

THIS INDENTURE, made and entered into as of the first day of December, 1992, by and among the GUAM POWER AUTHORITY, a public corporation and autonomous instrumentality of the Government of Guam duly organized and existing under and by virtue of the laws of Guam (the "Authority"), BANK OF GUAM, a banking corporation organized under the laws of Guam, authorized to do business within Guam, and being qualified to accept and administer the trusts hereby created (the "Trustee" or the "Depositary"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association organized under the laws of the United States of America, and being qualified to accept and administer the trusts hereby created (the "Co-Trustee"),

W I T N E S S E T H

WHEREAS, pursuant to the Guam Power Authority Act of 1968, being Chapter 8, Title 12, Guam Code Annotated, as amended (the "Act"), the Board of Directors of the Authority (the "Board") is authorized to incur indebtedness by the issuance of revenue bonds, with the approval of the Governor, to raise funds for the purpose of establishing the electric power system of the Authority (the "System"), or of acquiring lands for the system, or of acquiring, constructing, improving, equipping, maintaining, repairing, renewing, replacing, reconstructing or insuring the system, or any part thereof, or for the purpose of refunding any such bonds, or for any combination of such purposes;

WHEREAS, the Board has determined to issue revenue bonds for such purposes and to that end has duly authorized the execution and delivery of this Indenture to secure the payment of the principal thereof and the interest and premium, if any, thereon, and the observance of the covenants and conditions herein contained;

WHEREAS, said revenue bonds issued hereunder are to be designated as the "Guam Power Authority Revenue Bonds" (the "Bonds") and are to be issued from time to time in an aggregate principal amount not limited except as hereinafter provided;

WHEREAS, the Authority previously issued bonds or otherwise incurred indebtedness which is currently outstanding in the aggregate principal amount of \$99,516,089.72 (the "1992 Prior Debt");

WHEREAS, it is now desirable and necessary and in the best interests of the Authority to authorize the issuance of general revenue bonds for the purpose of refunding the 1992 Prior Debt and effecting the defeasance of the resolutions, agreements and other instruments relating to the 1992 Prior Debt and to provide money to be used for the cost of the acquisition,

construction, improvement, equipment, maintenance, repair, renewal, replacement, reconstruction and insurance of the System;

WHEREAS, the first series of said general revenue bonds is to be issued hereunder in an aggregate principal amount of \$158,000,000 and is to be designated as "Guam Power Authority Revenue Bonds, 1992 Series A" (the "1992 Series A Bonds"); and

WHEREAS, the forms of each additional series of Bonds and various other matters relating to such series shall be prescribed in indentures supplemental hereto, and has approved this Indenture;

WHEREAS, as required by Section 2103(k), Title 12, Guam Code Annotated, the Legislature of Guam has, by P.L. No. 21-117, as amended by P. L. 21-133, approved the terms and conditions of the issuance of not to exceed two hundred fifty-eight million Dollars (\$258,000,000) principal amount of revenue bonds for the purposes set forth therein, subject to certain actions by the Public Utilities Commission (the "PUC");

WHEREAS, the PUC has taken the actions required by said public laws with respect to the 1992 Series A Bonds;

WHEREAS, as provided by Section 2103(k), Title 12, Guam Code Annotated, the Guam Economic Development Authority has approved the issuance and sale of the 1992 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 1992 Series A Bonds exist, have happened, and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to issue said 1992 Series A Bonds for the purposes, 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 considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, the Depositary and the Co-Trustee, 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 the Guam Power Authority Act of 1968, constituting Chapter 8, Title 12, Guam Code Annotated, as amended, and as it may from time to time hereafter be amended or supplemented.

Annual Debt Service

"Annual Debt Service" means, for any Bond Year, the sum of (1) the interest falling due on then Outstanding Bonds (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 then Outstanding Serial Bonds falling due by their terms, and (3) the aggregate amount of all Mandatory Sinking Account Payments required; all as calculated for said Bond Year. For the purpose of determining the interest payable on Variable Rate Bonds, the interest rate used in the foregoing calculation shall be the actual interest rate for periods prior to the date of calculation and the maximum rate then permitted on such Variable Rate Bonds for periods subsequent to the date of calculation.

Authority

"Authority" means the Guam Power Authority, a public corporation and autonomous instrumentality of the Government created and operating pursuant to the Act.

Authorized Officer

"Authorized Officer" of the Trustee or 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 or Co-Trustee, other than those specifically above mentioned, designated by a certificate of an Authorized Officer of the Trustee or Co-Trustee, as the case may be, as an Authorized Officer for purposes of this Indenture.

