

I MINA' BENTE OCHO NA LIHESLATURAN GUÅHAN
2006 (SECOND) Regular Session

Bill No. 332 (LS)

Introduced by:

Committee on Calendar
by request of *I Maga'lahaen Guahan*
the Governor of Guam in accordance with the
Organic Act of Guam

AN ACT TO AMEND §1512 OF TITLE 5, GUAM CODE
ANNOTATED, RELATIVE TO AUTHORIZING THE GOVERNOR
OF GUAM, *I MAGA'LAHEN GUÅHAN*, TO ISSUE GOVERNMENT
OF GUAM BONDS FOR THE PURPOSE OF PAYING CERTAIN
GENERAL FUND EXPENSES

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. Legislative Findings and Intent. *I Liheslaturan Guåhan* hereby finds that the accumulated General Fund deficit has resulted in current revenues available in the General Fund being insufficient to pay certain obligations of the General Fund and that a mechanism is needed to provide the necessary cash to the General Fund to pay such obligations until a surplus of current revenues over current expenditures can retire the deficit. *I Liheslaturan Guåhan* hereby also finds that through the issuance of bonds as provided herein the government can fund its current needs while retiring the deficit over time. *I Liheslaturan Guåhan* therefore hereby authorizes the issuance of bonds as provided herein, provides for the proceeds of said bonds to be used to pay certain General Fund expenditures so that the General Fund deficit may be reduced over time, and adds and amends certain related provisions of law to put the General Fund on a sound financial course and, over time, to reduce the remaining unfunded General Fund deficit and the unfunded liability of the government to the Government of Guam Retirement Fund.

Section 2. Subsection (a) of Section 1512 of Title 5, Guam Code Annotated, is hereby amended to read as follows:

“(a) **Authorization of Issuance of Bonds.** *I Maga'lahaen Guåhan* is authorized to issue one or more series of bonds of the government of Guam as provided in this Section, in an aggregate principal amount not to exceed the amount necessary to provide Three Hundred

1 ~~Million Dollars (\$300,000,000) Two Hundred Eighteen Million Three Hundred Nine Thousand~~
2 ~~Eight Hundred Fifty Seven Dollars (\$218,309,857)~~ for the payment of the General Fund
3 expenses listed in subsection (m) ~~(other than subsection (m)(vii) of this Section) and in an~~
4 ~~aggregate principal amount necessary to provide Two Hundred Million Dollars (\$200,000,000)~~
5 ~~for the payment of the General Fund expenses listed in subsection (m)(vii), and, in addition, each~~
6 ease to fund necessary reserves and pay expenses incurred in connection with the issuance of
7 such bonds not already included in an existing appropriation for or the regular budget of any
8 government agency or instrumentality or public corporation providing any service in connection
9 with the issuance of such bonds; *provided, however,* that bonds may not be issued in an amount
10 that would cause a violation of the debt limitation provisions of 48 USC 1423a (§11 of the
11 Organic Act of Guam).”

12 **Section 3.** Subsection (c) of Section 1512 of Title 5, Guam Code Annotated, is hereby
13 amended to read as follows:

14 “(c) **Terms and Conditions Determined by Certificate or Indenture.** The terms
15 and conditions of the bonds shall be as determined by *I Maga’lahen Guåhan* by the execution of
16 a certificate or indenture authorizing the issuance of the bonds upon or prior to the issuance of
17 the bonds; provided, however, that such terms and conditions shall be consistent with this
18 Section, and that the bonds shall mature not later than the date thirty (30) years after their date of
19 issuance year 2024, and shall bear interest at such rates and be sold for such price or prices as
20 shall result in a yield to the bondholders not exceeding seven and one-half percent (7.5%) ~~six and~~
21 ~~one-half percent (6.5%)~~ per annum.”

22 **Section 4.** Subsection (d) of Section 1512 of Title 5, Guam Code Annotated, is hereby
23 amended to read as follows:

24 “(d) **Valid and Binding Limited Obligations.** ~~Except as may be determined by I~~
25 ~~Maga’lahen Guåhan [the Governor] in accordance with this subsection (d), any~~ The bonds authorized
26 by this Section shall constitute the valid and legally binding general limited obligations of the
27 government of Guam, additionally payable from and secured by a pledge of the revenues described in
28 subsection (e) of this Section. ~~Any notes authorized by this Section may also be payable from and~~

1 secured by a pledge of the proceeds of the bonds authorized by this Section. As determined by ~~I~~
2 ~~Maga'laken Guåhan~~ [the Governor], any bonds authorized by this Section may constitute the valid and
3 binding general obligations of the government of Guam. To the extent ~~I Maga'laken Guåhan~~ [the
4 Governor] makes such a determination (i) the The government of Guam pledges its full faith and credit
5 for the punctual payment of both principal of and interest on the bonds and covenants that there shall be
6 collected annually in the same manner and at the same time as government revenue for other purposes is
7 collected, such sum as is required to pay the principal of and interest on the bonds. (ii) ~~such pledge shall~~
8 ~~be valid and binding from the time the pledge is made, and there~~ (iii) There are hereby appropriated
9 from the General Fund such sums as may be necessary will equal in each year in addition to the amounts
10 appropriated under subsection (e) of this Section to equal the amount of money necessary to pay the
11 principal and interest on such bonds. All officers charged by law with any duty in the collection of the
12 revenues of the government from which debt service on the bonds will be payable shall do every lawful
13 thing necessary to collect such sum. The validity of any such bonds shall not be affected by the validity
14 or regularity of any proceedings for the payment of the General Fund expenses paid or to be paid with
15 the proceeds of funded by the bonds.

16 **Section 5.** Subsection (e) of Section 1512 of Title 5, Guam Code Annotated, is hereby
17 amended to read as follows:

18 **“(e) Source of and Security for Payment.** ~~Except as may be determined by I~~
19 ~~Maga'laken Guåhan~~ [the Governor] ~~in accordance with subsection(d) of this Section, the~~ The bonds
20 ~~shall be made payable solely from, and shall also be secured solely by a first lien~~ pledge of any or all of
21 the revenues derived by the government of Guam from taxes against persons on account of their
22 businesses and other activities in Guam ~~whether~~ now or hereafter imposed or levied by the government
23 pursuant to Section 26201 of Chapter 26 of Division 2 of Title 11, Guam Code Annotated or any
24 successor ~~other~~ provision of law (the “Revenues”) ~~and shall not be payable from or secured by any~~
25 ~~other source or sources of revenue except as may be authorized by statute, except that the notes may also~~
26 ~~be payable from and secured by a pledge of the proceeds of the bonds.~~ Any Such pledge made
27 hereunder shall be valid and binding from the time the bonds are issued ~~the pledge is made.~~ The
28 Revenues pledged and thereafter received by the government of Guam or by any trustee, depository or

1 custodian shall be deposited in a separate account and shall be immediately subject to the lien of such
2 pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and
3 binding against all parties having claims of any kind in tort, contract or otherwise against the
4 government of Guam or such trustee, depository or custodian, irrespective of whether the parties have
5 notice thereof. The indenture or certificate by which the bonds are issued and such pledge is created
6 need not be recorded. Any such pledge shall be a first lien, and shall not be subordinate to any other use
7 of Revenues. Any such pledge may be made subordinate to the use of Revenues to pay existing general
8 obligation debts of the government of Guam.”

9 **Section 6.** Subsection (j) of Section 1512 of Title 5, Guam Code Annotated, is hereby
10 amended to read as follows:

11 “(j) **Form of Bonds; Covenants; Appointment of Fiduciaries.** The technical form
12 and language of the bonds, including provisions for execution, exchange, transfer, registration, paying
13 agency, lost or mutilated bonds, negotiability, cancellation and other terms or conditions not inconsistent
14 with this Section, including covenants relating to the collection of Revenues, shall be as specified in the
15 certificate or indenture executed by *I Maga’lahen Guåhan* authorizing the issuance of the bonds. The
16 certificate or indenture shall appoint one or more trustees, co-trustees or other fiduciaries authorized to
17 receive and hold in trust the proceeds of the bonds, the Revenues and other moneys relating thereto, to
18 protect the rights of bondholders and to perform such other duties as may be specified in the indenture. *I*
19 *Maga’lahen Guåhan* is also authorized to execute, on behalf of the government of Guam, any
20 appropriate agreements, certificates or other instruments relating to the bonds and the sale of bonds.”

21 **Section 7.** Subsection (k) of Section 1512 of Title 5, Guam Code Annotated, is hereby
22 amended to read as follows:

23 “(k) **Authorization for Credit Enhancement.** *I Maga’lahen Guåhan* is authorized to
24 enter into such contracts or agreements with such banks, insurance companies or other
25 financial institutions as he determines are necessary or desirable to improve the security
26 and marketability of the bonds issued under this Section. Such contracts or agreements
27 may contain an obligation to reimburse, with interest, any such banks, insurance
28 companies or other financial institutions for advances used to pay principal of or interest

1 on the bonds and to indemnify any such banks, insurance companies or other financial
2 institutions for costs and expenses incurred in connection with any such advance. Any
3 such reimbursement obligation and any other obligations of the government under such
4 contracts or agreements shall be payable solely from, and secured solely by a pledge of,
5 revenues or in the case of any such obligations related to bonds determined by *I*
6 *Maga'laken Guåhan* to be general obligations of the government of Guam in accordance
7 with subsection (d) of this Section, ~~may be general obligations of the government of~~
8 ~~Guam as determined by *I Maga'laken Guåhan*, general obligations of the government of~~
9 Guam and shall additionally be secured by a pledge of, Revenues, and any such advance,
10 if necessary, shall be treated for Organic Act purposes as creating an obligation issued to
11 refund the bonds.”

12 **Section 8.** Subsection (l) of Section 1512 of Title 5, Guam Code Annotated, is hereby
13 amended to read as follows:

14 “(l) **Use of Proceeds from the Sale of the Bonds.** The proceeds from the sale of the
15 bonds shall be used and are hereby appropriated to ~~(i) to retire any previously issued notes authorized~~
16 ~~under Subsection (b) of this § 5112; (i) (ii) pay the General Fund expenses described in subsection (m)~~
17 ~~of this Section 1512 and which are otherwise appropriated by the Legislature, *I Liheslaturan Guåhan* ,~~
18 (ii) (iii) establish necessary reserves, (iii) (iv) pay expenses relating to the authorization, sale and
19 issuance of the bonds, including, without limitation, printing costs, costs of reproducing documents,
20 credit enhancement fees, underwriting, legal, financial advisory and accounting fees and charges, fees
21 paid to banks or other financial institutions providing credit enhancement, costs of credit ratings and
22 other costs, charges and fees in connection with the issuance, sale and delivery of the bonds, and (iv) (v)
23 fund capitalized interest on the bonds for a period ending not later than thirty (30) months.”

24 **Section 9.** Subsection (m) of Section 1512 of Title 5, Guam Code Annotated, is hereby
25 amended to read as follows:

26 “(m) **General Fund Expenses.** The General Fund expenses authorized to be paid with
27 the proceeds of the bonds are as follows:

28 (i) 2004 and prior year individual and corporate tax refunds \$119,600,000

1	(ii)	<u>Deposit to Income Tax Refund Reserve Fund</u>	<u>\$18,750,000</u>
2	(iii)	<u>Earned Income Tax Credit</u>	<u>\$80,000,000</u>
3	(iv)	<u>Payments to the Government of Guam Retirement Fund</u>	
4		<u>for Guam Public School System and Guam Memorial</u>	
5		<u>Hospital</u>	<u>\$34,900,000</u>
6	(v)	<u>Government of Guam past due payable to Guam Power</u>	
7		<u>Authority for Guam Public School System, Guam</u>	
8		<u>Memorial Hospital, and the Department of Public Works</u>	<u>\$25,300,000</u>
9	(vi)	<u>General Fund Vendor payables</u>	<u>\$15,450,000</u>
10	(vii)	<u>MIP and Medicaid billings</u>	<u>\$6,000,000</u>
11		<u>Total</u>	<u>\$300,000,000</u>

12 The payments authorized in this subsection (m) shall, when paid, apply to any existing
13 appropriation for the same items in the FY2006 or prior year appropriations acts, and shall not constitute
14 double appropriations.

15 The net proceeds from the sale of the notes (after the payment of the items described in
16 subsections (m)(i) through (vii) of this Section 1512 and the funding of any capitalized interest on the
17 notes) shall be to make income tax refund payments.

18	(i)	Income tax refund payments	\$139,200,000
19		<i>2001 individual income tax refund</i>	
20		<i>\$39,500,000; 2000 and prior years</i>	
21		<i>Estimated individual income tax refund</i>	
22		<i>\$2,700,000 and estimated corporate</i>	
23		<i>Refund \$25,000,000; 2002 estimated</i>	
24		<i>Individual and corporate tax refund</i>	
25		<i>\$72,000,000;</i>	

26	(ii)	utility payments to Guam Power	
27		Authority	\$ 30,450,800
28		<i>Payments owed by Department</i>	
		<i>Of Education \$15,284,200; payments</i>	
		<i>Owed by Department of Public Works</i>	
		<i>\$13,324,650; payments owed by Guam</i>	
		<i>Memorial Hospital Authority \$1,841,950*</i>	
		<i>(denotes amounts to be offset against</i>	
		<i>Monies owed for the Medically Indigent</i>	
		<i>Program to GMH);</i>	

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2	(iii) retirement fund payments	\$25,285,057
3	<i>Payments owed by the General Fund for</i>	
4	<i>Supplemental Annuities \$5,086,734;</i>	
5	<i>Payments owed by the General</i>	
6	<i>Fund for retirement contributions</i>	
7	<i>For line agency employees \$10,088,437;</i>	
8	<i>Payments owed by the General</i>	
9	<i>Fund for retirement contributions for Guam</i>	
10	<i>Public School System</i>	
11	<i>\$10,109,886;</i>	
12	(iv) withholding tax payments	\$15,398,763
13	<i>2002 payroll obligations for line</i>	
14	<i>Agencies</i>	
15	(v) General Fund Vendor payables	
16	<i>Thru 09/30/02</i>	\$ 5,263,609
17	<i>Payments owed by line agencies</i>	
18	<i>For vendor payables \$2,519,750;</i>	
19	<i>Payments owed by Department of</i>	
20	<i>Administration to MIP/Medicaid</i>	
21	<i>Vendors \$2,219,524; payments owed</i>	
22	<i>By the Guam Public School System for</i>	
23	<i>Vendor payables \$524,335;</i>	
24	(vi) public school repairs	\$ 2,711,628
25	<i>Southern High School air conditioning</i>	
26	<i>System replacement \$1,000,000;</i>	
27	<i>Jose Rios Middle School earthquake</i>	
28	<i>Repair \$164,000; school repairs \$1,547,628;</i>	
	Total	\$218,309,857

(vii) ~~to fund an escrow to pay debt service on all or a portion of the Government of Guam General Obligations Bonds, 1993 Series A at a matched maturity.~~

(viii) ~~The payments authorized in this subsection (m) shall, when paid, apply to any existing appropriation for the same items in the FY2003 or prior year Appropriations Acts, and shall not constitute double appropriations.~~

The net proceeds from the sale of the notes (after the payment of the items described in subsections (l)(iii) and (iv) of this Section and the funding of any capitalized interest on the notes) shall be used first, to make past due utility payments to the Guam Power Authority in an amount up to Ten Million Dollars (\$10,000,000), second, to make income tax refund payments.

