individual(s) and disclosed the specific tasks performed by them in the reconciliation section of this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, I will take no responsibility for it.

SUPERVISORY APPRAISER'S CERTIFICATION: If a supervisory appraiser signed the appraisal report, he or she certifies and agrees that: I directly supervise the appraiser who prepared the appraisal report, have reviewed the appraisal report, agree with the statements and conclusions of the appraiser, agree to be bound by the appraiser's certifications numbered 4 through 7 above, and am taking full responsibility for the appraisal and the appraisal report.

ADDRESS OF PROPERTY APPRAISED: Nqebuked, Ngaraard

APPRAISER:

Signature: [Signature]
 Name: Gilbert Giles Palau Appraisal
 Date Signed: September 14, 2006
 State Certification #: _____
 or State License #: _____
 State: _____
 Expiration Date of Certification or License: _____

SUPERVISORY APPRAISER (only if required):

Signature: [Signature]
 Name: Ken Uyehara Palau Appraisal
 Date Signed: September 14, 2006
 State Certification #: CA 04-031
 or State License #: _____
 State: _____
 Expiration Date of Certification or License: _____

☒ Did ☐ Did Not Inspect Property

September 28, 2006

EXHIBIT VIII

Governor Laurentino Ulechong
Ngaraard State Government
P.O. Box 6026
Koror, Republic of Palau 96940

RE: State Cooperative Building Negotiation Recommendations

Dear Governor Ulechong,

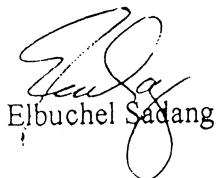
Minister Elbuchel Sadang and myself were appointed by you to negotiate and make recommendation on the purchase of State Cooperative Building constructed by and currently occupied by Ngaraard State Legislator Ongalibang located at Urung, Ngebuked County, Ngaraard State. This task was voluntarily accepted in our personal capacities and as citizens of the State and without compensation.

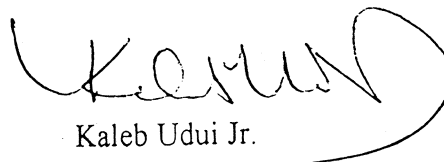
We recommend that the State consider purchasing the structure at a price equivalent to the alternative costs of constructing a similar structure of similar quality for a temporary State Office. This amount we estimate would range from \$25,000 to \$30,000. A reasonable amount would be \$30,000 to be conservative. An amount in this price range is also consistent with the appraised value of the building (see attached) at \$40,000 less approximately \$10,000 that would be reasonable for lease payments for the underlying commercial property over at least six (6) years. During this time Mr. Ongalibang also earned profits from his retail operation at this facility. The profits he acknowledges he received can be considered part of the payment for his expenses in constructing the subject building.

In a meeting with Mr. Ongalibang on September 22, 2006, he generously agreed that he is willing to accept whatever the State deems is the fair value of his investment. This position reflects his role as a public servant and recognition of the lack of legal rights to the underlying real property for subject building. We applaud his commitment to the State in this regard.

Thank you for this opportunity to assist the State of Ngaraard.

Sincerely,


Elbuchel Sadang


Kaleb Udui Jr.



NGARAARD STATE
Office of the Governor
P.O. Box 6026
Republic of Palau 96940

Tel: 488-1320/5740/4490
Email: demok@palaunet.com
Fax: 488-4855

MEMO FOR PROCUREMENT FILE
(Pursuant to 40 PNCA §626)

October 17, 2006

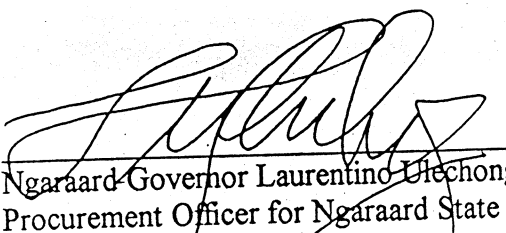
As the Procurement Officer for the State of Ngaraard, Republic of Palau, I have conducted a review of the Procurement Laws of the Republic of Palau:

Pursuant to 40 PNCA §626(a), I find that the Competitive Sealed Bidding is neither practical nor advantageous to the Ngaraard State Government with respect to our purchase of a building to serve as our local State Government Office.

Ngaraard State Government has certain specifications for the minimum requirements for this type of real estate purchase.

As each potential piece of real estate property is different, I find that use of the Competitive Negotiated Contract procedures under 40 PNCA §626 are more appropriate to this type of purchase.

Therefore, as Ngaraard State Procurement Officer, I shall issue a Request For Proposals and shall transmit the specifications relevant to the RFP to anyone who inquires.