Board

"Board" means the Board of Directors of the Authority. "Board" also means the Governor of Guam, the Director of Administration or any other officer or agency of the Territory of Guam whenever any action which the Act or this Indenture or any Supplemental Indenture requires or permits the Board to take can, under the Organic Act of Guam or any provision of the Guam Code Annotated or any other statute of the Territory of Guam, be taken for or on behalf or in lieu of the Board only by the Governor of Guam, the Director of Administration or such other officer or agency.

Bond Counsel

"Bond Counsel" means Orrick, Herrington & Sutcliffe, San Francisco, California, or any other 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 and the Authority.

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, on any date of calculation, an amount equal to Maximum Annual Debt Service on all then Outstanding Bonds, or such higher amount as may be specified by Supplemental Indenture. For purposes of this definition, the interest rate on each Variable Rate Bond shall be assumed to be the maximum rate then permitted on such Bond.

Bond Year

"Bond Year" means, with respect to the 1992 Series A Bonds, the period of twelve consecutive months ending on October 1 in any year in which 1992 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, 1992 Series A Bonds, Serial Bonds, Term Bonds, Variable Rate Bonds

"Bonds" means the Guam Power Authority Revenue Bonds authorized by this Indenture.

"1992 Series A Bonds" means the Guam Power Authority Revenue Bonds, 1992 Series A, issued hereunder.

"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.

"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 Co-Trustee, the Depository, 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 proceeds.

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

"Certificate," "Order," "Request," "Requisition," and "Statement" mean, respectively, a written certificate, order, request, requisition, or statement, executed on behalf of the Authority by an officer or officers thereof. 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.

Construction Fund

"Construction Fund" means the Revenue Bond Construction Fund established pursuant to Section 3.03 within the Guam Power Authority Construction Fund created pursuant to Section 8236 of the Act.

Costs of Issuance

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority 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 Co-Trustee and the Depositary, 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.

Co-Trustee

"Co-Trustee" means Bank of America National Trust and Savings Association, designated by the Director of Administration, appointed by the Board and acting as an independent co-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 co-trustee, as provided herein.

Credit Agreement

"Credit Agreement" means any agreement between the Authority and a Credit Provider pursuant to which such Credit Provider agrees to provide a Credit Facility or pursuant to which the Authority 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 AMBAC Indemnity Corporation, as Credit Provider for the 1992 Series A Serial Bonds, 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 each 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 any person, firm or entity designated herein or in a Supplemental Indenture as providing supplemental credit support for a Series of Bonds.

Depository

"Depository" means, with respect to the Construction Fund moneys derived from the issuance of the 1992 Series A Bonds, the Revenue Fund, the Working Capital Fund and the Surplus Fund, the Bank of Guam, hereby designated and acting as an independent depository hereunder with the duties and powers herein provided, and, with respect to any other Series of Bonds or any other Fund or Account, any bank or trust company or other financial institution qualified pursuant to Section 8.01 and designated by the Director of Administration and appointed by a Supplemental Indenture or a Statement of the Authority to act as Depository hereunder for such Series or such Fund or Account and, in each case, its successors and assigns.

Director of Administration

"Director of Administration" means the Director of Administration, head of the Department of Administration within the executive branch of the Government.

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, subject to any restrictions imposed by any Credit Provider, (1) direct obligations of the United States of America for which the full faith and credit of the United States of America are pledged for the payment of principal and interest (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America); and (2) cash (insured at all times by federal deposit insurance or otherwise collateralized with obligations listed in (1) above.

Fiduciaries

"Fiduciaries" means the Trustee, the Co-Trustee, each Depositary 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 Authority.

Fund

"Fund" means the Construction Fund, the Bond Fund and each fund established and given a designation pursuant to this Indenture or any Supplemental Indenture.

Government

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

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.

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 Authority) is acceptable to the Trustee and (1) is in fact independent and, not under domination of the Authority; (2) does not have any substantial interest, direct or indirect, with the Authority; and (3) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to provide services to the Authority.

Independent Consultant

"Independent Consultant" means any Independent certified public accountant, Independent engineer or other Independent consultant, who is in any case nationally recognized as being experienced in the preparation of feasibility studies for use in connection with the financing of power facilities.