Section 10. Local Sales of Bonds. *I Maga'lahañ Guåhan* shall undertake his best efforts to

1 cause a portion of any bonds issued pursuant to Section 2 of this Act (Section 1512, Title 5, Guam Code
2 Annotated), to be offered for sale to residents of Guam, as well as to residents of other jurisdictions, if
3 and to the extent that such offer and any sales resulting from such offer do not increase the costs to the
4 government of Guam of issuing and repaying such bonds.

5 **Section 11. Approval of Bonds.** *I Liheslaturan Guåhan* pursuant to §50103(k), Title 12, Guam
6 Code Annotated, hereby approves the issuance and sale by the government of Guam of bonds for the
7 purposes and in the principal amounts not to exceed the purpose and limits set forth in Section 2 of this
8 Act; *provided* that the conditions to the issuance of such bonds shall have been met, such bonds have a
9 final maturity date not later than thirty (30) years after their date of issuance, bear interest at such rate
10 and are sold for such price or prices as shall result in a yield to the bondholders not exceeding seven and
11 one-half percent (7.5%) per annum, and are issued and sold in the manner, for the purposes and subject
12 to the requirements and limitations provided in Section 1512, Title 5, Guam Code Annotated. This
13 approval shall supersede the approval for the bonds contained in Public Law 27-19:4 and the terms and
14 conditions of Public Law 27-19:4 as it pertains to the approval of bonds shall not apply. The Approval
15 for the Bond Anticipation Notes in Public Law 27-19:4 remain in effect.

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1 **Section 12. Approval of Indenture.** Public Law 27-42 is hereby repealed in its entirety. The
2 indenture pursuant to which the bonds approved by Section 4 of this Act shall be issued in substantially
3 the form appended to this Act as “Attachment A”. In accordance with Section 1512, Title 5, Guam
4 Code Annotated, the terms and conditions of such bonds shall be as determined by *I Maga’lahen*
5 *Guåhan* by execution of the indenture, subject to the requirements of said Section 1512 and Section 11
6 of this Act.

7 **Section 13. Deposit of Bond Proceeds to be Used to Pay Income Tax Refunds.** The proceeds
8 of the bonds approved by Section 4 of this Act that are authorized by Section 1512(m)(i) to be used to
9 pay tax refunds shall be transferred immediately after receipt thereof by the bond trustee into the Income
10 Tax Refund Reserve Fund.

11 **Section 14. Bond Proceeds Not Subject to Transfer Authority.** The proceeds of the bonds
12 approved by Section 4 of this Act shall not be subject to any transfer authority of *I Maga’lahen Guåhan*.

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ATTACHMENT "A"

[DESIGNATED TRUSTEE],
as Trustee and Depositary

AND

[DESIGNATED DEPOSITORY],
as Paying Agent

INDENTURE

Dated as of _____ 1, 2006

\$(PAR AMOUNT)

GOVERNMENT OF GUAM GENERAL OBLIGATION (GROSS RECEIPTS TAX) BONDS

including the

GENERAL OBLIGATION (GROSS RECEIPTS TAX) BONDS, 2006 Series A

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THIS INDENTURE, made and entered into as of _____ 1, 2006, by and among the GOVERNMENT OF GUAM, duly organized and existing under and by virtue of the laws of the United States of America (the "Government"), [DESIGNATED TRUSTEE], a domestic banking corporation organized under the laws of Guam, authorized to do business within Guam and qualified to accept and administer the trusts hereby created, as Trustee (the "Trustee") and Depositary (the "Depositary"), and [DESIGNATED DEPOSITORY], a national banking association organized under the laws of the United States of America and qualified to accept and administer the trusts hereby created, as Paying Agent (the "Paying Agent");

WITNESSETH

WHEREAS, pursuant to Section 1512 of Title 5, Guam Code Annotated (the "Act"), the Governor of Guam (the "Governor") is authorized to issue on behalf of the Government one or more series of bonds of the Government for the purpose of making amounts available for the payment of certain General Fund expenses (the "Authorized Expenditures") set forth in the Act, subject to the requirements and limitations of the Act;

WHEREAS, the Act authorizes the Governor to execute this indenture (this "Indenture") to determine certain matters with respect to the issuance of such bonds;

WHEREAS, bonds issued under this Indenture are to be designated as "Government of Guam General Obligation (Gross Receipts Tax) Bonds" (the "Bonds"), with such further designation as may be appropriate;

WHEREAS, the Act provides that the Bonds are to be general obligations of the Government, additionally secured by a pledge of any or all of the revenues derived by the Government from taxes against persons on account of their businesses and other activities in Guam whether now or hereafter imposed or levied by the Government pursuant to Section 26201 of Chapter 26 of Division 2 of Title 11, Guam Code Annotated or any successor provision of law (collectively, the "Gross Receipts Taxes");

WHEREAS, bonds to be issued under this Indenture for the purpose of making amounts available for the payment of Authorized Expenditures are to be further designated as "Government of Guam General Obligation (Gross Receipts Tax) Bonds, 2006 Series A" (the "2006 Series A Bonds");

WHEREAS, [Section 4 of Public Law No. 27-19, together with] Section __ of Public Law No. __ pursuant to which the Legislature of Guam approved a substantially final form of this Indenture, constitutes approval by said Legislature (as required by Section 50103(k) of Title 12, Guam Code Annotated (the "GEDCA Law")) of the terms and conditions of the issuance of the 2006 Series A Bonds, so long as the 2006 Series A Bonds are structured as provided by the Act and satisfy the conditions, requirements and limitations set forth in the Act;

WHEREAS, the 2006 Series A Bonds are structured as provided by the Act and satisfy the conditions, requirements and limitations set forth in the Act;

WHEREAS, as provided by the Act and the GEDCA Law, the Guam Economic Development and Commerce Authority has approved the issuance and sale of the 2006 Series A Bonds; and

WHEREAS, all acts, conditions and things required by the laws of Guam and the United States of America to exist, to have happened and to have been performed precedent to and in connection with the issuance of said 2006 Series A Bonds exist, have happened, and have been performed in regular and due time, form and manner as required by law, and the Government is now duly authorized and empowered, pursuant to each and every requirement of law, to issue said 2006 Series A Bonds for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the premium, if any, and interest on, all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Government does hereby covenant and agree with the Trustee, the Paying Agent and the Depositary, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; CERTIFICATES

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture, and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

Account

“Account” means each account established and given a designation pursuant to this Indenture or any Supplemental Indenture.

Accreted Value

“Accreted Value” means, with respect to any particular Bonds as of any given date of calculation, an amount equal to the sum of the principal amount of such Bonds plus accrued and unpaid interest on such Bonds as of such date, but not including interest payable on a current basis at least annually.

Act

“Act” means Section 1512 of Title 5, Guam Code Annotated.

Administrative Expenses

“Administrative Expenses” means the fees and expenses of the Fiduciaries and any Credit Providers and any amounts required to be deposited in the Rebate Fund.

Administrative Expense Fund

“Administrative Expense Fund” means the fund by that name established pursuant to Section 5.01.

Annual Debt Service

“Annual Debt Service” means, for any Bond Year and for any Bonds, the sum of (1) the interest falling due on such Bonds then Outstanding (assuming that all then Outstanding Serial Bonds are retired on their respective maturity dates and that all then Outstanding Term Bonds are retired at the times of and in amounts provided for by the Mandatory Sinking Account Payments applicable to such Term Bonds), but not including Capitalized Interest, (2) the principal amount of such Bonds that are Serial Bonds then Outstanding falling due by their terms, and (3) the aggregate amount of all Mandatory Sinking Account Payments required with respect to such Bonds; all as calculated for said Bond Year. For the purpose of determining the interest payable on any Variable Rate Bonds, the interest rate used in the foregoing calculation for periods (a) prior to the date of calculation shall be the actual interest rate on such Bonds for such periods and (b) subsequent to the date of calculation shall be a rate equal to the higher of (i) the average interest rate on such Bonds for the twelve month period immediately preceding the date of determination and (ii) in the case of Bonds (A) the interest on which is intended to be excluded from gross income for federal income tax purposes, The Bond Market Association Municipal Swap Index (or, if such index is unavailable, such alternative index as may be determined by the Government) in effect on the date of determination and (B) in the case of bonds the interest on which is not intended to be excluded from gross income for federal income tax purposes, the per annum rate (rounded, if necessary, to the nearest one-hundredth of one percent) for deposits in United States dollars for one month that appears as of 11:00 a.m., London, England time on the date of determination on the Telerate British Bankers’ Association LIBOR Rates Page, which is the display designated as page 3750 on the Telerate, Inc. news and information service, or such other page as may replace such page on such service (or, if such service is unavailable, such alternative service or index as may be determined by the Government).

Authorized Expenditures

“Authorized Expenditures” means any expenditure listed in subsection (I) of the Act.

Authorized Officer

“Authorized Officer” of the Trustee, the Paying Agent or any Co-Trustee means and includes the chairman of the board of directors, the president, every vice president, every trust officer and any other officer or assistant officer of the Trustee, the Paying Agent or any Co-Trustee, other than those specifically above mentioned, designated by a certificate of an Authorized Officer of the Trustee, the Paying Agent or any Co-Trustee, as the case may be, as an Authorized Officer for purposes of this Indenture.

Bond Counsel

“Bond Counsel” means, initially, Orrick, Herrington & Sutcliffe LLP, San Francisco, California. Any successor Bond Counsel thereto shall be an attorney or firm of attorneys having a national reputation for expertise in matters relating to governmental obligations, the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code, and familiar with the laws of Guam and procedures of the Government.

Bond Fund

“Bond Fund” means the fund by that name established pursuant to Section 5.01.

Bond Reserve Fund

“Bond Reserve Fund” means the fund by that name established pursuant to Section 5.01.

Bond Reserve Fund Requirement

“Bond Reserve Fund Requirement” means an amount equal to [the sum, for all Series for which Bonds remain Outstanding, of \$ _____/the lesser, for each Series, of (A) Maximum Annual Debt Service on all Outstanding Bonds of such Series or such higher amount as may be specified by Supplemental Indenture providing for the issuance of such Series of Bonds, or (B) an amount equal to 10% of the original principal amount of such Series.]

Bond Year

“Bond Year” means, with respect to the 2006 Series A Bonds, the period of twelve consecutive months ending on May 1 in any year in which 2006 Series A Bonds are or will be Outstanding, and, with respect to any other Series, any other annual 12-month period as may be specified by the Supplemental Indenture authorizing such Series.

Bonds, Serial Bonds, Term Bonds, 2006 Series A Bonds, Variable Rate Bonds

“Bonds” means the Government of Guam General Obligation (Gross Receipts Tax) Bonds, authorized by, and at any time Outstanding pursuant to, this Indenture.

“Serial Bonds” means the Bonds, falling due by their terms on specified dates, for which no Mandatory Sinking Account Payments are provided.

“Term Bonds” means the Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“2006 Series A Bonds” means the Government of Guam General Obligation (Gross Receipts Tax) Bonds, 2006 Series A, issued hereunder.

“Variable Rate Bonds” means Bonds which bear interest at a rate which may change from time to time.

Business Day

“Business Day” means any day on which banks in the cities in which the Principal Offices of the Trustee, the Depositary, the Paying Agent and each Credit Provider are located are not required or authorized to close and on which the New York Stock Exchange is not closed.

Capitalized Interest

“Capitalized Interest” means interest to be paid from the original proceeds of Bonds (including proceeds constituting accrued interest on the Bonds) and from income derived from the investment of such original proceeds.

Certificate, Order, Request, Requisition, or Statement of the Government

“Certificate,” “Order,” “Request,” “Requisition,” and “Statement” mean, respectively, a written certificate, order, request, requisition, or statement, executed by the Governor or such other person as may be designated and authorized by the Governor to sign for the Government. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

Code

“Code” means the Internal Revenue Code of 1986 or any similar or successor federal law, including any applicable regulations thereunder.

Continuing Disclosure Agreement

“Continuing Disclosure Agreement” means that certain Master Continuing Disclosure Agreement, dated as of _____ 1, 2006, between the Government and the Trustee, as originally executed and as it may be amended and supplemented from time to time in accordance with the terms thereof, including as supplemented by the Supplemental Continuing Disclosure Agreement, dated as of _____ 1, 2006, between the Government and the Trustee relating to the 2006 Series A Bonds.

Costs of Issuance

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Government and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising costs, Bond and official statement printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, the Paying Agent and the Depository, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, Credit Facility fees or premiums, fees and expenses of counsel to any Credit Provider and any other cost, charge or fee in connection with the original issuance of Bonds.

Costs of Issuance Account

“Costs of Issuance Account” means an account within the Costs of Issuance Fund established with respect to a particular Series of Bonds and designated by reference to such Series.

Costs of Issuance Fund

“Costs of Issuance Fund” means the fund by that name created pursuant to Section 3.03.

Co-Trustee

“Co-Trustee” means any entity appointed by the Government and acting as an independent co-trustee hereunder, if any, with the duties and powers herein provided, and any other corporation or association which may at any time be substituted in its place as such co-trustee, as provided herein.

Credit Agreement

“Credit Agreement” means any agreement between the Government and a Credit Provider pursuant to which such Credit Provider agrees to provide a Credit Facility or pursuant to which the Government agrees to reimburse a Credit Provider for draws or advances under or claims made against a Credit Facility.

Credit Facility

“Credit Facility” means the municipal bond insurance policy issued by the Credit Provider for the 2006 Series A Bonds guaranteeing the scheduled payment of principal of and interest on such Bonds when due, and any other instrument designated by a Supplemental Indenture as providing supplemental credit support for a Series of Bonds (including, as such term is used in Section 5.04 hereof, any such instrument substituting for a deposit in the Bond Reserve Fund which is approved as to form and issuer by the Credit Provider for each Series of Bonds so long as the Credit Facility for such Series of Bonds is in effect).

Credit Provider

“Credit Provider” means, with respect to the 2006 Series A Bonds, _____, or any successor thereto or assignee thereof, and any other person, firm or entity designated in a Supplemental Indenture as providing supplemental credit support for any other Series of Bonds.

Depository

“Depository” means, with respect to the 2006 Series A Bonds, [designated Trustee], a domestic banking corporation organized under the laws of Guam and authorized to do business within Guam, or its successor, as Depository hereunder as provided in Section 8.01, and, with respect to any other Series of Bonds or any particular Fund or Account, any bank or trust company or other financial institution with similar powers designated by a Supplemental Indenture or a Statement of the Government to act as Depository hereunder for such Series or such Fund or Account and, in each case, its successors and assigns.