Ngaraard Governor Laurentino Ulechong
Procurement Officer for Ngaraard State

10/17/06
Date

EXHIBIT IX

The notice shall be furnished to:

- 1) all state governments
- 2) all persons who have requested to be included in bidders mailing lists within the previous 12 months;
- 3) be published in a newspaper of general circulation in the Republic
- 4) and shall be publicly posted for at least fifteen (15) days at
 - a. the office of the Procurement Officer concerned
 - b. the post office building
 - c. the Courthouse
 - d. the Bureau of Domestic Affairs office
- 5) and announced on all radio and television stations within the Republic

SPECIFICATIONS FOR REQUEST FOR PROPOSALS

Date of Issue: October 17, 2006

RFP No.: NSGO 06-001

1. Building must be located in Ngaraard State.
2. Building must already built and ready for immediate occupancy.
3. Building must be on Ngaraard State Land, or sale of land under building must be included in proposal.
4. Building must include at least one bathroom.
5. Building must be less than 10 years old and in at least good or fair repair.
6. Building must contain at least 875 square feet of gross living area.
7. Building should be adjacent to a boat ramp that is or would become upon sale, open to the public of Ngaraard State.
8. Building (and land if not already owned by Ngaraard State) must have an appraisal by a reputable source, recognized and commonly accepted in the Republic of Palau. Such appraisal must have been completed within the three months of the date of the proposal for sale.
9. The appraisal must state that the condition of the building is in at least fair condition on all interior materials and conditions. No offers containing appraisal listed items of poor quality shall be accepted.
10. The offered price shall not exceed \$30,000.00 (Thirty Thousand United States Dollars) or the offer may be rejected.
11. Preference shall be extended to citizens of Ngaraard State.



NGARAARD STATE
Office of the Governor
P.O. Box 6026
Republic of Palau 96940

Tel: 488-1320/5740/4490
Email: demok@palaunet.com
Fax: 488-4855

REQUEST FOR PROPOSALS

Date of Issue: October 17, 2006

RFP No.: NSGO 7-001

The Procurement Officer of Ngaraard State is soliciting proposals from interested individuals, businesses etc. to provide a building located in Ngaraard State, Republic of Palau, to be used by the State as its State Office upon termination of the current office lease in Koror. Interested offerors may obtain copies of specifications by contacting:

Laurentino Ulechong
Ngaraard State Governor
P.O. Box 6026
Republic of Palau 96940

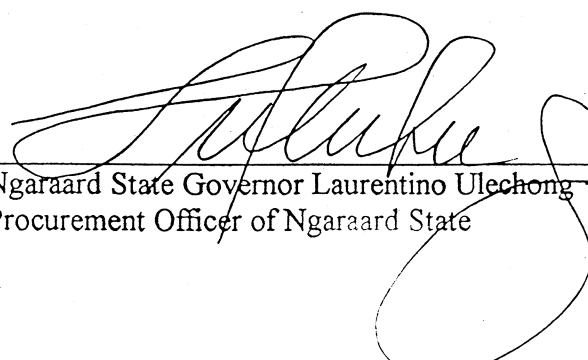
Telephone: (680) 488-1320
Fax: (680) 488-4855

Proposals must be received by Governor Laurentino Ulechong, Procurement Officer of Ngaraard State, at the above address by 4:30 p.m. (Palau Time) on November 17, 2006.

Offers or proposals may be rejected at anytime and no contract may be awarded by the Procurement Officer pursuant to Republic of Palau Procurement Laws.

Offeror acknowledge that the submission of an offer or proposal provides the Procurement Officer the right to inspect at reasonable time the building and/or location offered. Failure to allow such inspection may result in rejection of the offer or proposal.

A successful offeror must comply with local and national laws.



Ngaraard State Governor Laurentino Ulechong
Procurement Officer of Ngaraard State

Oct 17, 2006
Date

EXHIBIT X

SPECIFICATION FOR REQUEST FOR PROPOSALS

Date of Issue: October 17, 2006

RFP No.: NSGO 7-001

1. Building must be located in Ngaraard State.
2. Building must already built and ready for immediate occupancy.
3. Building must be on Ngaraard State Land, or sale of land under building must be included in proposal.
4. Building must include at least one bathroom.
5. Building must be less than 10 years old and in at least good or fair repair.
6. Building must contain at least 875 square feet of gross living area.
7. Building should be adjacent to a boat ramp that is or would become upon sale, open to the public of Ngaraard State.
8. Building (and land if not already owned by Ngaraard State) must have an appraisal by a reputable source, recognized and commonly accepted in the Republic of Palau. Such appraisal must have been completed within the three months of the date of the proposal for sale.
9. The appraisal must state that the condition of the building is in at least fair condition on all interior materials and conditions. No offers containing appraisal listed items of poor quality shall be accepted.
10. The offered price shall not exceed \$30,000.00 (Thirty Thousand United States Dollars) or the offer may be rejected.
11. Preference shall be extended to citizens of Ngaraard State.

EXHIBIT XI

30 October 2006

The Honorable Laurentino Ulechong
Governor
State of Ngaraard
Republic of Palau 96940

Dear Governor Ulechong

According to your bid invitation, I am hereby submitting a bid for the sale of my house located at Ngaraard State, for the total amount of thirty thousand dollars (\$30,000).

Thank you.