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, subject to any restrictions imposed by any Credit Provider, any of the following which at the time are legal investments under the laws of Guam for moneys held hereunder and then proposed to be invested therein:

- (i) any obligations which as to principal and interest constitute direct obligations of, or are unconditionally

guaranteed by, the United States of America, including any such obligations of the Export-Import Bank, the Farmers Home Administration, the General Services Administration, the U.S. Maritime Administration, the Small Business Administration, the Government National Mortgage Association, the U.S. Department of Housing and Urban Development and the Federal Housing Administration;

(ii) bonds, notes or other evidences of indebtedness rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation, issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, with remaining maturities not to exceed three years;

(iii) any bonds or other obligations of any state of the United States of America or any agency, instrumentality or local government unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, and (b) which are rated in the highest rating category of either Moody's Investors Service or Standard & Poor's Corporation;

(iv) U.S. Dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (without consideration of rating of any such bank's holding company) which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's Corporation and "P-1" by Moody's Investors Service and maturing no more than 360 days after the date of purchase;

(v) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's Corporation and "P-1" by Moody's Investors Service and which matures not more than 270 days after the date of purchase;

(vi) investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's Corporation; and

(vii) investment agreements or other forms of investments which are in each case (a) selected by the Authority, (b) having no adverse impact on the rating of any Bonds after notice to each Rating Agency, and (c) approved in writing by each Credit Provider.

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.

Maintenance and Operation Expenses

"Maintenance and Operation Expenses" means (i) the fees and expenses of the Fiduciaries and any Credit Providers, (ii) any amounts required to be deposited in the Rebate Fund, and (iii) all reasonable costs of operating and maintaining the System, including refunds of rates and charges that are collected in error, as authorized by Section 8204 of the Act, and all reasonable repairs, renewals, replacements, System insurance costs and costs of insurance or other provision for retirement of officers and employees of the Authority (to the extent that said charges are allocated to the expense account of the System, as opposed to the capital account of the System, in conformity with generally accepted accounting principles) exclusive in all cases of depreciation or obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, and also exclusive of all interest charges and charges for the payment of principal or amortization of bonded or other indebtedness of the Authority, and also exclusive of all in-lieu tax payments required to be made by the Authority to the Government pursuant to Section 8115 of the Act.

Such Maintenance and Operation Expenses of the System include, generally, but without limitation, fuel, purchased power, salaries and wages, fees for services, materials and supplies, rents, office supplies, and all other costs that are charged directly or apportioned to the maintenance and operation of the production, transmission and distribution facilities of the System, customer accounts, sales and administrative functions, or to the general operation of the Authority.

Said term also includes all Revenues required by any Supplemental Indenture and by the Act to be deposited in any one or more reserve funds or accounts in lieu of insurance.

Said term does not include costs, or charges made therefor, for additions, betterments, extensions or improvements to or retirements from the System, which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and does not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the Authority.

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 Authority 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.

Net Revenues

"Net Revenues" means, for any particular period, all of the Revenues received during such period less all Maintenance and Operation Expenses incurred during such period.

1992 Prior Debt

"1992 Prior Debt" means certain bonds and other indebtedness of the Authority currently outstanding in the aggregate principal amount of \$99,516,089.72.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Authority) selected by the Authority. 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 11.11) all Bonds theretofore, or thereupon being, authenticated and delivered by the Co-Trustee under this Indenture except (1) Bonds theretofore cancelled by the Co-Trustee or surrendered to the Co-Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.12; 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 Co-Trustee pursuant to this Indenture. Bonds described in the last paragraph of Section 10.02 are specifically understood to be Outstanding hereunder.

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, with respect to the 1992 Series A Bonds, Bank of America National Trust and Savings Association, 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 Construction Fund moneys derived from the issuance of the 1992 Series A Bonds, the Revenue Fund, the Working Capital Fund and the Surplus Fund, the office of the Trustee in Agana, Guam; with respect to the Co-Trustee and with respect to the Paying Agent for the 1992 Series A Bonds, the office of the Co-Trustee in Los Angeles, California; and with respect to any other Fiduciary the office of such Fiduciary designated in the Supplemental Indenture or other instrument 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 1992 Series A Bonds, the period beginning on the date of issuance of such Bonds and ending October 1, 1993, and thereafter each period of twelve months ending on October 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.

Project; 1992 Series A Projects

"Project" means any 1992 Series A Project and any other addition, extension, betterment or other improvement to the System, including without limitation any equipment or furnishings

and any land therefor or the payment of any claims or judgments relating thereto, as specified and described by the Supplemental Indenture authorizing issuance of any Bonds for any such Project, and as such specifications and description may be modified in accordance with Section 3.03.