DTC

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

Event of Default

“Event of Default” means any of the events specified in Section 7.01.

Federal Securities

“Federal Securities” means (1) cash; and (2) Investment Securities described in clause (1) of the definition thereof.

Fiduciaries

“Fiduciaries” means the Trustee, any Co-Trustee, each Depository and each Paying Agent.

Fiscal Year

“Fiscal Year” means the period beginning on October 1 of each year and ending on the next succeeding September 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Government.

Fund

“Fund” means each fund established and given a designation pursuant to this Indenture or any Supplemental Indenture.

General Fund

“General Fund” means the fund by that name established by the Government.

Government

“Government” means the Government of Guam.

Governor

“Governor” means the Governor of Guam or any successor to the rights, powers and obligations thereof under the Act with respect to the Bonds.

Gross Receipts Taxes

“Gross Receipts Taxes” means taxes against persons on account of their businesses and other activities in Guam whether now or hereafter imposed or levied by the Government pursuant to Section 26201 of Chapter 26 of Division 2 of Title 11, Guam Code Annotated or any successor provision of law.

Holder or Bondholder

“Holder” or “Bondholder” means the person in whose name a Bond is registered.

Indenture

“Indenture” means this Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Independent

“Independent” means, when used with respect to any given Person, that such Person (who may be selected and paid by the Government) is acceptable to the Trustee and (1) is in fact independent and, not under domination of the Government; (2) does not have any substantial interest, direct or indirect, with the Government; and (3) is not connected with the Government as an officer or employee of the Government, but who may be regularly retained to provide services to the Government.

Interest Accrual Period

“Interest Accrual Period” means, for any particular Bond, each period between successive Interest Payment Dates for such Bond, including in each case in such period the concluding

Interest Payment Date but not the beginning Interest Payment Date, and treating the date of original issuance of such Bond as if it were an Interest Payment Date for such Bond for this purpose.

Interest Payment Date

“Interest Payment Date” means, for any particular Bond, each date specified as an Interest Payment Date for such Bond or Bonds by this Indenture or by the Supplemental Indenture authorizing the issuance of such Bond or Bonds and, for all Bonds, all such dates.

Investment Securities

“Investment Securities” means any of the following which at the time are legal investments under the laws of the Government of Guam for moneys held hereunder and then proposed to be invested therein: (1) (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America, (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described in subclauses (a), (b) and (c) of this clause (1) held by a bank or trust, company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated; (2) obligations of instrumentalities or agencies of the United States of America, specifically limited to: Federal Home Loan Mortgage Corporation participation certificates (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal) or senior debt obligations; Federal Home Loan Banks consolidated debt obligations; and Federal National Mortgage Association senior debt obligations or mortgage backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (3) Federal Housing Administration debentures; (4) commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated in the highest category by Standard & Poor’s, a division of the McGraw-Hill Companies, Inc. (“S&P”); (5) interest bearing demand or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or any national banking associations, the deposits of which are insured by the Bank Insurance Fund (“BIF”) or the Savings Association Insurance Fund (“SAIF”) of the Federal Deposit Insurance Corporation or any successors thereto, which (a) are continuously and fully insured by BIF or SAIF or (b) have maturities of less than 366 days and are deposited with banks the short term obligations of which are rated A-1+ by S&P and have capital and surplus of not less than \$5,000,000; (6) money market mutual funds or portfolios rated AAm or AAm-G by S&P; and (7) any other investment permitted under the laws of Guam for which (i) confirmation is received from each rating agency then rating the Bonds that such investment will not adversely affect such agency’s ratings on outstanding Bonds and (ii) written approval has been obtained from each Credit Provider during the period it provides credit support with respect to any Outstanding Bonds. Book-entry securities listed in clauses (1) and (2) of this definition must be held in a trust account with the Federal Reserve Bank or with a clearing corporation or chain of clearing corporations which has an account with the Federal Reserve Bank.

Legislature

“Legislature” means the Legislature of Guam or any successor to the rights, powers and obligations thereof under the Act with respect to the Bonds.

Mandatory Sinking Account Payment

“Mandatory Sinking Account Payment” means, as of any date of calculation with respect to any Series of Bonds, the amount required by this Indenture or any Supplemental Indenture to be paid by the Government on a given date for the retirement of Term Bonds of such Series.

Maximum Annual Debt Service

“Maximum Annual Debt Service” means, for any particular Bonds as of any date of calculation, Annual Debt Service on such Bonds for the Bond Year commencing on or after such date for which such sum shall be largest.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Government) selected by the Government. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.08) all Bonds theretofore, or thereupon being, authenticated and delivered by the Paying Agent under this Indenture except (1) Bonds theretofore cancelled by the Paying Agent or surrendered to the Paying Agent for cancellation; (2) Bonds with respect to which all liability of the Government shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.09; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds of the same Series, maturity and tenor shall have been authenticated and delivered by the Paying Agent pursuant to this Indenture.

Participants

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Bonds as a securities depository.

Paying Agent

“Paying Agent” means [designated Depository], a national banking association duly organized under the laws of the United States of America and its successors and assigns, and any additional paying agent appointed by or pursuant to Section 8.06 and its successors and assigns as provided in said Section.

Person

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Principal Office

“Principal Office” means, with respect to the Trustee and with respect to the Depository for the 2006 Series A Bonds, the office of the Trustee in Hagåtña, Guam; with respect to the Paying

Agent for the 2006 Series A Bonds, the office of the Paying Agent in [location] or, with respect to the transfer, registration, exchange and cancellation of Bonds, the office of the Paying Agent in [location]; and with respect to any other Fiduciary the office of such Fiduciary designated in the Supplemental Indenture appointing such Fiduciary; in each case at such address as the respective party may have designated for such purpose. The Principal Office of any Credit Provider shall be as specified by such Credit Provider pursuant to its Credit Facility or Credit Agreement.

Principal Payment Period

“Principal Payment Period” means, with respect to the 2006 Series A Bonds, the period beginning on the date of issuance of such Bonds and ending May 1, 2007, and thereafter each period of twelve months ending on a May 1, and, with respect to any Bond of any other Series, each period so designated by the Supplemental Indenture authorizing the issuance of such Series.

Proceeds Fund

“Proceeds Fund” means the fund by that name created pursuant to Section 3.03.

Rebate Fund

“Rebate Fund” means the Fund by that name established pursuant to Section 5.01.

Record Date

“Record Date” means, for any particular payment of principal of or interest or premium on particular Bonds, each date specified as a Record Date for such Bonds by Section 2.02 or by the Supplemental Indenture authorizing the issuance of such Bonds.

Redemption Price

“Redemption Price” means, with respect to any Bond (or portion thereof if less than all of a Bond is to be redeemed) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Indenture.

Representation Letter

“Representation Letter” means the letter of representations to DTC with respect to the 2006 Series A Bonds, and any similar letter with respect to any Bonds to which the provisions of Section 2.10 are made applicable.

Revenues

“Revenues” means all amounts received by the Government, the Trustee, the Paying Agent, the Co-Trustee or the Depository as proceeds of Gross Receipts Taxes, all interest, profits or other income derived from the investment of amounts in any Fund or Account established pursuant to this Indenture (other than investment income from the Rebate Fund), and any other amounts received by the Government, the Trustee, the Paying Agent, the Co-Trustee or the Depository and pledged by any Supplemental Indenture in accordance with Section 3.04(B).

Revenue Fund

“Revenue Fund” means the fund by that name established pursuant to Section 5.01.

Series

“Series” or “Series of Bonds” means and refers to all Bonds of like designation authenticated and delivered on original issuance at the same time pursuant to this Indenture and any Bonds thereafter delivered in lieu of or substitution for any of such Bonds pursuant to this Indenture.

Sinking Accounts

“Sinking Accounts” means any special account or accounts established by any Supplemental Indenture or Indentures in the Bond Fund for the payment of Term Bonds.

Standard & Poor’s

“Standard & Poor’s” means Standard & Poor’s, a division of the McGraw-Hill Companies, Inc.

Supplemental Indenture

“Supplemental Indenture” means any indenture hereafter duly authorized under and in compliance with the Act, and entered into by and among the Government, the Trustee, the Paying Agent and the Depository, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Surplus Fund

“Surplus Fund” means the fund by that name established pursuant to Section 5.01.

Tax Certificate

“Tax Certificate” means a Certificate of the Government concerning the calculation of any amount to be paid to the United States of America pursuant to Section 148(f) of the Code and any other matters relating to the exclusion of interest on Bonds from gross income for federal income tax purposes.

Trustee

“Trustee” means [designated Trustee], appointed by the Government and acting as an independent trustee hereunder with the duties and powers herein provided, and any other corporation or association which may at any time be substituted in its place as such trustee, as provided in Section 8.01.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof, including each Certificate of the Government, shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter referred to in such instrument; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Government may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such officer knows, or in the exercise of reasonable care should know, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Government) upon a certificate or opinion of or representation by an officer of the Government, unless such counsel or accountant knows, or in the exercise of reasonable care should know, that the certificate or opinion or representation with respect to the matters upon which such officer's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Government or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.03. Equal Security. In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Government and the Holders from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Government shall be for the equal and proportionate benefit, security and protection of all Holders of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the Series, number or date thereof or the time of issue, sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds. Bonds may be issued hereunder from time to time in order to carry out the purposes of the Act as in this Indenture provided. The maximum principal amount of Bonds which may be issued hereunder is not limited; subject, however, to the right of the Government, which is hereby reserved, to limit or restrict, by Supplemental Indenture, the aggregate principal amount of Bonds which may at any time be issued and Outstanding hereunder, and to such limits as may otherwise be imposed by law. The Bonds may consist of one or more Series of varying denominations, dates, maturities, interest rates and other provisions, subject to the limitations contained in Sections 3.04 and 3.05 hereof. The Bonds are designated generally as the "Government of Guam General Obligation (Gross Receipts Tax) Bonds"; each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds. The Bonds may be issued in such Series as from time to time shall be established and authorized by the Government, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of 2006 Series A Bonds. (A) An initial Series of Bonds to be issued under this Indenture is hereby created, and such Bonds are designated as the "Government of Guam General Obligation (Gross Receipts Tax) Bonds, 2006 Series A." The aggregate principal amount of 2006 Series A Bonds which may be issued and Outstanding under this Indenture shall not exceed \$[PAR AMOUNT].

(B) The 2006 Series A Bonds shall be dated as of _____ 1, 2006, and interest thereon shall be payable on May 1 and November 1 in each year, commencing [November 1, 2006] (each an "Interest Payment Date"). The 2006 Series A Bonds shall be issued only in fully registered form in denominations of \$5,000 or any integral multiple thereof, shall mature on the following dates in the following amounts and shall bear interest at the following rates per annum:

Maturity Date
(May 1)

Principal
Amount

\$

Interest
Rate

%

The 2006 Series A Bonds are [Serial Bonds]. The Record Date for scheduled payments of principal of and interest on the 2006 Series A Bonds is the fifteenth (15th) day of the calendar month next preceding the date each such payment is due, whether or not such 15th day is a Business Day.

(C) The 2006 Series A Bonds and the form of Paying Agent's certificate of authentication and registration to appear thereon shall be in substantially the respective forms set forth in Exhibit A hereto, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture. Any portion of the text of any 2006 Series A Bond may be printed on the back of such Bond and there may be inserted, in place of such text, a legend to the following effect: "Reference is hereby made to the further provisions of this Bond set forth on the back hereof and such further provisions are hereby incorporated by reference as if set forth here."

Each 2006 Series A Bond shall bear interest, computed on the basis of a 360-day year of twelve 30-day months, from the Interest Payment Date next preceding the date of registration thereof unless it is registered as of a day after a Record Date and on or before the related Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is registered on or before the Record Date for the first Interest Payment Date, in which event it shall bear interest from its date; provided, however, that if, at the time of registration of any 2006 Series A Bond, interest is in default on Outstanding Bonds, such Bond shall bear interest from the date to which interest has previously been paid or made available for payment on the Outstanding Bonds. Payment of the interest on any Bond shall be made to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on the Record Date immediately preceding an Interest Payment Date, such interest to be paid by check or draft mailed by first class mail to such registered owner at such registered owner's address as it appears on such registration books. The principal or Redemption Price of the 2006 Series A Bonds shall be payable in lawful money of the United States of America upon surrender thereof at the Principal Office of the Paying Agent. Upon the written request of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of 2006 Series A Bonds received prior to the applicable Record Date, payment of interest on and principal (including Redemption Price) of such Bonds shall be made by wire transfer from the Paying Agent to the registered owner of such Bonds. Any such principal payment by wire transfer shall nevertheless be subject to prior surrender of the 2006 Series A Bonds with respect to which such payment is made. Each payment of interest or principal on 2006 Series A Bonds, whether by check, draft or wire transfer, shall be accompanied by information specifying for each maturity of such Bonds with respect to which such payment is being made, the amount and the CUSIP number (if available).

The 2006 Series A Bonds of each maturity shall be assigned a number in consecutive numerical order from 1 upwards, and shall be assigned a letter in consecutive alphabetical order within such maturity from "A" onward (excepting therefrom the letters "I" and "O") and all such numbers and letters shall be given the prefix "R".

(D) The Bonds shall be subject to redemption as provided in Article IV.

Section 2.03. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Government with the manual or facsimile signature of the Governor of Guam under its seal. Such seal may be in the form of a facsimile of the Government's seal and may be reproduced, imprinted or impressed on the Bonds. The Bonds shall then be delivered to the Paying Agent for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Government before the Bonds so signed or attested shall have been authenticated or delivered by the Paying Agent or issued by the Government, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Government as though those who signed and attested the same had continued to be such officers of the Government, and also any Bond may be signed and attested on behalf of the Government by such persons as at the actual date of execution of such Bond shall be the proper officers of the Government although at the nominal date of such Bond any such person shall not have been such officer of the Government.

Except as may be provided in any Supplemental Indenture with respect to a Series of Bonds issued thereunder, only such of the Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Exhibit A hereto, manually executed by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Paying Agent shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.04. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.06, upon surrender of such Bond for cancellation at the Principal Office of the Paying Agent, accompanied by a written instrument of transfer, duly executed, by the person in whose name it is registered, in person or by such registered owner's duly authorized attorney, in a form approved by the Paying Agent.

Whenever any Bond or Bonds shall be surrendered for transfer, the Government shall execute and the Paying Agent shall authenticate and deliver a new Bond or Bonds of the same Series, maturity and tenor, of any authorized denomination or denominations and for the aggregate principal amount of such Bond or Bonds then remaining Outstanding, to the transferee in exchange therefor. The Paying Agent shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer or exchange of any Bond of any Series shall be required to be made during the five days next preceding any date established by the Paying Agent for the selection of Bonds of such Series for redemption or at any time after selection of such Bond for redemption.