Sincerely yours


Avan Ongalibang

*opened this 20th day of Nov. 2006 in the @ 10:00 am
with ~~presence~~ presence of :*

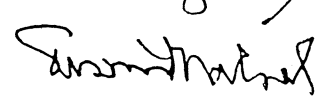
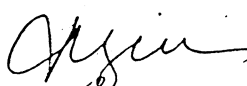
Gov. Laurentino Ulechong  11/20/06
Susan Malsol  11/20/06
Suzette Ngirasob  11/20/06 @ 10:00 am
magario Wachi  11.20.06

EXHIBIT XII

NEGOTIATED REAL ESTATE PURCHASE CONTRACT

1. BUYER: Nagaraard State Government, Republic of Palau.
2. SELLER: Evangelisto Ongalibong.
3. Both Buyer and Seller avow that they have negotiated and entered into this Purchase Contract in Good Faith pursuant to 40 PNCA §602.
4. Both Buyer and Seller avow that in accordance with 40 PNCA §637 and §656 there have been no kickbacks or gratuities solicited or paid in relation to the negotiation or execution of this Purchase Contract.
5. Buyer agrees to buy and Seller agrees to sell the real property with all improvements, fixtures, and appurtenances thereon or incidental thereto.
6. Premises Address or location: Ngebuked, Ngaraard (see attached Premises Appraisal with File No. 06048, dated September 14, 2006 by Gilbert Gille and Ken Uyehara of Palau Appraisal).
7. \$30,000.00 (Thirty Thousand United States Dollars) as Full Purchase Price, which is acknowledged by both Parties to be 25% less than the Appraised Value of \$40,000.00.
8. Warranty of ownership: The Seller guarantees that he is the true owner of the Property described herein. The Seller guarantees that he has the unrestricted right to dispose of the Property described.
9. As liquidated damages pursuant to 40 PNCA §637(b)(3) Seller agrees to reimburse the Buyer for the Full Purchase Price if this Purchase Contract is later invalidated by the Courts of the Republic of Palau because some person other than the Seller is determined to have been the true owner of the property at the time of this sale.
10. Pursuant to 40 PNCA §624(b) and §637(f) required signatures to execute this Purchase Contract include the Ngaraard State Governor as Procurement Officer as Chief Executive of the Ngaraard State Government, the Attorney General or Ngaraard State Attorney and the Seller; the signature of the Seller shall be the last in time to be affixed to this contract and no contract can be formed prior to the approval of all required government officials.
11. Time of performance pursuant to 40 PNCA §637(b)(2): Both Parties agree that time is of the essence in fulfilling the terms of this Purchase Contract. Buyer agrees to pay the full purchase price to the Seller within 30 days of Seller executing this agreement. Upon such payment, Seller shall immediately turn over possession of the premises to the Buyer.

EXHIBIT XII

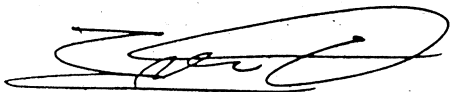
12. Pursuant to 40 PNCA §637(c) the Buyer states that he has examined the premises. The Buyer has done so through the use of an agent, the Palau Appraisal Company who issued a written Appraisal of the premises on September 14, 2006, under file number 06048.
13. In accordance with the requirement of 40 PNCA §637(d) the Buyer reserves the right to examine, copy, and audit books and records of the Seller.
14. In accordance with the requirement of 40 PNCA §637(e) the Seller shall maintain records relating to this Purchase Contract for a minimum of three years from the date of final payment by the Government.
15. If any section of this Purchase Contract is held invalid, such invalidity shall not affect other sections of this Purchase Contract which can be given effect without the invalid section, and to this end, the sections of this Purchase Contract are declared to be severable.
16. Governing Law: This Purchase Contract is entered into under the laws of the Republic of Palau, including Chapter 6 of Title 40 of the Palau National Code, and Republic of Palau law shall be determinative in resolving any dispute.

This Purchase Contract has been reviewed and is hereby certified as to form and legality in accordance with 40 PNCA §612.

Attorney General or Ngaraard State Attorney

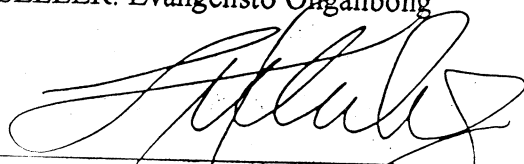
Date: _____

By signing and dating below, the Parties formally enter into this Purchase Contract and agree to be bound by its terms.



SELLER: Evangelisto Ongalibong

Date: 3/26/07



BUYER: Laurentino Ulechong as Governor of Ngaraard State

Date: 3/26/07

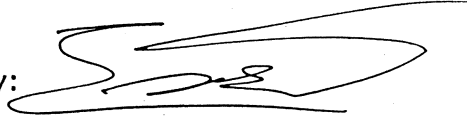
EXHIBIT XIV

March 26, 2007

R E C E I P T

This is to acknowledge receipt of \$30,000.00, check no. 0226 dated March 26, 2007 representing payment for Ngaraard State Temporary Office located in Ngaraard State.

Received by:



EVANGELISTO ONGALIBANG