"1992 Series A Projects" means each of the following, as the same may be modified in accordance with Section 3.03:

- (1) procurement and installation of generating equipment, and ancillary equipment related thereto, which will add at least 100 MW, more or less, of nameplate generating capacity to the Island-Wide Power System as determined by the Authority;
- (2) refurbishment of the Weber barge;
- (3) land acquisition for generator siting; and
- (4) procurement and installation of stand-by generators for water wells and booster stations in the island-wide municipal water and sewer systems.

Project Costs

"Project Costs" means, with respect to any given Project, all costs thereof, including (i) Costs of Issuance of any Bonds issued to finance such Project; (ii) Capitalized Interest; (iii) any costs or expenses of the acquisition, construction or completion of such Project or any part thereof or any costs or expenses incidental thereto, including payment to the United States or any other public body for the portion to be borne by the Board of the cost of any work done by the United States or such public body for or jointly or in conjunction with the Board; and (iv) any engineering, inspection, legal, consultants' or paying agents' fees relating or incidental to the acquisition, construction or completion of the System or any part thereof; or the authorization, issue or sale of Bonds.

PUC

"PUC" means the Public Utilities Commission of Guam, established and existing pursuant to Chapter 12, Title 12, Guam Code Annotated, and any successor to its rights, duties and powers.

Rating Agency

"Rating Agency" means, at any time with respect to any Bonds, any rating agency then rating such Bonds at the request of the Board.

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 from the Authority and the Trustee with respect to the 1992 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 and includes: (i) any and all rates and charges received or receivable in connection with, and any and all other income and receipts of whatever kind and character derived by the Authority from the operation of or arising from the System, but not including refundable deposits made by customers of the System to establish the creditworthiness of such customers, customer advances for construction or contributions in aid of construction; (ii) any moneys received or receivable by the Authority pursuant to any contract between the Authority and any person, which moneys are designated as Revenues (as herein defined) in such contract; and (iii) all earnings on any investment of any Revenues.

Revenue Fund

"Revenue Fund" means the Revenue Bond Revenue Fund established pursuant to Section 5.01 within the Guam Power Authority Revenue Fund established pursuant to Section 8237 of the Act.

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.

Supplemental Indenture

"Supplemental Indenture" means any indenture hereafter duly authorized under and in compliance with the Act, and entered into by and among the Authority, the Trustee and the Co-Trustee, with the approval of the Governor, 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.

System

"System" means the entire electric power system of the Authority, including the existing electric production, transmission, distribution and general plant facilities and all the electric production, transmission, distribution and general plant facilities hereafter acquired by lease, contract, purchase or otherwise or constructed by the Authority, including the facilities of the Projects, together with all additions, betterments, extensions and improvements to said electric power system or any part thereof hereafter made, and including any electric power system facilities acquired by lease, contract, purchase or otherwise from any Person, together with all administration buildings, furniture, facilities, machinery and equipment of the Authority and all lands, easements and rights of way of the Authority and all other works, property or structures of the Authority used or useful in connection with or related to said electric power system.

Tax Certificate

"Tax Certificate" means, with respect to any one or more Series of Bonds, a Certificate or Certificates of the Authority 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 such Bonds from gross income for federal income tax purposes.

Trustee

"Trustee" means Bank of Guam, designated by the Director of Administration, appointed by the Board 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.

Working Capital Fund

"Working Capital Fund" means the Fund by that name established pursuant to Section 5.01.

Working Capital Requirement

"Working Capital Requirement" means, on any date of calculation, an amount equal to one-twelfth of the aggregate amount of Maintenance and Operation Expenses budgeted, pursuant to the budget filed by the Authority pursuant to Section 6.11, to be paid from Revenues during the then current Fiscal Year.

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 Authority, 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 Authority 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 have known, 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 Authority) upon a certificate or opinion of or representation by an officer of the Authority, unless such counsel or accountant knows, or in the

exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority 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 Authority 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 Authority 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 Authority, 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 "Guam Power Authority Revenue 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 Authority, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of 1992 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 "Guam Power Authority Revenue Bonds, 1992 Series A." The aggregate principal

amount of 1992 Series A Bonds which may be issued and Outstanding under this Indenture shall not exceed One Hundred Fifty-Eight Million Dollars (\$158,000,000).