Section 2.05. Exchange of Bonds. Any Bonds may, in accordance with their terms, be exchanged, at the Principal Office of the Paying Agent for a new Bond or Bonds of the same Series, maturity and tenor, of any authorized denomination or denominations and for the aggregate principal amount of such Bond or Bonds then remaining Outstanding. The Paying Agent shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Section 2.06. Bond Register. The Paying Agent will keep or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds, which shall at all times during regular business hours with reasonable prior notice be open to inspection by the Government and each Credit Provider; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

Section 2.07. Ownership of Bonds. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal and Redemption Price of, and the interest on, any such Bond, shall be made only to or upon the order of the registered owner thereof or such registered owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond including the interest thereon to the extent of the sum or sums so paid.

Section 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Government, shall be in registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Government and be authenticated by the Paying Agent upon the same conditions and in substantially the same manner as the definitive Bonds. If the Government issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office of the Paying Agent and the Paying Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of the same Series, maturity and tenor and of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Government, at the expense of the Holder of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Paying Agent shall be cancelled by it and destroyed. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Government and the Paying Agent and, if such evidence be satisfactory to both and indemnity satisfactory to both shall be given, the Government, at the expense of the Holder, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen, except that such number may be preceded by a distinguishing prefix (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Paying Agent may pay the same without surrender thereof). The Government may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Government and the Paying Agent in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Government whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. Neither the Government, the Trustee, nor any Co-Trustee shall be required to treat both the original Bond and any substitute Bond as being Outstanding for the purpose of determining the Accreted Value of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and substitute shall be treated as one and the same.

Section 2.10. Book-entry System. Notwithstanding any of the other provisions of this Article II to the contrary, unless otherwise provided in a Supplemental Indenture providing for the issuance of any Series of Bonds, the Bonds shall be initially issued in the form of a separate single fully registered Bond for each maturity of each Series; the ownership of the Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC and the Bonds shall be governed by the provisions of this Section.

(A) Except as provided in a Supplemental Indenture, in this paragraph and in paragraph (C) of this Section, all of the Outstanding Bonds shall be registered in the registration books kept by the Paying Agent in the name of Cede & Co., as nominee of DTC. With respect to the Bonds registered in the registration books kept by the Paying Agent in the name of Cede & Co., as nominee of DTC, the Government, the Trustee, the Paying Agent and the Depository shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Government, the Trustee, the Paying Agent and the Depository shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Paying Agent of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Paying Agent of any amount with respect to principal of or interest on the Bonds. The Government, the Trustee, the Paying Agent and the Depository may treat and consider the person in whose name each Bond is registered in the registration books kept by the Paying Agent as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of and interest on the Bonds only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Paying Agent as provided in Section 2.06, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Government's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Bondholder, as shown in the registration books kept by the Paying Agent, shall receive a certificated Bond evidencing the obligation of the Government to make payments of principal and interest pursuant to this Indenture. Upon delivery by DTC to the Government or the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the words "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(B) The delivery of any representation letter or other instrument by the Government to DTC shall not in any way limit the provisions of paragraph (A) of this Section or in any other way impose upon the Government any obligation whatsoever with respect to persons having interests in the Bonds other than the Bondholders, as shown on the registration books kept by the Paying Agent. The Paying Agent shall take all action necessary for all representations of the Government in the Representation Letter with respect to the Paying Agent to at all times be complied with.

(C) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Government or the Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Government, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds. Upon the discontinuance or termination of the services of DTC with respect to the Bonds, unless a substitute securities depository is appointed to undertake the functions of DTC hereunder, the Government is obligated to deliver Bond certificates at the expense of the beneficial owners of the Bonds,

as described in this Indenture, and the Bonds shall no longer be restricted to being registered in the registration books kept by the Paying Agent in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

(D) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in any agreement between the Government and DTC. Bondholders shall have no lien or security interest in any rebate or refund paid by DTC to the Paying Agent which arises from the payment by the Paying Agent of principal of or interest on the Bonds in immediately available funds to DTC.

ARTICLE III

ISSUE OF BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance, Sale and Delivery of 2006 Series A Bonds. Upon the sale and execution thereof by the Government, the Paying Agent shall authenticate and, upon receipt by the Trustee or the Paying Agent, as applicable, of the proceeds thereof, deliver, to or upon the Order of the Government, 2006 Series A Bonds in the aggregate principal amount of \$[PAR AMOUNT].

Section 3.02. Application of Proceeds of 2006 Series A Bonds and Other Amounts.
(A) The proceeds received from the issuance and sale of the 2006 Series A Bonds (less the premium for the Credit Facility for the 2006 Series A Bonds which shall be paid directly to the Credit Provider for the 2006 Series A Bonds) shall be deposited in trust with the Trustee and the Paying Agent, as applicable, who shall forthwith set aside such proceeds in the following respective funds, as directed by a Request of the Government:

(1) Pursuant to Section 6 of [P.L. ____], the Trustee shall deposit an amount equal to \$_____ in the Income Tax Reserve Fund established pursuant to Section ____ of Title ____ of the Guam Code Annotated;

(2) The Trustee, acting as Depository, shall deposit an amount equal to \$_____ in the 2006 Series A Costs of Issuance Account; and

(3) The Trustee, acting as Depository, shall deposit the balance of such proceeds in the amount of \$_____ in the 2006 Series A Working Capital Account.

Section 3.03. Establishment and Application of Proceeds Fund and Costs of Issuance Fund. (A) The Depository shall establish and maintain and hold in trust a separate fund designated as the "Proceeds Fund." There is hereby created within the Proceeds Fund a separate account designated the "2006 Series A Working Capital Account". If directed by a Supplemental Indenture with respect to a Series the Depository shall establish within the Proceeds Fund and maintain and hold in trust a separate account designated as the "_____ Account" (inserting therein the Series designation and such other designation as may be appropriate) and such subaccounts as may be directed. Amounts in any account in the Proceeds Fund related to any Series shall be used and withdrawn, as provided in this Section, solely for (1) the purpose of paying the expenses or implementing the projects for which such Series is issued as specified herein or in the related Supplemental Indenture and (2) the payment of principal of and interest on the Bonds in the manner and to the extent provided in Section 5.08. Amounts in the 2006 Series A Working Capital Account shall be used and withdrawn solely for the purpose of paying Authorized

Expenditures in accordance with and subject to the priority set forth in the Act. The Depository shall disburse moneys in the Proceeds Fund only upon Requisition of the Government stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper and lawful charge against said fund. Upon receipt of a Certificate of the Government that amounts in said fund are no longer required for the purpose of said fund, said amounts shall be transferred to the Revenue Fund.

(B) The Depository shall establish and maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." There is hereby created within the Costs of Issuance Fund a separate account designated the "2006 Series A Costs of Issuance Account." With respect to each other Series the Depository shall establish within the Costs of Issuance Fund and maintain and hold in trust a separate account designated as the "_____ Costs of Issuance Account" (inserting therein the Series designation). Amounts in each Costs of Issuance Account shall be used and withdrawn, as provided in this Section, solely for the payment of Costs of Issuance of such Series. The Depository shall disburse moneys in the Costs of Issuance Fund only upon Requisition of the Government stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper and lawful charge against said fund. Upon receipt of a Certificate of the Government that amounts in said fund are no longer required for the purpose of said fund, said amounts shall be transferred to the Revenue Fund.

(C) The Government may provide in the Supplemental Indenture providing for the issuance of an additional Series of Bonds (1) that the unused proceeds of such additional Series as of a date specified by such Supplemental Indenture shall be used to redeem the Bonds of such Series, or (2) that the proceeds of such additional Series shall otherwise be limited as to use or application.

Section 3.04. Issuance of Additional Series of Bonds. (A) In addition to the 2006 Series A Bonds, the Government may by Supplemental Indenture establish one or more other Series of Bonds, as general obligations of the Government additionally payable from and secured by Revenues and other assets pledged by this Indenture on a parity with Bonds previously issued, and the Government may issue, and the Paying Agent may authenticate and deliver to the purchasers thereof Bonds of any Series so established, in such principal amount as shall be determined by the Government, but only upon compliance by the Government with the provisions of Section 3.05 and any additional requirements set forth in said Supplemental Indenture, and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such additional Series of Bonds:

(1) No Event of Default shall have occurred and then be continuing.

(2) The Supplemental Indenture providing for the issuance of such additional Series of Bonds shall specify the purposes for which such Series is being issued, which shall be one or both of the following (a) to provide moneys for deposit into the Proceeds Fund and withdrawal therefrom in accordance with law for purposes other than the refunding of Bonds, or (b) to refund all or part of the Bonds of any one or more Series then Outstanding, by depositing with the Trustee or the Paying Agent for such Series, in trust, moneys or noncallable Federal Securities in the necessary amount to discharge all liability of the Government with respect to the Bonds to be refunded as provided in Section 10.02.

(3) The Supplemental Indenture providing for the issuance of such additional Series of Bonds also shall provide for such deposit as may be necessary to increase the balance in the Bond Reserve Fund to an amount at least equal to the Bond Reserve Fund Requirement with respect to all Series of which any Bonds will be Outstanding upon the issuance of such additional Series of Bonds. Said deposit may be made from the proceeds of sale of such

additional Series of Bonds or any other lawful source, as provided herein and in said Supplemental Indenture.

(4) The aggregate principal amount of Bonds issued hereunder shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(5) [Gross Receipts Taxes for each of the next five Bond Years succeeding the date of the execution of the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall be projected (assuming the collection of only such Gross Receipts Taxes as have been enacted and are effective as of such date and assuming no greater rate of increase in Gross Receipts Taxes than the average rate of increase for the prior three years) to be an amount equal to at least the sum of (a) Administrative Expenses projected to be paid during such Bond Year from Revenues, plus (b) two hundred percent (200%) of the Maximum Annual Debt Service on all Bonds to be Outstanding upon the issuance of such additional Series of Bonds; provided, that if such additional Bonds are to be issued for the purpose of providing funds to refund any Bonds then Outstanding, then for the purpose of this subsection it shall be sufficient if the debt service in each Fiscal Year during the period beginning with the then current Fiscal Year and ending with the Fiscal Year in which the last Outstanding Bonds not being refunded mature by their terms will not be increased in an amount greater than \$5,000 by reason of the issuance of such additional Bonds.]

(6) [Gross Receipts Taxes for the most recent Fiscal Year or any twelve (12) calendar month period ending after such Fiscal Year shall have been an amount equal to at least the sum of (a) Administrative Expenses projected to be paid during the Bond Year next succeeding the date of issuance of such additional Series of Bonds, plus (b) two hundred percent (200%) of the Maximum Annual Debt Service on all Bonds to be Outstanding upon the issuance of such additional Series of Bonds; provided, that if such additional Bonds are to be issued for the purpose of providing funds to refund any Bonds then Outstanding, then for the purpose of this subsection it shall be sufficient if the debt service in each Fiscal Year during the period beginning with the then current Fiscal Year and ending with the Fiscal Year in which the last Outstanding Bonds not being refunded mature by their terms will not be increased in an amount greater than \$5,000 by reason of the issuance of such additional Bonds.]

(7) Annual Debt Service on such additional Series of Bonds shall be substantially equal in each Bond Year with no balloon payments.

(B) Nothing in this Section or in this Indenture contained shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given by this Indenture, additional security for the benefit of all Bonds, such additional Series of Bonds or any portion of such additional Series of Bonds.

Section 3.05. Proceedings for Issuance of Additional Series of Bonds.

(A) Whenever the Government shall determine to issue an additional Series of Bonds pursuant to Section 3.04, the Government shall enter into a Supplemental Indenture specifying the principal amount and prescribing the forms of Bonds of such additional Series and providing terms, conditions, distinctive designation, denominations, methods of numbering, date, place or places of payment of principal or Redemption Price, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of this Indenture, and providing for the manner of selling the Bonds and of determining their maturity date or dates, interest rate or rates, interest payment dates and redemption provisions.

(B) Before such additional Series of Bonds shall be issued and delivered, the Government shall deliver the following documents to the Trustee, any Co-Trustee and each Credit Provider:

- (1) An executed copy of the Supplemental Indenture authorizing such additional Series of Bonds.
- (2) Originals or certified copies of the instruments or documents determining any matters specified above, and left undetermined by such Supplemental Indenture with respect to such additional Series of Bonds.
- (3) A Certificate of the Government that the requirements of Section 3.04(A) have been met.
- (4) In the case of refunding bonds, irrevocable instructions to the Trustee to give notice as provided in Article IV of redemption of all Bonds to be redeemed in connection with such refunding.
- (5) An Opinion of Counsel that the Supplemental Indenture has been duly executed and delivered in accordance with this Indenture; that such additional Series of Bonds, when duly executed by the Government and authenticated and delivered by the Paying Agent, will be valid and binding obligations of the Government; and that upon the delivery of such additional Series of Bonds the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted by law or by this Indenture.

Section 3.06. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Government, the Trustee, any Co-Trustee, the Paying Agent or the Depositary with respect to the application of the proceeds of the Bonds. The recital contained in the Bonds that the same are issued pursuant to the laws of the Government of Guam, including the Act, shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption. (A) The 2006 Series A Bonds maturing on or after May 1, 20__ are subject to redemption prior to their stated maturity, at the option of the Government, from any source of available funds, on any date on or after May 1, 20__, as a whole, or in part, by lot, at a Redemption Price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption.

The 2006 Series A Bonds maturing on or after May 1, 20__ are subject to redemption prior to their stated maturity, at the option of the Government, from any source of available funds other than moneys made available by the issuance of additional debt of the Government, on any date on or after May 1, 20__, as a whole, or in part, by lot, at a Redemption Price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption.

The option of the Government under this Section 4.01(A) may only be exercised by depositing with the Trustee, Federal Securities sufficient in amount and maturing in a timely manner to provide for such redemption. The Government shall notify the Trustee, the Paying Agent and any Co-

Trustee in writing at least 30 days prior to the date to be fixed for redemption of its intention to exercise its redemption option.

(B) The 2006 Series A Bonds maturing on May 1, 20__ are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established for such maturity in Section 5.03(C), on each May 1, on or after May 1, 20__, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

(C) Any Series of Bonds, other than the 2006 Series A Bonds, may be made subject to redemption prior to maturity, as a whole or in part, at such time or times, upon payment of the principal amount thereof and interest accrued thereon to the date fixed for redemption plus such premium or premiums, if any, and upon such terms (in addition to and consistent with the terms contained in this Article) as may be determined by the Government at the time such Series is authorized or sold.

Section 4.02. Selection of Bonds for Redemption. For purposes of selecting Bonds for redemption, Bonds shall be deemed to be composed of \$5,000 portions, and any such portion may be separately redeemed. The Trustee shall promptly notify the Government in writing of the Bonds or portions thereof selected for redemption. In the event that less than all of the Bonds are to be redeemed, the Bonds (or portions thereof) to be redeemed shall be selected by the Trustee by lot within a maturity in such manner as the Trustee may determine and the amount of each maturity of the Bonds to be redeemed shall be determined, in the case of the 2006 Series A Bonds, by Request of the Government, and in the case of any other Series, as provided in the Supplemental Indenture providing for the issuance of such Series.

