

CONFORMED COPY

LOAN NUMBER 3523 PH

(Telephone System Expansion Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated April 23, 1993

LOAN NUMBER 3523 PH

GUARANTEE AGREEMENT

AGREEMENT, dated April 23, 1993, between REPUBLIC OF THE PHILIPPINES (the "Guarantor") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank").

WHEREAS: (A) The Guarantor and the Development Bank of the Philippines (the "Borrower"), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project;

WHEREAS: (B) By the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to one hundred thirty-four million dollars (\$134,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement; and

WHEREAS: (C) The Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower.

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the "General Conditions") constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth, and the following terms have the following meanings:

(a) "Amortization Fund" means the fund established pursuant to Section 2.03 (b) of this Agreement;

(b) "MOU" means the Memorandum of Understanding entered or to be entered into between the Guarantor and the Borrower pursuant to Section 2.03 of this Agreement, as the same may be amended from time to time; and

(c) "Sub-Loans" mean collectively the participation term loan facility and syndicate term loan facility provided for under the Participation Loan and Agency Agreement and the Syndicate Loan Agreement, respectively.

## ARTICLE II

### Guarantee

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, without limitation or restriction upon any of its other obligations under this Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. The Guarantor hereby further agrees to assume: (a) the cross-currency risk between the repayment of, and payment of interest on, the principal amount of the Loan denominated in various currencies and the repayment of, and payment of interest on, the principal amounts of the Sub-Loans denominated in Dollars; and (b) direct responsibility for any and all the risks in respect of, or related to, the investments made by the Borrower with the proceeds of the Amortization Fund.

Section 2.03. The Guarantor agrees to enter into an agreement with the Borrower in the form of a memorandum of understanding (the MOU), satisfactory to the Bank, whereunder it shall: (a) receive from the Borrower a guarantee fee and a cross-currency risk fee each at the rate equal to one percent (1%) per annum on the principal amount of the proceeds of the Loan withdrawn and outstanding from time to time and which have been made available to, and remain to be repaid by, PLDT under the Financing Agreements; and (b) together with the Borrower, establish an Amortization Fund comprising the principal amounts of the Sub-Loans and interest due thereon repaid and paid to the Borrower by the Syndicate Banks.

Section 2.04. The Guarantor shall furnish in a timely manner the results of its annual review and recommendations regarding the implementations of its telecommunication policies, and seek the Bank's comments particularly if major change in any such policy is expected.

## ARTICLE III

Representative of the Guarantor; Addresses

Section 3.01. The Secretary of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 3.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Secretary of Finance  
Department of Finance  
Manila  
Philippines

Cable address:

Telex:

MINFIN  
Manila

27550 CPB-PH  
40268 CB-CONF

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INTBAFRAD  
Washington, D.C.

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By /s/ Franklin M. Ebdalin  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam S. Kaji  
Regional Vice President  
East Asia and Pacific