(B) The 1992 Series A Bonds shall be dated as of December 1, 1992, and interest thereon shall be payable on April 1 and October 1 in each year, commencing April 1, 1993 (each an "Interest Payment Date"). The 1992 Series A Bonds shall be issued only in fully registered form in denominations of \$5,000 or any integral multiple thereof, shall mature on October 1 of the following years in the following amounts and shall bear interest at the following rates per annum:

<u>Year</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>
1993	\$ 1,880,000	2.650%
1994	2,305,000	3.500%
1995	2,385,000	4.000%
1996	2,480,000	4.300%
1997	2,585,000	4.600%
1998	2,705,000	4.900%
1999	2,835,000	5.100%
2000	2,980,000	5.300%
2001	3,140,000	5.400%
2002	3,310,000	5.500%
2003	3,490,000	5.600%
2004	3,685,000	5.700%
2008	17,140,000	6.375%
2012	21,925,000	6.300%
2022	85,155,000	6.300%

The 1992 Series A Bonds maturing on October 1, 1993 through October 1, 2004 are Serial Bonds, and the 1992 Series A Bonds maturing on October 1, 2008, October 1, 2012 and October 1, 2022 are Term Bonds. The Record Date for scheduled payments of principal of and interest on the 1992 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 1992 Series A Bonds and the form of Co-Trustee's certificate of authentication 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 1992 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 1992 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 authentication thereof unless it is authenticated 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 authenticated 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 authentication of any 1992 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 Co-Trustee 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 1992 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 1992 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 1992 Series A Bonds with respect to which such payment is made. Each payment of interest or principal on 1992 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 1992 Series A Bonds of each maturity shall be assigned a letter in consecutive alphabetical order from A onward (excepting therefrom the letters "I" and "O") and shall be numbered in consecutive numerical order within each such maturity from 1 upwards.

(D) The 1992 Series A Bonds shall be subject to redemption as provided in Article IV.

(E) Notwithstanding any of the provisions of Sections 2.03 through 2.09 to the contrary, the 1992 Series A Bonds shall be initially issued in the form of a separate single fully registered Bond per maturity; and the 1992 Series A Bonds shall be governed by the provisions of this subsection (E).

(1) Except as provided in this paragraph (1) and in paragraph (3) of this subsection (E), all of the Outstanding 1992 Series A Bonds shall be registered in the registration books kept by the Co-Trustee in the name of Cede & Co., as nominee of DTC. With respect to the 1992 Series A Bonds registered in the registration books kept by the Co-Trustee in the name of Cede & Co., as nominee of DTC, the Authority, the Trustee, the Co-Trustee, the Paying Agent and the Depositary shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the 1992 Series A Bonds. Without limiting the immediately preceding sentence, the Authority, the Trustee, the Co-Trustee, the Paying Agent and the Depositary 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 1992 Series A Bonds, (ii) the delivery to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Co-Trustee, of any notice with respect to the 1992 Series A 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 Co-Trustee, of any amount with respect to principal of, premium if any, or interest on the 1992 Series A Bonds. The Authority, the Trustee, the Co-Trustee, the Paying Agent and the Depositary may treat and consider the person in whose name each Bond is registered in the registration books kept by the Co-Trustee 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, premium, if any, and interest on the Bonds only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Co-Trustee 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 Authority's obligations with respect to payment of principal of, premium, if any, 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 Co-Trustee, shall receive a certificated 1992 Series A Bond evidencing the obligation of the Authority to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by DTC to the Authority or the Co-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.

(2) The delivery of the Representation Letter by the Authority shall not in any way limit the provisions of

paragraph (1) of this subsection (E) or in any other way impose upon the Authority 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 Co-Trustee. The Co-Trustee shall take all action necessary for all representations of the Authority in the Representation Letter with respect to the Co-Trustee to be complied with at all times.

(3) DTC may determine to discontinue providing its services with respect to the 1992 Series A Bonds at any time by giving reasonable written notice to the Authority and the Co-Trustee and discharging its responsibilities with respect thereto under applicable law. The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 1992 Series A Bonds. Upon the discontinuance or termination of the services of DTC with respect to the 1992 Series A Bonds, unless a substitute securities depository is appointed to undertake the functions of DTC hereunder, the Authority is obligated to deliver Bond certificates at the expense of the beneficial owners of the 1992 Series A Bonds, as described in this Indenture, and the 1992 Series A Bonds shall no longer be restricted to being registered in the registration books kept by the Co-Trustee in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging 1992 Series A Bonds shall designate, in accordance with the provisions of this Indenture.