Section 4.03. Notice of Redemption. Notice of redemption (except as provided below) shall be given by the Trustee, not less than thirty (30) nor more than sixty (60) days before the date fixed for redemption, by first class mail to each of the registered owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Paying Agent on the date the Bonds to be redeemed are selected. Each notice of redemption shall state the redemption date, the place or places of redemption, the Series and maturities to be redeemed, and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered, with a written instrument of transfer duly executed by the registered owner thereof or by such registered owner's attorney duly authorized in writing. No defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings of such Bonds. Each notice of redemption shall also state the CUSIP number, date of issue and interest rate on each Bond, or portion thereof, to be redeemed, and shall include the redemption agent name and address with contact person and telephone number; provided, however, that failure to include any of such information in any redemption notice, or any inaccuracy in any such information, shall not affect the sufficiency of the proceedings for redemption of any Bonds.

A copy of any notice of redemption given pursuant to the foregoing paragraph shall also be sent by overnight delivery or certified mail, with return receipt requested, to the holders of \$1,000,000 or more in aggregate principal amount of Bonds to be redeemed and to each of the Fiduciaries, each of the Credit Providers, the Securities Depositories (as defined below) and two or more Information Services (as defined below), and shall be published at least once in a financial newspaper or journal circulated in Agana, Guam; provided, however, that failure to give notice pursuant to this sentence by first class mail to any Bondholders, to any Fiduciaries, to any Credit Providers or to any Securities Depositories or

Information Services, or to publish such notice, or the insufficiency of any such notices, shall not affect the sufficiency of the proceedings for redemption of any Bonds. A second notice shall be sent, by certified mail with return receipt requested, to the registered owner of any Bond which has been called for redemption in whole or in part, and is not surrendered for payment within sixty (60) days after the date fixed for redemption; provided, however, that failure to send any such second notice, or any deficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption of any Bonds. As used in this paragraph, the term "Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, and/or such other services providing information with respect to called bonds, or no such services, as the Government may designate in a Certificate delivered to the Trustee; and the term "Securities Depositories" means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190 or, in accordance with then-current guidelines of the Securities and Exchange Commission, and/or such other securities depositories, or no such depositories, as the Government may designate in a Certificate delivered to the Trustee.

A Supplemental Indenture providing for the issuance of a Series of Bonds may provide that notice of the redemption of Bonds of such Series shall be given at times and in a manner different from that specified above.

Notice of redemption of Bonds shall be given by the Trustee for and on behalf of the Government.

Notice of redemption of 2006 Series A Bonds pursuant to Section 4.01(A) may be conditioned upon the deposit with the Trustee of proceeds of refunding obligations of the Government or other funds in an amount sufficient to pay the Redemption Price of and accrued interest on such Bonds to the date fixed for redemption, and may be rescinded upon the failure of such condition.

Section 4.04. Partial Redemption. Upon surrender of any Bond redeemed in part only, the Government shall execute and the Paying Agent shall authenticate and deliver to the registered owner thereof, at the expense of the Government, a new Bond or Bonds of authorized denominations, and of the same Series, maturity and tenor, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys being held by the Trustee or any Paying Agent for payment of the Redemption Price of, and interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption on the redemption date designated in such notice shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

All Bonds purchased or redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof and destroyed.

ARTICLE V

REVENUES

Section 5.01. Pledge and Assignment; Revenue Fund. (A) Subject only to the provisions of this Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Indenture, all of the Revenues, all of the proceeds of the Bonds and any other amounts held in any Fund or Account established pursuant to this Indenture (except amounts held in the Rebate Fund). Said pledge shall constitute a first lien on and security interest in such Revenues and other assets and shall attach, be perfected and be valid and binding from and after delivery by the Paying Agent of the 2006 Series A Bonds, without any physical delivery thereof or further act.

(B) The Government shall deposit all Revenues upon the receipt thereof in a special fund designated as the "Revenue Fund", which the Depository shall establish and maintain and hold in trust, except that all interest and other profit from the investment of moneys in the Proceeds Fund and the Rebate Fund shall be retained therein. The Trustee and the Depository shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Government shall be deemed to be held, and to have been collected or received, by the Government as the agent of the Trustee and Depository and shall forthwith be paid by the Government to the Depository.

(C) The Trustee shall establish, maintain and hold in trust the Rebate Fund.

(D) In addition to the Revenue Fund, the Depository shall establish, maintain and hold in trust the following additional funds:

- (1) the Administrative Expense Fund; and
- (2) the Surplus Fund.

(E) The Paying Agent shall establish, maintain and hold in trust the following funds:

- (1) the Bond Fund; and
- (2) the Bond Reserve Fund.

(F) All funds and accounts held by the Trustee, Paying Agent or the Depository shall be held in the name of the Trustee. All moneys at any time deposited with the Trustee, any Co-Trustee, the Paying Agent or the Depository, as the case may be, shall be held by the Trustee, such Co-Trustee, the Paying Agent or the Depository, as the case may be, in trust for the benefit of the Holders at any time of the Bonds, except that the Rebate Fund shall be held for the benefit of the United States Government, and the Government shall have no beneficial right or interest in any of such moneys, except as in this Indenture provided. All Revenues so deposited shall be held, disbursed, allocated and applied only as provided in this Indenture.

Section 5.02. Allocation of Revenues. On or before the fifth day of each calendar month following the calendar month in which the 2006 Series A Bonds are delivered, the Depository shall transfer from the Revenue Fund (to the Trustee or the Paying Agent as necessary), for deposit into one or more of the following respective separate funds, the following amounts in the following order of priority, the requirements of each such fund or account (including the making up of any deficiencies in any such

fund or account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied, and the results of such satisfaction being taken into account, before any transfer is made to any account subsequent in priority:

(A) Into the Bond Fund held by the Paying Agent, an amount equal to the amount necessary to increase the amount in the Bond Fund to the aggregate amount for all Outstanding Bonds of all unpaid interest, principal and Mandatory Sinking Account Payments which shall be required to have been transferred to the Bond Fund on the basis of the following transfer requirement rules (after taking into account amounts transferred from any account in the Proceeds Fund to pay capitalized interest):

(1) the amount of interest payable on each Bond on a current un compounded basis on any Interest Payment Date shall be transferred in equal monthly amounts over the Interest Accrual Period for such Bond ending on such Interest Payment Date (or in the case of Variable Rate Bonds, the amount of interest that would have accrued during the next preceding calendar month if such Bonds had borne interest at the maximum rate, less any excess deposited for the next preceding calendar month);

(2) the amount of interest payable on each Bond on a deferred compounded basis on any Interest Payment Date shall be transferred in equal monthly amounts over the Principal Payment Period for such Bond ending on the maturity date for such Bond;

(3) the amount of the principal of each Bond shall be transferred in equal monthly amounts over the Principal Payment Period for such Bond ending on the maturity date for such Bond; and

(4) the amount of each Mandatory Sinking Account Payment for Bonds shall be transferred in equal monthly amounts over the Principal Payment Period for such Bonds ending on the date such Mandatory Sinking Account Payment is due;

(B) Into the Bond Reserve Fund held by the Paying Agent, the amount, if any, needed to increase the amount in the Bond Reserve Fund to the Bond Reserve Fund Requirement;

(C) Into the Administrative Expense Fund held by the Depository, the amount of Administrative Expenses to be paid from Revenues in the Administrative Expense Fund during the next succeeding calendar month, as specified by a Request of the Government; and

(D) Into the Surplus Fund held by the Depository, the balance remaining in the Revenue Fund after the foregoing deposits, subject to being transferred to other funds and accounts as provided in Section 5.07.

If the Depository has insufficient funds to make any deposit required by (A) through (C) of this Section 5.02 on the date required therefor, or if the Paying Agent does not receive any deposit required to be made pursuant to (A) or (B), the Depository or Paying Agent, respectively, shall give notice thereof to the Government and each Credit Provider within five (5) Business Days after the date for such required deposit.

Section 5.03. Application of Bond Fund. (A) All amounts in the Bond Fund shall be used and withdrawn by the Paying Agent solely for the purpose of (1) paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture), (2) paying the principal of the Serial Bonds when due and payable, and (3) purchasing or redeeming or paying at maturity the Term Bonds as provided in this Section.

(B) On each Mandatory Sinking Account Payment date, the Paying Agent shall apply the Mandatory Sinking Account Payment or Payments required on that date to the redemption (or payment at maturity, as the case may be) of the applicable Term Bonds upon the notice and in the manner provided in Article IV. At any time prior to giving such notice of such redemption, the Paying Agent, upon the Request of the Government, shall apply moneys in the Bond Fund, in an amount not in excess of such Mandatory Sinking Account Payment, to the purchase of the applicable Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges) as are specified in such Request, except that the purchase price (excluding accrued interest) shall not exceed the price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment.

(C) Subject to the terms and conditions hereinbefore set forth in this Section and in Section 4.01(B), 2006 Series A Bonds maturing May 1, 20__, shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments for such Bonds, in the amounts (after giving effect to the credits provided for in this Section) and on May 1 in the years set forth below:

<u>Year</u>	<u>Principal Amount</u>
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\$

*Maturity

(D) Upon the redemption of Term 2006 Series A Bonds pursuant to Section 4.01(A), the principal amount of such Bonds shall be credited against remaining Mandatory Sinking Account Payments as provided in Section 4.02, treating Mandatory Sinking Account Payments as if they were maturities and given that Mandatory Sinking Account Payments shall remain as integral multiples of \$5,000. If, (1) during the twelve-month period immediately preceding a Mandatory Sinking Account Payment date the Paying Agent purchases the applicable Term Bonds with moneys in the Bond Fund, or (2) during said period and prior to giving said notice of redemption the Government otherwise deposits the applicable Term Bonds with the Paying Agent (together with a Request of the Government to apply such Bonds so deposited to the Mandatory Sinking Account Payment due on said date), the amount of Bonds so purchased or deposited or redeemed shall be credited at the time of such purchase or deposit, to the extent of the full principal amount thereof, to reduce such Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be cancelled and destroyed.

Section 5.04. Application of Bond Reserve Fund. All amounts in the Bond Reserve Fund shall be used and withdrawn by the Paying Agent solely for the purpose of making up any deficiency in the Bond Fund in the manner and to the extent set forth in Section 5.08. Upon the Request of the Government, any amount in the Bond Reserve Fund on any May 5 in excess of the Bond Reserve Fund Requirement may be transferred to the Depository for deposit into the Revenue Fund on such date.

If and to the extent provided by a Supplemental Indenture authorizing the issuance of a Series of Bonds, the portion of the Bond Reserve Fund Requirement allocable to such Series may be wholly or partially satisfied by a Credit Facility. Notwithstanding anything to the contrary contained hereinbefore in this Section or in Article IV, such Supplemental Indenture may also provide that if a drawing on such Credit Facility is honored, amounts available under Section 5.02(B) for deposit in the Bond Reserve Fund shall be applied by the Paying Agent to reimburse, as soon as practicable, the amount

of each payment honoring such drawing, and the Paying Agent shall give any notice of such reimbursement required by the applicable Credit Agreement. The foregoing provisions are hereby made applicable to the 2006 Series A Bonds.

Section 5.05. Application of Administrative Expense Fund. All amounts in the Administrative Expense Fund shall be transferred to the Rebate Fund as required by the provisions of Section 5.06 hereof and the Tax Certificate, or used and withdrawn by the Government upon Requisition solely for the purpose of paying Administrative Expenses to be paid from the Administrative Expense Fund, and for transfer to the Paying Agent solely for the purpose of the payment of principal of or interest on the Bonds in the manner and to the extent provided in Section 5.08.

Section 5.06. Rebate Fund; 2006 Series A Rebate Account.

(A) The Trustee shall establish and maintain within the Rebate Fund a separate account designated as the "2006 Series A Rebate Account." There shall be deposited in the 2006 Series A Rebate Account from amounts in the Administrative Expense Fund or other lawfully available moneys such amounts as are required to be deposited therein pursuant to the Tax Certificate with respect to the 2006 Series A Bonds. All money at any time deposited in the 2006 Series A Rebate Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement for the 2006 Series A Bonds (as defined in the Tax Certificate with respect to the 2006 Series A Bonds), for payment to the United States of America, and the United States of America is hereby granted a first lien on such money until such payment. All amounts required to be deposited into or on deposit in the 2006 Series A Rebate Account shall be governed exclusively by this Section and by the Tax Certificate with respect to the 2006 Series A Bonds (which is incorporated herein by reference).

In the event that the amount in the 2006 Series A Rebate Account exceeds the Rebate Requirement for the 2006 Series A Bonds, upon the Request of the Government, the Trustee shall transfer the excess from the 2006 Series A Rebate Account to the Revenue Fund.

(B) The Trustee shall pay to the United States, out of amounts in the 2006 Series A Rebate Account,

(1) not later than 30 days after the end of the fifth Bond Year and not less frequently than once each five years thereafter, an amount equal to at least 90% of the Rebate Requirement for the 2006 Series A Bonds; and

(2) not later than 60 days after the retirement of the 2006 Series A Bonds, an amount equal to 100% of the Rebate Requirement with respect to such Bonds (determined as of the date of the retirement of such Bonds). In the event that, prior to the time of any required payment out of the 2006 Series A Rebate Account, the amount in the 2006 Series A Rebate Account is not sufficient to make such payment when such payment is due, the Government shall calculate and direct the Trustee to deposit from Revenues or other lawfully available moneys an amount equal to such deficiency into the 2006 Series A Rebate Account prior to the time such payment is due.

Within thirty (30) days after the end of every fifth Bond Year, and within fifty-five (55) days after the date on which no Bonds are outstanding, the Trustee shall request the Government to deliver to the Trustee a certificate stating whether any rebate payment is required to be made and the amount of any such rebate payment to be made, as set forth in the Tax Certificate, and to deliver to the Trustee any amount so required to be paid.

(C) If and to the extent required by the Supplemental Indenture providing for the issuance of a Series of Bonds, the Trustee shall establish and maintain within the Rebate Fund a separate Rebate Account for such Series. There shall be deposited in such Rebate Account from amounts in the Administrative Expense Fund or other lawfully available moneys such amounts as are required to be deposited therein pursuant to the Tax Certificate with respect to such Series of Bonds. All money at any time deposited in a Rebate Account shall be held by the Trustee in trust, and shall be governed exclusively by this Section and by the Tax Certificate with respect to such Series of Bonds.

(D) Notwithstanding any provisions of this Section, if the Government shall provide to the Trustee an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on any Series of Bonds, the Trustee and the Government may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding Article IX hereof, the covenants hereunder shall be deemed to be modified to that extent.