(4) Notwithstanding any other provision of this Indenture to the contrary, so long as any 1992 Series A Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal or, premium, if any, and interest on such 1992 Series A Bond and all notices with respect to such 1992 Series A Bond shall be made and given, respectively, in the manner provided in the Representation Letter. 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 or interest on the 1992 Series A Bonds in immediately available funds to DTC.

Section 2.03. Execution and Preparation of Bonds. The Bonds shall be executed in the name and on behalf of the Authority with the manual or facsimile signatures of the Chairman of the Board and the Secretary of the Board under its seal. Such seal may be in the form of a facsimile of the Authority's seal and may be reproduced, imprinted or impressed on the Bonds. The Bonds shall then be delivered to the Co-Trustee for authentication by it. In case any of the officers who shall have signed any of the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Co-Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such

authentication, delivery and issue, shall be as binding upon the Authority as though those who signed the same had continued to be such officers of the Authority, and also any Bond may be signed on behalf of the Authority by such persons as at the actual date of execution of such Bond shall be the proper officers of the Authority although at the nominal date of such Bond any such person shall not have been such officer of the Authority.

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 Co-Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Co-Trustee 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.

The Treasurer of the Authority is hereby authorized and directed to prepare or procure all Bonds hereby authorized upon the sale thereof, and to procure the printing of all documents required or convenient for or pertaining to the issuance or sale of the Bonds, all pursuant to Section 8219 of the Act.

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 Co-Trustee, 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 acceptable to the Co-Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Co-Trustee 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 Co-Trustee 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 Co-Trustee 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 Co-Trustee 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 Co-Trustee 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 Co-Trustee 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 Authority and each Credit Provider; and, upon presentation for such purpose, the Co-Trustee 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 Authority, 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 Authority and be authenticated by the Co-Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority 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 Co-Trustee and the Co-Trustee 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 Authority, at the expense of the Holder of said Bond, shall execute, and the

Co-Trustee 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 Co-Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Co-Trustee 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 Authority and the Co-Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to both shall be given, the Authority, at the expense of the Holder, shall execute, and the Co-Trustee 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 Co-Trustee may pay the same without surrender thereof). The Authority 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 Authority and the Co-Trustee 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 Authority 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 Authority, the Trustee nor the 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 or Other Alternative Provisions. Notwithstanding any of the provisions of Sections 2.03 through 2.09 to the contrary, the Supplemental Indenture providing for the issuance of a Series of Bonds may provide for any alternative provisions relating to the registration, including book-entry registration, execution, preparation, transfer, exchange or replacement of Bonds of such Series, including alternative provisions relating to exchange of temporary Bonds of such Series.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance, Sale and Delivery of 1992 Series A Bonds. Upon the sale and execution thereof by the Authority, the Co-Trustee shall authenticate and, upon receipt by

the Trustee of the proceeds thereof, deliver, to or upon the Order of the Authority, 1992 Series A Bonds in the aggregate principal amount of One Hundred Fifty-Eight Million Dollars (\$158,000,000).

Section 3.02. Application of Proceeds of 1992 Series A Bonds and Other Amounts. (A) The proceeds received from the issuance of the 1992 Series A Bonds shall be deposited in trust with the Trustee, who shall forthwith set aside such proceeds in the following respective funds, as directed by a Request of the Authority:

(1) The Trustee shall transfer to the Co-Trustee for deposit in the Bond Fund an amount equal to the amount of accrued interest received upon the sale of the 1992 Series A Bonds.

(2) The Trustee shall transfer to the Co-Trustee an amount equal to the Bond Reserve Requirement for deposit into the Bond Reserve Fund.

(3) The Trustee shall apply \$77,155,171.79 as set forth in a Request of the Authority to provide for the payment and redemption of all outstanding 1992 Prior Debt and defeasance of all related resolutions or agreements.

(4) The Trustee, acting as Depositary for the Construction Fund moneys derived from the issuance of the 1992 Series A Bonds, shall deposit the balance of such proceeds in the Construction Fund.

The foregoing deposits pursuant to clauses (1) through (3) shall be deemed to have been made to the Construction Fund for purposes of compliance with Section 8236 of the Act.

(B) All amounts received by the Trustee in connection with the payment of the 1992 Prior Debt and the release of funds held for the security thereof shall be applied as set forth in a Request of the Authority.

Section 3.03. Establishment and Application of Construction Fund; Modification of Projects. (A) There is hereby created within the Guam Power Authority Construction Fund held by the Treasurer of the Authority pursuant to Section 8236 of the Act a separate fund to be maintained and held in trust by the Depositary and designated the "Revenue Bond Construction Fund." Amounts in the Construction Fund shall be used and withdrawn, as provided in this Section, solely for (1) the purpose of paying, or reimbursing the Authority for the payment of, costs of each Project for which a Series of Bonds is issued pursuant to the Act, including the payment of Costs of Issuance of such Series and Capitalized Interest, and (2) the payment of principal of and interest on the Bonds in the manner and to the extent provided in

Section 5.08. The Depository shall disburse moneys in the Construction Fund only upon Requisition of the Authority. Upon receipt of a Certificate of the Authority 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 for the Construction Fund moneys derived from the issuance of the 1992 Series A Bonds shall reserve within the Construction Fund and transfer on or before each of the following dates from the Construction Fund to the Co-Trustee for deposit in the Bond Fund the amounts specified below for such dates for the payment of Capitalized Interest on the 1992 Series A Bonds:

<u>Dates</u>	<u>Amounts</u>
March 31, 1993	\$2,265,222.08
September 30, 1993	4,741,162.50
March 31, 1994	3,303,558.75

The remaining moneys that have been so reserved shall be released within the Construction Fund and no further such transfers shall be made after the Interest Payment Date next succeeding the date of receipt by the Depository and the Co-Trustee of a Certificate of the Authority to the effect that the 1992 Series A Projects have been completed.

(C) The Authority 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.

(D) The Authority may modify the specifications or description of any Project or Projects by filing with the Trustee and the Co-Trustee a Certificate of the Authority describing such modification, together with a written report of an Independent Consultant to the effect that such modification will have no material adverse effect on the Authority's ability to comply with Section 6.10 and an opinion of Bond Counsel to the effect that such modification and the use of amounts in the Construction Fund for such modified Project or Projects will not adversely effect the exclusion, if any, of interest on any Bonds from gross income for federal income tax purposes.

Section 3.04. Issuance of Additional Series of Bonds.

(A) In addition to the 1992 Series A Bonds, the Authority may by Supplemental Indenture establish one or more other Series of Bonds, payable from and secured by the assets pledged by this Indenture on a parity with Bonds previously issued, and the Authority may issue, and the Co-Trustee may authenticate and

deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority 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 Construction 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 Co-Trustee, in trust, noncallable Federal Securities in the necessary amount to discharge all liability of the Authority 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. To the extent that such deposit would be required to be in an amount greater than ten percent (10%) of the aggregate principal amount of such additional Series of Bonds, such deposit may be made from Revenues received after the date of issuance of such additional Series of Bonds.

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

(5) Unless the requirement of paragraph (6) is satisfied, Net Revenues for the last Fiscal Year or last recorded twelve-month period preceding the date of the Supplemental Indenture providing for the issuance of such additional Series of Bonds, as shown by a certificate of an Independent Consultant, plus

(a) An allowance for Net Revenues from any Projects to be financed with the proceeds of such

additional Series of Bonds or with the proceeds of Bonds previously issued, and also for Net Revenues from any improvements to the System which have been made from moneys from any source, but which, during all or any part of such Fiscal Year or such last recorded twelve-month period, were not in service, all in an amount equal to 75% of the estimated additional average annual Net Revenues to be derived from such Projects or such other improvements for the first thirty-six months in which each Project or improvement is respectively to be in operation, all as shown by such certificate, and

(b) An allowance for additional Revenues arising from any increase in rates for services provided by the System which has become effective prior to the issuance of such additional Series of Bonds but which, during all or any part of such Fiscal Year or such last recorded twelve-month period, was not in effect, in an amount equal to 75% of the amount by which the Net Revenues would have been increased if such increase in rates had been in effect during the whole of such Fiscal Year or such last recorded twelve-month period, as shown by such certificate,

shall have produced a sum equal to at least 1.30 times the Maximum Annual Debt Service on the Bonds then outstanding and on such additional Series of Bonds.