Section 5.07. Application of Surplus Fund. The Depository shall disburse moneys from the Surplus Fund (to the Trustee or the Paying Agent as necessary) first, to the Bond Fund in the event there are insufficient moneys on deposit in the Bond Fund to pay the principal or redemption price of or interest on the Bonds when due, for the purpose of paying principal of and interest on the Bonds; second, to the Bond Reserve Fund to satisfy any deficiency therein; third, to the Administrative Expense Fund to satisfy any deficiency therein; and fourth, to pay costs and expenses of the Government budgeted to be paid from Revenues in the Surplus Fund. All amounts in the Surplus Fund on the fifth (5th) day of each month after the deposits required herein have been made shall be paid by the Depository to the Government for any lawful purpose of the Government, free and clear of the pledge and lien of this Indenture.

Section 5.08. Deficiencies in Bond Fund; General Obligation Relating to the Bonds.
(A) In the event that on the fifth (5th) day before any Interest Payment Date, or if any such day is not a Business Day, on the next preceding Business Day, the amount in the Bond Fund is insufficient to pay the principal of, Mandatory Sinking Account Payments for and interest on the Bonds due on the next succeeding Interest Payment Date, the Paying Agent shall give notice of such deficiency to the Trustee and the Trustee, or the Depository upon the direction of the Trustee, and the Paying Agent, as the case may be, shall transfer to the Bond Fund the amount of such deficiency by withdrawing said amount from the following funds in the following order of priority: (1) the Revenue Fund, (2) the Surplus Fund, (3) the Administrative Expense Fund; (4) the Bond Reserve Fund; and (5) any other fund established pursuant to this Indenture (except the Rebate Fund).

(B) On or prior to the fifth day preceding each date on which any interest or principal with respect to the Bonds is due, and in any event prior to making any drawing on the Credit Facility with respect thereto, the Paying Agent shall notify the Government of the amount, if any, by which the aggregate amount of interest and principal to be paid on the Bonds on such date exceeds the aggregate amount on deposit in the Bond Fund (after making the transfers required by subsection (A) of Section 5.08) with the Paying Agent and available to make such payments. On or prior to the third day preceding such payment date, the Government shall deposit with the Paying Agent an amount equal to the amount of such deficiency. The Paying Agent shall apply such amount to the payment of interest and principal to be paid on the Bonds when due. Notwithstanding any other provision of this Indenture, the obligation to make such deposits shall constitute the valid and binding general obligation of the Government, and the Government pledges its full faith and credit for the punctual payment thereof.

(C) If after making all such transfers and after receipt of all such deposits, the amount in the Bond Fund is insufficient to pay the principal of or Mandatory Sinking Account Payments for or

interest on the Bonds due on the next succeeding Interest Payment Date, the Paying Agent shall notify each Credit Provider, in accordance with such Credit Provider's Credit Facility, of the amount of such insufficiency in a timely manner so as to allow for the provision of moneys under such Credit Facility for the purpose of providing for such payment.

(D) The Trustee is hereby designated, appointed, authorized and directed to act as attorney-in-fact for each Holder of 2006 Series A Bonds, as follows:

(i) if and to the extent of a deficiency in amounts required to pay interest on the 2006 Series A Bonds, to execute and deliver an appropriate instrument of assignment to the Credit Provider for the 2006 Series A Bonds for each of the claims for interest to which such deficiency relates; and

(ii) if and to the extent of a deficiency in amounts required to pay principal or Redemption Price (if such Redemption Price is specifically covered under the terms of the Credit Facility for the 2006 Series A Bonds) of the 2006 Series A Bonds, to execute and deliver an appropriate instrument of assignment to the Credit Provider for the 2006 Series A Bonds for each of the claims for the principal or Redemption Price to which such deficiency relates.

In each case the Trustee shall receive, as attorney-in-fact of each such Bondholder in accordance with the tenor of such Credit Facility, payment with respect to such claims so assigned and disburse the same to each respective Bondholder.

(E) The Government may, by Supplemental Indenture providing for the issuance of an additional Series of Bonds, specify earlier dates for the testing of the sufficiency of amounts in the Bond Fund or specify different procedures for making claims under or draws on any Credit Facility with respect thereto.

Section 5.09. Investment of Moneys in Funds. All moneys in the funds and accounts established pursuant to this Indenture, other than the Administrative Expense Fund and the Surplus Fund, shall be invested by the Trustee, the Paying Agent, any Co-Trustee or the Depository, as the case may be, solely in Investment Securities to maximize investment income, with proper regard for the preservation of principal, pursuant to a Request of the Government as to such investment; provided that so long as the 2006 Series A Bonds are Outstanding, amounts in the Bond Reserve Fund shall not be invested in Investment Securities maturing in more than five years without the prior written consent of the Credit Provider for the 2006 Series A Bonds. All Investment Securities and any other investments acquired with moneys held hereunder shall be acquired subject to the limitations set forth in Section 6.09, to the limitations as to maturities hereinafter in this Section set forth and to such additional limitations or requirements consistent with the foregoing as may be established by Request of the Government. No Investment Security which is subject to redemption at the option of the issuer may be purchased at a premium above the amount of the premium payable upon any such redemption.

Moneys in all funds and accounts established under this Indenture shall be invested in securities paying interest and maturing not later than the dates on which it is estimated that such moneys will be required by the Trustee, the Paying Agent, any Co-Trustee or the Depository.

All interest and other profit derived from such investments shall be transferred to the Trustee, as applicable, and deposited at least monthly in the Revenue Fund, except that interest and other profit derived from the investment of moneys in the Proceeds Fund or the Rebate Fund shall be retained in such respective fund. Investments acquired as an investment of moneys in any fund or account established under this Indenture shall be credited to such fund or account. For the purpose of determining

the amount in any fund or account, the amount of any obligation allocable to such fund or account shall be equal to the purchase price of such obligation (not including accrued interest, if any, paid on the purchase of such obligation) plus the amount of any discount below par accounting for any such discount ratably each year over the term of such obligation (i.e., by dividing the amount of such discount by the number of interest payments remaining to maturity and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of purchase) (in this Section called "amortized value"); provided, however, that the amount of any accrued interest on any obligation shall be credited to the Revenue Fund or to any fund or account to which such amount or any portion thereof may have been transferred from the Revenue Fund; and provided, further, that the amount of any obligation in the Bond Reserve Fund and the Bond Fund shall be determined as of each Interest Payment Date and shall be the lesser of amortized value or then current market value. The Trustee shall deliver to each Credit Provider a copy of each such valuation within 30 days after each such Interest Payment Date.

The Trustee, the Paying Agent, any Co-Trustee or the Depositary may sell or present for redemption, any investment securities so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited, and neither the Trustee, the Paying Agent, any such Co-Trustee nor the Depositary shall be liable or responsible for any loss resulting from such investment.

The Trustee, the Paying Agent, any Co-Trustee or the Depositary may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee, the Paying Agent, any Co-Trustee or the Depositary or any of their affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee, the Paying Agent, any Co-Trustee or the Depositary hereunder. The Government acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Government the right to receive brokerage confirmations of security transactions as they occur, the Government will not receive such confirmations to the extent permitted by law. The Paying Agent will furnish the Government periodic cash transaction statements which include detail for all investment transactions made by the Paying Agent hereunder.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The Government shall punctually pay or cause to be paid, but solely from the sources specified hereunder, the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture.

Section 6.02. Extension of Payment of Principal and Interest on the Bonds. The Government shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds, or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Government to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 6.03. Against Encumbrances. The Government shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues or other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture, and except any pledge or assignment subordinate in all respects to the pledge and assignment hereunder, and shall not issue any obligations secured by such pledge and assignment other than the Bonds. Subject to this limitation, the Government expressly reserves the right to enter into one or more other indentures for any of its governmental purposes, and reserves the right to issue other obligations for such purposes and to issue obligations secured by a subordinate pledge and assignment of the Revenues and other assets pledged hereby.

Section 6.04. Power to Issue Bonds and Make Pledge. The Government represents and warrants that it is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge the Revenues and other assets purported to be pledged under this Indenture in the manner and to the extent provided in this Indenture. The Bonds are and will be the valid and binding general obligations of the Government in accordance with their terms. The Government, Trustee, any Co-Trustee and Depositary shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of Revenues and other assets and all the rights of the Bondholders under this Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Payment of Taxes and Claims. The Government shall, from time to time, duly pay and discharge, or cause to be paid and discharged, any property taxes, assessments or other governmental charges that may be lawfully imposed upon the Revenues or other assets pledged or assigned under this Indenture, when the same shall become due, after notice to each Credit Provider and an opportunity to contest the same, as well as any lawful claim which, if unpaid, might by law become a lien or charge upon the Revenues or such other assets or which might impair the security of the Bonds.

Section 6.06. Accounting Records and Financial Statements. The Government shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions relating to the proceeds of Bonds, the Revenues, and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Trustee, any Co-Trustee, the Depositary, any Credit Provider or the Government, as the case may be, and, with respect to such books of record and account maintained by the Trustee, the Paying Agent, any Co-Trustee, and the Depositary, by any Credit Provider or any Bondholder or agent or representative thereof duly authorized in writing, at reasonable hours and under reasonable circumstances. The Government shall provide to any Credit Provider such additional information as may be reasonably requested by such Credit Provider concerning the sources and amounts of Revenues.

The Government shall file with the Trustee, each Co-Trustee, the Depositary and each Credit Provider, and furnish to each major national investment rating service which initially rated any Series of Bonds and to each Bondholder who shall have filed a name and address with the Government or the Trustee for such purpose, within six months after the close of each Fiscal Year so long as any of the Bonds are Outstanding (commencing with the Fiscal Year ending September 30, 2006), complete financial statements with respect to the Revenues and all funds established pursuant to this Indenture, prepared in accordance with generally accepted accounting principles for governmental entities, covering receipts, disbursements, allocation and application of all Revenues for such Fiscal Year, including a statement of revenues, expenditures and fund balances (covering all of the funds established pursuant to this Indenture), balance sheet and statement of changes in financial position, accompanied by an audit report and opinion of a nationally recognized Independent certified public accountant.

In addition, so long as the 2006 Series A Bonds are Outstanding, the Government shall file with the Trustee, each Co-Trustee, the Depositary and Credit Provider with respect to such Bonds,

and furnish to each major national investment rating service which initially rated such Bonds and to each Bondholder who shall have filed a name and address with the Government for such purpose, within one year after the close of each Fiscal Year (commencing with the Fiscal Year ending September 30, 2006), complete audited financial statements with respect to the General Fund, prepared by the Inspector General of the United States Department of Interior or by an Independent certified public accountant in accordance with generally accepted accounting principles for governmental entities, covering receipts, disbursements, allocation and application of all revenues of the General Fund for such Fiscal Year, including a statement of revenues, expenditures and fund balances, balance sheet and statement of changes in financial position.

Section 6.07. Maintenance of Powers. The Government shall at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the observance of any of the covenants herein contained.

Section 6.08. Maintenance of Bond Reserve Fund. The Bond Reserve Fund shall at all times be maintained from Revenues at an amount at least equal to the Bond Reserve Fund Requirement, as set forth in Sections 5.09 and 6.11.

Section 6.09. Tax Covenants. (A) The Government shall not use or permit the use of any proceeds of the 2006 Series A Bonds or any other funds of the Government, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Government in any manner, and shall not take or permit to be taken any other action or actions, which would cause any such Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, to be "federally insured or guaranteed" within the meaning of Section 149(b) of the Code or to be a "private activity bond" within the meaning of Section 141(a) of the Code.

(B) The Government shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the 2006 Series A Bonds (or on any of them) shall be exempt from federal income taxes.

Section 6.10. Compliance with Indenture, Contracts, Laws and Regulations. The Government shall faithfully observe and perform all the covenants, conditions and requirements of this Indenture, shall not issue any Bonds in any manner other than in accordance with this Indenture, and shall not take any action that would permit any default to occur hereunder, or do or permit to be done, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to this Indenture. Subject to the limitations and consistent with the covenants, conditions and requirements contained in this Indenture, the Government shall comply with the terms, covenants and provisions, express or implied, of all contracts concerning or affecting the application of proceeds of Bonds or Revenues. The Government shall comply promptly, fully and faithfully with and abide by any statute, law, ordinance, order, rule or regulation, judgment, decree, direction or requirement now in force or hereafter enacted, adopted, prescribed, imposed or entered by any competent governmental authority or agency applicable to or affecting the Bonds.

Section 6.11. Collection of Gross Receipts Taxes. The Government shall impose, levy, enforce and collect Gross Receipts Taxes in an aggregate amount within each Bond Year at least sufficient to pay and provide for the sum of:

(1) an aggregate amount equal to at least [two hundred percent (200%)] of the sum of:

- (i) the interest to accrue for such Bond Year on all Bonds Outstanding;
 - (ii) the principal of all Serial Bonds maturing by their terms during such Bond Year; and
 - (iii) the Mandatory Sinking Account Payments to be paid during such Bond Year; plus
- (2) an aggregate amount equal to the amount of Administrative Expenses to be paid from the Administrative Expense Fund during such Bond Year; plus
- (3) such amounts as may be required pursuant to this Indenture (and any Supplemental Indenture for the issuance of Bonds of any additional Series) to build up or maintain the Bond Reserve Fund at the Bond Reserve Fund Requirement on or before the 20th day preceding an Interest Payment Date.

The Government further covenants and agrees that all Gross Receipts Taxes shall be payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

So long as no Event of Default occurs and is continuing and the 2006 Series A Bonds remain Outstanding, reviews of Gross Receipts Taxes shall be conducted annually and shall be satisfactory to the Credit Provider for such Series of Bonds. If any Event of Default occurs (including, without limitation, a breach of the covenant contained in this Section), such reviews shall be conducted quarterly thereafter and shall be satisfactory to such Credit Provider. The Government shall, within sixty (60) days after the close of each Fiscal Year, furnish to the Credit Provider for the 2006 Series A Bonds its certification, based upon its unaudited, internal records, that the levy and collection of Gross Receipts Taxes were in amounts at least equal to the sum of the amounts in clauses (1), (2) and (3) above. The Government shall further, within six (6) months after the close of each Fiscal Year, provide to such Credit Provider a certification from an Independent certified public accountant, based upon the audited financials of the Government, that the levy and collection of Gross Receipts Taxes were in amounts at least equal to the sum of the amounts in clauses (1), (2) and (3) above.

Section 6.12. Nature of Bonds. The Bonds shall constitute the valid and binding general obligations of the Government, and the Government pledges its full faith and credit for the punctual payment of principal and interest of the Bonds.

Section 6.13. Collection of General Fund Revenues. So long as any Bonds are Outstanding, there shall be collected annually in the same manner and at the same time as Government revenues for other purposes are collected, such sum as is required to pay the principal of, and Mandatory Sinking Account Payments and interest on, the Bonds. All officers charged by law with any duty in the collection of Government revenues shall do every lawful thing necessary to collect such sum.

Section 6.14. Waiver of Laws. The Government shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Government to the extent permitted by law. The Government shall not claim, and hereby waives any claim to, sovereign immunity from any suit or other action that may be brought under this Indenture or upon the Bonds.

Section 6.15. Further Assurances. The Government will make, execute and deliver any and all such further indentures instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Indenture.

Section 6.16. Continuing Disclosure Relating to the 2006 Series A Bonds. The Government and the Trustee hereby covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of the Government or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Government or the Trustee, as the case may be, to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

Section 7.01. Events of Default. The following events shall be Events of Default:

(A) default by the Government in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise; default by the Government in the redemption from any Mandatory Sinking Account Payment of any Term Bonds in the amounts at the times provided therefore; or default by the Government in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(B) default by the Government in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days, or such longer period as may be approved by each Credit Provider, after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Government by the Trustee or any Co-Trustee, or to the Government, the Trustee and each Co-Trustee by any Credit Provider or by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(C) the assumption, under the provisions of any law relating to bankruptcy or insolvency or any similar law relating to creditor's rights, by any court of competent jurisdiction, of custody or control of the Government or of the whole or any substantial part of its property, if such custody or control is not terminated or stayed within sixty (60) days from the date of assumption of such custody or control.

Section 7.02. Acceleration of Maturities. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the Government but only upon the written consent of each Credit Provider that is not then in default under its Credit Facility, to declare the principal of all of the Bonds

then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding. In order to be effective, any such consent from a Credit Provider must include or be accompanied by an agreement either to pay the Bonds insured or otherwise secured by such Credit Facility as accelerated or to pay such Bonds and the interest thereon on the dates originally scheduled for such payment without regard to such acceleration.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Government shall deposit with the Trustee a sum sufficient to pay all the principal or Redemption Price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Credit Providers for not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Government and to the Trustee, may, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee, the Paying Agent, any Co-Trustee or Depository under any of the provisions of this Indenture (subject to Section 11.10) shall be under the control of and applied by the Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and payment of reasonable charges and expenses of the Trustee, the Paying Agent, any Co-Trustee and the Depository (including reasonable fees and disbursements of their respective counsel) incurred in and about the performance of their respective powers and duties under this Indenture;

(B) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture (including Section 6.02), as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become

due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Section 7.04. Trustee to Represent Bondholders. The Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds and this Indenture, as well as under the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, upon the prior written consent of each Credit Provider that is not then in default under its Credit Facility, and upon being indemnified to its satisfaction therefor, shall, at the direction of all Credit Providers that are not then in default under their Credit Facilities, proceed to protect or enforce its rights or the rights of such Holders by such appropriate suit, action, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under this Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Indenture.

Section 7.05. Bondholders' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would adversely affect Bondholders not parties to such direction.

Section 7.06. Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Act or any other applicable law with respect

to such Bond, unless (A) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (B) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (C) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture on the rights of any other Holders of Bonds, or to enforce any right under this Indenture, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Indenture (including Section 6.02).

Section 7.07. Obligation of Government. Nothing in Section 7.06 or in any other provision of this Indenture, or in the Bonds, contained shall affect or impair the obligation of the Government, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but solely from the sources specified hereunder, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.08. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, then in every such case the Government, the Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Government, the Trustee and the Bondholders shall continue as though no such proceedings had been taken.

Section 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee, any Co-Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10. No Waiver of Default. No delay or omission of the Trustee, any Co-Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee, the Co-Trustee or to the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE FIDUCIARIES

Section 8.01. Appointment of Trustee and Depositary; Duties, Immunities and Liabilities of Trustee, Co-Trustee and Depositary. (A) [designated Trustee] is hereby appointed as Trustee and Depositary. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture for it to perform. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(B) Any Co-Trustee and the Depositary shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. Any Co-Trustee appointed by the Government in accordance with this Indenture may perform any duties specifically set forth in this Indenture for the Trustee to perform on terms mutually agreeable to the Government, the Trustee and such Co-Trustee. Each Co-Trustee and the Depositary shall, during the existence of any Event of Default (which has not been cured), follow the directions of the Trustee with respect to any of the funds held by such Co-Trustee or the Depositary under this Indenture.

(C) The Government may remove the Trustee, any Co-Trustee or the Depositary at any time unless an Event of Default shall have occurred and then be continuing, and the Government shall remove the Trustee, any Co-Trustee or the Depositary if at any time requested to do so by an instrument or concurrent instruments in writing signed either by all Credit Providers who are not then in default under their Credit Facilities or by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee, any Co-Trustee or the Depositary shall cease to be eligible in accordance with subsection (F) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee, any Co-Trustee or the Depositary or their respective property shall be appointed, or any public officer shall take control or charge of the Trustee, any Co-Trustee or the Depositary or their respective property or affairs for the purpose of rehabilitation, conservation or liquidation; in each case by giving written notice of such removal to the Trustee, such Co-Trustee, the Depositary and each Credit Provider, and thereupon shall appoint a successor Trustee or Depositary, as the case may be, and may appoint a successor Co-Trustee by an instrument in writing.

(D) The Trustee, any Co-Trustee or the Depositary may at any time resign by giving written notice of such resignation to the Government, each of the other Fiduciaries and each Credit Provider. Upon receiving such notice of resignation, the Government shall promptly appoint a successor Trustee or Depositary, as the case may be, and may appoint a successor Co-Trustee by an instrument in writing.

(E) Any such removal or resignation of the Trustee or Depositary and appointment of a successor shall become effective upon acceptance of appointment by the successor. Promptly upon such acceptance, the Government shall give notice thereof to each Paying Agent and Credit Provider and to the Bondholders by mail in the manner provided by Section 4.03. If no successor shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or Depositary, as the case may be, or any Bondholder (on behalf of such Bondholder and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor, and such court may thereupon, after such

notice (if any) as it may deem proper, appoint such successor. Any successor appointed under this Indenture, shall signify its acceptance of such appointment by executing and delivering to the Government, to its predecessor, to each other Fiduciary and to each Credit Provider a written acceptance thereof, and thereupon such successor, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor, with like effect as if originally named herein; but, nevertheless at the Request of the Government or the request of the successor, such predecessor shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor all the right, title and interest of such predecessor in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor, the Government shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor all such moneys, estates, properties, rights, powers, trusts, duties and obligations.

Any such removal or resignation of a Co-Trustee shall become effective upon the giving of notice of removal or notice of resignation. In the event of the resignation or removal of any Co-Trustee, such Co-Trustee shall pay over, transfer, assign and deliver any monies held by it to its successor, or, if there be no successor then appointed, to the Trustee. The Government may appoint one or more successor Co-Trustees and shall give prompt notice of the acceptance of appointment by any successor Co-Trustee.

(F) (1) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company doing business and having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal, state, or Guam authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (F)(1), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(2) Any Co-Trustee appointed under the provisions of this Section shall be a trust company or bank having the powers of a trust company doing business and having a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Co-Trustee shall cease to be eligible in accordance with the provisions of this subsection (F)(2), the Co-Trustee shall resign immediately in the manner and with the effect specified in this Section.

(3) Any Depositary appointed under the provisions of this Section in succession to the Depositary shall be a trust company or bank having the powers of a trust company doing business and having a trust office in Agana, Guam, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) or such lesser amount as may be approved by all the Credit Providers, and subject to supervision or examination by federal or territorial authority. If such bank or trust company publishes a report of condition at least

annually, pursuant to law or to the requirements of any supervising or examination authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published. In case at any time the Depository shall cease to be eligible in accordance with the provisions of this subsection (F)(3), the Depository shall resign immediately in the manner and with the effect specified in this Section.

(G) Any company into which the Trustee, any Co-Trustee or the Depository may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee, such Co-Trustee or the Depository may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (F) of this Section, shall be the successor to such Trustee, Co-Trustee or Depository, as the case may be, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. Any such successor shall give notice of such merger, conversion or consolidation to each other Fiduciary and to the Government.

Section 8.02. Compensation. Subject to the terms of any contract with the Trustee, any Co-Trustee or the Depository, as the case may be, the Government shall pay to the Trustee, any such Co-Trustee and the Depository from time to time reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, fees of counsel, accountants and consultants and other disbursements, including those of their attorneys, agents and employees, incurred in good faith in and about the performance of their powers and duties under this Indenture. The Government further agrees, to the extent permitted by law, to indemnify and save the Trustee, any such Co-Trustee and the Depository harmless against any liabilities which they may incur in the exercise and performance of their respective powers, functions and duties under this Indenture, which are not due to their own respective negligence or willful misconduct. Such indemnity shall survive the discharge of this Indenture or resignation or removal of the Trustee, any such Co-Trustee or the Depository.

Section 8.03. Liability of Trustee, Co-Trustee and Depository. The recitals of facts herein and in the Bonds contained shall be taken as statements of the Government, and neither the Trustee, the Co-Trustee nor the Depository assumes any responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Indenture or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon them, respectively. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication and registration on the Bonds. Neither the Trustee, the Co-Trustee nor the Depository shall be liable in connection with the performance of their respective duties hereunder, except for their own respective negligence or willful misconduct. The Trustee, the Co-Trustee and the Depository may become the owner of Bonds with the same rights they would have if they were not Trustee, Co-Trustee or Depository, as the case may be, and, to the extent permitted by law, may act as depository for and permit any of their officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders, whether or not such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would require it to expend or risk its own moneys or otherwise incur any liability or to institute or defend any action or suit in respect of this Indenture or the Bonds, unless it is in its judgment adequately indemnified. No Fiduciary shall be deemed to have knowledge of an Event of Default hereunder unless it has received actual knowledge thereof at its Principal Office, except, in the case of the Trustee, default in the payment of any amounts due on the Bonds on the due date therefor.

Section 8.04. Right of Trustee, Co-Trustee and Depository to Rely on Documents. The Trustee, the Co-Trustee and the Depository shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed to be genuine and to have been signed or presented by the proper party or parties. The Trustee, the Co-Trustee and the Depository may consult with counsel, including nationally recognized bond counsel, who may be counsel of or to the Government, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee, the Co-Trustee or the Depository shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Government, and such Certificate shall be full warrant to the Trustee, the Co-Trustee or the Depository, as the case may be, for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee, the Co-Trustee or the Depository may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee, the Co-Trustee or the Depository under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Government and any Bondholder, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Paying Agents. The Government shall appoint one or more Paying Agents for the purpose of paying the principal or Redemption Price of and the interest on Bonds of any series. [Designated Depository] is hereby appointed as Paying Agent for the 2006 Series A Bonds. At least one such Paying Agent (which may be the Co-Trustee) shall have a principal corporate trust office in one of the contiguous 48 States. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the Government, the Trustee, the Co-Trustee and the Depository a written acceptance thereof. The Trustee shall enter into such arrangements with any such Paying Agent as shall be necessary and desirable to enable such Paying Agent to carry out the duties of its office. The Government may remove any Paying Agent at any time by giving written notice of such removal to such Paying Agent, the Trustee, the Co-Trustee and the Depository. Any Paying Agent may at any time resign by giving notice of such resignation to the Government, the Trustee, the Co-Trustee and the Depository and by giving affected Bondholders notice of such resignation by mail in the manner provided in Section 4.03. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, transfer, assign and deliver any monies held by it to its successor, or, if there be no successor then appointed, to the Trustee. The Government may appoint one or more successor Paying Agents and shall give prompt notice of the acceptance of appointment by any successor Paying Agent. Any such removal or resignation and appointment of a successor shall become effective upon acceptance of appointment by the successor. Any Paying Agent appointed under the provisions of this Section shall satisfy the criteria for eligibility set forth in subsection (F)(1) of Section 8.01 with respect to the Trustee. The indemnities, privileges and limitations of liability provided the Trustee and the Co-Trustee under this Indenture shall be afforded to the Paying Agent.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted. (A) This Indenture and the rights and obligations of the Government and of the Holders of the Bonds and of the Trustee and the Co-Trustee may be modified or amended at any time by a Supplemental Indenture which shall become effective when the written consents of each Credit Provider and the Holders of sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee and any Co-Trustee; provided that (1) if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity or Series remain Outstanding, the consent of the Holders of Bonds of such maturity or Series and the Credit Provider of such Series, if any, shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section, (2) the consent of the Credit Provider of the 2006 Series A Bonds shall be deemed to be the consent of sixty percent (60%) of the 2006 Series A Bondholders, and (3) if so provided by the applicable Supplemental Indenture, the consent of the Credit Provider for a Series of Bonds shall be deemed to be the consent of the holders of sixty percent (60%) in principal amount of the Bonds Outstanding of such Series. No such modification or amendment shall (i) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided herein for the payment of any Bond, or extend the time of payment of any interest on any Bond, or reduce the rate of interest thereon, without the consent of the Holder of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture, or deprive the Holders of the Bonds of the lien created by this Indenture upon such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Holders of all of the Bonds then Outstanding.

(B) This Indenture and the rights and obligations of the Government and of the Holders of the Bonds may also be modified or amended at any time by a Supplemental Indenture, which shall become effective upon execution (or such later date as may be specified in such Supplemental Indenture), without the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Government in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the Government, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Government may deem necessary or desirable and not inconsistent with this Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(4) to provide for the issuance of an additional series of Bonds, and to provide the terms and conditions under which such Bonds may be issued, subject to and in accordance with the provisions of Article III; or

(5) to make such changes as shall be required in connection with the procedures for making draws or other claims under any Credit Facility or for reimbursing amounts so drawn or otherwise received.

Section 9.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Government, the Trustee, the Paying Agent, any Co-Trustee, the Depository and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after any Supplemental Indenture becomes effective pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Government and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the office of the Paying Agent or at such additional offices as the Paying Agent may select and designate for that purpose, a suitable notation shall be made on such Bond, at the expense of the Government. If the Government or the Trustee shall so determine, new Bonds so modified as to conform, in the opinion of the Government and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall, at the expense of the Government, be prepared and executed by the Government and authenticated by the Paying Agent, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the principal corporate trust office of the Paying Agent without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same Series, maturity and tenor.

Section 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by such Bondholder, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. If the Government shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways --

(A) by paying or causing to be paid the principal or Redemption Price of and interest on Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Trustee or the Paying Agent, irrevocably, in trust, at or before maturity, Federal Securities in the necessary amount (as provided in Section 10.03) to pay or redeem Bonds Outstanding; or

(C) by delivering to the Trustee, for cancellation by it, Bonds Outstanding;

and if the Government shall also pay or cause to be paid all other sums payable hereunder by the Government and upon receipt of an Opinion of Counsel to the effect that, upon the making of the required deposit, the legal defeasance of the Bonds shall have occurred, then and in that case, at the election of the Government (evidenced by a Certificate of the Government, filed with the Trustee, signifying the intention of the Government to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Government under this Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the Government, the Trustee and the Co-Trustee shall cooperate with an accounting for such period or periods as shall be requested by the Government to be prepared and filed with the Government and shall execute and deliver to the Government all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee, the Co-Trustee, the Depository and any Paying Agents shall pay over, transfer, assign or deliver to the Government all moneys or securities or other property held by them pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. The discharge of the obligations of the Government under this Indenture shall be without prejudice to the rights of the Trustee, the Co-Trustee and the Depository to charge for and be reimbursed by the Government for any reasonable and customary expenditures which may thereafter be incurred in connection herewith.

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee or the Paying Agent, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the Government in respect of such Bond shall cease, determine and be completely discharged, and the Holder thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee or the Paying Agent as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Government may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Government may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee or the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the date fixed for redemption; or

(b) noncallable Federal Securities the principal of and interest on which when due will provide money sufficient, in the opinion of an Independent Certified Public Accountant delivered in writing to the Government, the Trustee and any Co-Trustee, to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the date fixed for redemption, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that

substitution of such Federal Securities shall not be permitted without the consent of the Credit Provider for such Series;

provided, in each case, that the Trustee or the Paying Agent, as applicable, shall have been irrevocably instructed (by the terms of this Indenture and by Request of the Government) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Section 10.04. Payment of Bonds after Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys held by the Trustee or the Paying Agent in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for six years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or six years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon Request of the Government, be repaid to the Government free from the trusts created by this Indenture, and all liability of the Trustee, the Co-Trustee, the Paying Agent or Depository with respect to such moneys shall thereupon cease and the Holders of such Bonds shall be entitled to look only to Revenues held by the Government for payment of such Bonds; provided, however, that before the repayment of such moneys to the Government as aforesaid, the Trustee may (at the cost of the Government) first publish at least once in one or more financial newspapers or journals circulated in Agana, Guam, San Francisco, California, and New York, New York, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Government of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture the Government, the Trustee, the Co-Trustee or the Depository is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Government, the Trustee, the Co-Trustee or the Depository shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.02. Limitation of Rights to Parties and Bondholders. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Government, the Trustee, the Co-Trustee, the Depository and the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Government, the Trustee, the Co-Trustee, the Depository and the Holders of the Bonds.

Section 11.03. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.04. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Government of any Bonds, the Trustee may, upon Request of the Government, in lieu of such cancellation and delivery, destroy such Bonds (in the presence

of an officer of the Government, if the Government shall so require), and deliver a certificate of such destruction to the Government.

Section 11.05. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Government hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.06. Notice to Government, Trustee, Paying Agent, Co-Trustee and Depository. Any notice to or demand upon the Trustee or the Depository may be served or presented, and such demand may be made, at the Principal Office of the Trustee, which at the date of adoption of this Indenture is: [designated Trustee & Guam address], Attention: Corporate Trust Department, or at such other address as may have been provided in writing by the Trustee to the Government and the Depository.

Any notice to or demand upon the Paying Agent may be served or presented, and such demand may be made, at the Principal Office of the Paying Agent, which at the date of adoption of this Indenture is: [designated Depository & address], Attention: Corporate Trust Services, or at such other address as may have been provided in writing by the Paying Agent to the Government.

Any notice to or demand upon any Co-Trustee may be served or presented, and such demand may be made, at the trust office designated by such Co-Trustee or at such other address as may have been provided in writing by the Co-Trustee to the Government and the Trustee.

Any notice to or demand upon the Government shall be deemed to have been sufficiently given or served for all purposes by being deposited, postage prepaid, in a post office letter box, addressed to the Department of Administration, Agana, Guam 96910, Attention: Director, or to the Government at such other address as may have been filed in writing by the Government with the Trustee and the Depository.

Section 11.07. Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee, the Co-Trustee, the Depository and the Government if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Bond registration books held by the Paying Agent.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee, the Co-Trustee, the Depository or the Government in accordance therewith or reliance thereon.

Section 11.08. Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Government, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Government or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Government or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 11.09. Money Held for Particular Bonds. The money held by the Trustee or the Paying Agent for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only), including money held pursuant to the provisions of Section 5.10 for such payments with respect to the 2006 Series A Bonds or pursuant to the provisions of any Supplemental Indenture providing for the issuance of an additional Series of Bonds pledging or otherwise providing, in addition to the security given by this Indenture, additional security for such payments with respect to such additional Series of Bonds or any portion thereof, shall, on and after such date and pending such payment, be put aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

Section 11.10. Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee, the Paying Agent or the Depository may be established and maintained in the accounting records of the Trustee, the Paying Agent or the Depository, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with industry practice, to the extent practicable, and with due regard for the requirements of Section 6.09 as established by Request of the Government and for the protection of the security of the Bonds and the rights of every holder thereof.

Section 11.11. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 11.12. Waiver of Personal Liability. No legislator, officer, agent or employee of the Government shall be individually or personally liable for the payment of the principal or

Redemption Price of or interest on the Bonds; but nothing herein contained shall relieve any such legislator, officer, agent or employee from the performance of any official duty provided by law.

Section 11.13. Saturdays, Sundays and Legal Holidays. If any party hereto is required to perform, pursuant to a provision of this Indenture, any act on a date which falls on a Saturday, Sunday or legal holiday, the party required to perform such act shall be deemed to have performed it in a timely manner, and in conformance with such provision, if it shall perform such act on the next succeeding Business Day.

Section 11.14. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Government, the Trustee, the Paying Agent and the Depository shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.15. Governing Law. The rights and duties of the parties to this Indenture shall be governed by the laws of Guam, provided, however, that the administration of the trusts imposed upon the Trustee, the Paying Agent and any Co-Trustee by the Indenture and the rights and duties of the Trustee, the Paying Agent and such Co-Trustee hereunder shall be governed by, and construed in accordance with, the laws of the respective jurisdiction in which the Trustee, the Paying Agent or such Co-Trustee has its respective principal corporate trust office.

ARTICLE XII

INSURANCE PROVISIONS

Section 12.01. [to be inserted as appropriate]

IN WITNESS WHEREOF, the GOVERNMENT OF GUAM has caused this Indenture to be signed in its name by its Governor, under its seal, [DESIGNATED TRUSTEE], as Trustee and Depositary, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its authorized officers and its corporate seal to be hereunto affixed, and [DESIGNATED DEPOSITORY], as Paying Agent, in token of its acceptance of the trusts created hereunder has caused this Indenture to be signed in its corporate name by its authorized officer, all as of the day and year first above written.

GOVERNMENT OF GUAM

By _____
Governor

[SEAL]

[DESIGNATED TRUSTEE],
as Trustee and Depositary

By _____
Authorized Officer

[DESIGNATED DEPOSITORY],
as Paying Agent

By _____
Authorized Officer

EXHIBIT A

[FORM OF 2006 SERIES A BOND]

No. ___ - _____

\$

GOVERNMENT OF GUAM
GENERAL OBLIGATION (GROSS RECEIPTS TAX) BOND,
2006 Series A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
	May 1, 20__	_____ 1, 2006	

Registered Holder:

Principal Sum: Dollars

The GOVERNMENT OF GUAM, duly organized and existing under and by virtue of the laws of the United States of America (herein called the "Government"), for value received, hereby promises to pay to the registered holder identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter mentioned), the principal sum specified above in lawful money of the United States of America; and to pay interest thereon, in like lawful money, from the interest payment date next preceding the date of registration of this Bond (unless this Bond is registered as of a day during the period from the sixteenth day of the month next preceding any interest payment date to such interest payment date, inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is registered on or before _____ 15, 2006, in which event it shall bear interest from _____ 1, 2006) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the interest rate specified above per annum, payable semiannually on May 1 and November 1 in each year, commencing [November 1, 2006]. The principal (or redemption price) hereof is payable upon surrender hereof at the corporate trust office of [designated Depository] (herein called the "Paying Agent") _____, _____, and the interest hereon is payable by check or draft mailed by first class mail to the person in whose name this Bond or any predecessor Bond is registered at the close of business on the fifteenth day of the month immediately preceding an interest payment date, at such person's address as it appears on the Bond registration books of the Paying Agent. Upon the written request of any registered owner of \$1,000,000 or more in aggregate principal amount of 2006 Series A Bonds, payment of the principal or redemption price of and interest on such Bonds will be made by wire transfer as provided in the Indenture; provided that any such principal or redemption payment shall nevertheless be subject to the prior surrender of the 2006 Series A Bonds with respect to which such payment is made.

The 2006 Series A Bonds are the valid and binding general obligations of the Government and are secured by the full faith and credit of the Government. The 2006 Series A Bonds are also secured to the extent of the pledge and assignment hereinafter described.

This Bond is one of a duly authorized issue of bonds of the Government designated as the "Government of Guam General Obligation (Gross Receipts Tax) Bonds" (herein called the "Bonds"), unlimited in aggregate principal amount, except as otherwise provided in the laws of the United States of America and the Government of Guam and in the Indenture hereinafter mentioned, which issue of Bonds consists or may consist of one or more series of varying dates, maturities, interest rates and redemption and other provisions. This Bond is also one of a duly authorized series of Bonds additionally designated

“Government of Guam General Obligation (Gross Receipts Tax) Bonds, 2006 Series A” (herein called the “2006 Series A Bonds”), in the aggregate principal amount of \$[PAR AMOUNT], all issued under the provisions Section 1512 of the Title 5, Guam Code Annotated and that certain Indenture, dated as of _____ 1, 2006, by and among the Government, [designated Trustee], as Trustee and Depository, and [designated Depository], as Paying Agent (herein called the “Indenture”). The 2006 Series A Bonds are issued for the purpose of making amounts available for the payment of certain General Fund expenses. Reference is hereby made to the Indenture (a copy of which is on file at said office of the Trustee in _____, _____) and all indentures supplemental thereto for a description of the rights thereunder of the registered owners of the Bonds, of the nature and extent of the security and provisions for payment of the Bonds, of the rights, duties and immunities of the Trustee, the Paying Agent and the Depository and of the rights and obligations of the Government thereunder, to all the provisions of which Indenture the registered owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon (to the extent set forth in the Indenture) are general obligations of the Government of Guam, additionally payable from Revenues (as that term is defined in the Indenture) and other assets pledged as provided in the Indenture, and are secured by a pledge of said Revenues and other assets (except to the extent of the Rebate Requirement referred to in the Indenture), subject only to provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indenture. Additional Bonds may be issued and secured by said pledge on a parity with the 2006 Series A Bonds upon compliance by the Government with the requirements of the Indenture and the Supplemental Indenture providing for the issuance of such Bonds.

The 2006 Series A Bonds maturing after May 1, 20__ are subject to redemption prior to their respective stated maturities, at the option of the Government, from any source of available funds, on any date on or after May 1, 20 __, as a whole, or in part by such maturity or maturities as may be specified by the Government (and by lot within a maturity), at the Redemption Prices (expressed as percentages of principal amount) set forth in the table below plus interest accrued thereon to the date fixed for redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
	%

Notice of any redemption, identifying the Bonds or portions thereof to be redeemed, shall be given by the Trustee not less than 30 nor more than 60 days before the date fixed for redemption by first class mail to each of the registered owners of Bonds designated for redemption at their addresses appearing on the Bond registration books of the Paying Agent on the date the Bonds to be redeemed are selected. Receipt of such notice by such registered owners shall not be a condition precedent to such redemption.

If this Bond is called for redemption and payment is duly provided herefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default (as that term is defined in the Indenture) shall occur, the principal of all Bonds (and the interest accrued thereon) may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. Such a declaration may occur under circumstances in which the Credit Provider (as that term is defined in the Indenture) for the 2006 Series A Bonds is not obligated to pay such Bonds as accelerated, but is only obligated to pay such Bonds and the interest thereon on the dates originally scheduled for such payment. The Indenture provides that in certain events such a declaration and its consequences may be rescinded by the Credit Providers for not less than a majority in aggregate principal amount of the Bonds then outstanding.

The 2006 Series A Bonds are issuable only in fully registered form in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, this Bond may be exchanged, at said office of the Paying Agent, for a new fully registered Bond or Bonds, of the same series, maturity and tenor and of any authorized denomination or denominations and for the aggregate principal amount of this Bond then remaining outstanding.

This Bond is transferable by the registered owner hereof, in person or by its attorney duly authorized in writing, at said office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds, of the same series, maturity and tenor and of any authorized denomination or denominations and for the same aggregate principal amount of this Bond then remaining outstanding, will be issued to the transferee in exchange herefor. The Paying Agent shall not be required to register the transfer of this Bond during the five days next preceding any date established by the Paying Agent for the selection of Bonds for redemption or at any time after selection of this Bond for redemption.

The Government, the Trustee and the Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, and neither the Government, the Trustee, the Paying Agent nor the Depository shall be affected by any notice to the contrary.

The Indenture and the rights and obligations of the Government, the registered owners of the Bonds, the Trustee and the Paying Agent may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture, provided that no such modification or amendment shall (i) extend the fixed maturity of this Bond, or reduce the amount of principal hereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided in the Indenture for the payment of this Bond, or extend the time of payment of any interest on this Bond or reduce the rate of interest hereon, without the consent of the registered owner hereof, or (ii) reduce the percentage of the principal amount of Bonds the consent of the registered owners of which is required to effect any such modification or amendment, permit the creation of any lien on the Revenues and other assets pledged as security for the Bonds (including additional Bonds hereafter issued) prior to or on a parity with the lien created by the Indenture or deprive the registered owners of the Bonds of the lien of the Indenture (except as expressly provided in the Indenture), without the consent of the registered owners of all Bonds then outstanding, all as more fully set forth in the Indenture.

Whenever the Indenture provides for actions to be taken by Bondholders, the Credit Provider for the 2006 Series A Bonds, so long as it is not in default under its Credit Facility, shall be deemed to be the Holder of a sufficient percentage of the Outstanding 2006 Series A Bonds (a) to initiate any action or effect any demand which such Bondholders may initiate or effect, and (b) to approve or disapprove any action, forbearance or amendment which is subject to Bondholder approval or initiation.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Paying Agent.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the laws of the United States of America and the Government of Guam, and that the amount of this Bond, together with all other indebtedness of the Government, does not exceed any limit prescribed by such laws, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, THE GOVERNMENT OF GUAM has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the Governor of Guam and its seal to be reproduced hereon by facsimile, all as of _____ 1, 2006.

GOVERNMENT OF GUAM

By _____
Governor

(SEAL)

[FORM OF] CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one the Bonds described in the within-mentioned Indenture which has been authenticated and registered on _____.

[DESIGNATED DEPOSITORY], as Paying Agent

By _____
Authorized Officer

[Insert provisions relating to bond insurance, as applicable]

[FORM OF]
ASSIGNMENT

The following abbreviations, when used in the inscription on the face of the within Bond and in the assignment below, shall be construed as though they were out in full according to applicable laws or regulations.

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with
right of survivorship and

UNIF GIFT MIN ACT - Custodian
(Cust) (Minor)
under Uniform Gifts to Minors Act

not as tenants in common (State)

Additional abbreviations may also be used though not in the above list.

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Co-Trustee with full power of substitution in the premises.

Dated: _____

NOTICE: The signature on this Assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed: Social Security Number, Taxpayer Identification Number or other Identifying Number of Assignee:

Notice: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.