(6) Unless the requirement of paragraph (5) is satisfied, the Authority shall have complied with Section 6.10 for the most recent Fiscal Year for which audited financial statements are available; and, for each of the five full Fiscal Years beginning with the first full Fiscal Year following the issuance of such additional Series of Bonds (or, if later, the first full Fiscal Year in which less than ten percent (10%) of the interest coming due on such Series is Capitalized Interest), Net Revenues are projected to equal at least 1.30 times the Maximum Annual Debt Service on the aggregate of the Bonds then outstanding and on such additional Series of Bonds, all as shown by a certificate of an Independent Consultant. The Independent Consultant's projection shall be made subject to the following assumptions and limitations:

(a) Net Revenues from new Projects and from any other projected improvements to the System may be taken into account only if such Projects and improvements are expected to be completed with moneys then set aside for such purpose or with the proceeds of Bonds previously issued or the proceeds of such additional Series of Bonds (i.e., without additional borrowing after the issuance of such additional Series of Bonds); and

(b) Load growth may only be projected to occur if and to the extent that it represents the expected electric power requirements of

(i) major developments (whether commercial, residential, industrial or military) already physically in process (e.g., facilities that are under construction, as opposed to facilities that are planned but not yet under construction);

(ii) major developments (whether commercial, residential, industrial or military) that have been fully approved by the Territorial Land Use Commission (or its successor) or, in the case of military developments, by the appropriate military authority, but only to the extent that such major developments (whether commercial, residential, industrial or military) are expected to be constructed;

(iii) residential and small commercial development expected to occur as a result of the developments referred to in (i) and (ii), and

(iv) residential and small commercial development expected to occur other than as a result of the developments referred to in (i) and (ii).

(7) If any of the Bonds of such additional Series are Variable Rate Bonds, Maximum Annual Debt Service on such Variable Rate Bonds shall, for purposes of this Section, be calculated using the greater of the maximum rate permitted on such Variable Rate Bonds or the maximum rate payable to any Credit Provider for such Series (whether or not the obligation to such Credit Provider is subordinate to the Bonds).

(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 Authority shall determine to issue an additional Series of Bonds pursuant to Section 3.04, the Authority 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 Authority shall deliver the following documents to the Trustee, the 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 Authority that the requirements of Section 3.04(A) have been met.

(4) The certificate of an Independent Consultant demonstrating that the requirement of Section 3.04(A)(5) or (6) has been met.

(5) In the case of refunding bonds, irrevocable instructions to the Co-Trustee to give notice as provided in Article IV of redemption of all Bonds to be redeemed in connection with such refunding.

(6) 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 Authority and authenticated and delivered by the Co-Trustee, will be valid and binding obligations of the Authority; 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 (a) any proceedings taken by the Board for the acquisition, construction or completion of the System or any part thereof; (b) any contracts made by the Board in connection with the acquisition, construction or completion of the System or any part thereof; (c) the failure to complete the System or any part thereof for which Bonds are authorized to be issued; or (d) any application of the proceeds of the Bonds by the Authority, the Trustee, the Co-Trustee or any Depositary.

The recital contained in the Bonds that the same are issued pursuant to the laws 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 1992 Series A Bonds maturing after October 1, 2002 are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available funds, on any date on or after October 1, 2002, as a whole, or in part by such maturity or maturities as may be specified by Request of the Authority (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 Dates</u>	<u>Redemption Prices</u>
October 1, 2002 through September 30, 2003	102%
October 1, 2003 through September 30, 2004	101%
October 1, 2004 and thereafter	100%

The option of the Authority under this Section 4.01(A) may only be exercised by depositing with the Trustee prior to the giving of the notice of such redemption in accordance with Section 4.03 Federal Securities sufficient in amount and maturing in a timely manner to provide for such redemption. The Authority shall notify the Trustee and the Co-Trustee in writing at least 60 days prior to the date to be fixed for redemption of its intention to exercise its redemption option.

(B) The 1992 Series A Bonds maturing on October 1, 2008 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 October 1 on or after October 1, 2005, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

(C) The 1992 Series A Bonds maturing on October 1, 2012 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(D), on each October 1 on or after October 1, 2009, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

(D) The 1992 Series A Bonds maturing on October 1, 2022 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(E), on each October 1 on or after October 1, 2013, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

(E) The 1992 Series A Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole, or in part by lot within each maturity so that the reduction in Annual Debt Service for the 1992 Series A Bonds for each 1992 Series A Bond Year after such redemption date shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the System or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the System, under the circumstances and upon the conditions and terms set forth in Section 6.15, at the principal amount thereof plus interest accrued thereon, without premium.

(F) Any Series of Bonds, other than the 1992 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 Authority at the time such Series is authorized or sold; provided, however, that such Supplemental Indenture shall provide that the Authority shall have the right, on any date, to redeem the Bonds of any such Series, as a whole, or in part so that the reduction in Annual Debt Service for the Bonds of such Series for each Bond Year after such redemption shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the System or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the System, under the circumstances and upon the conditions and terms set forth in Section 6.15, at the principal amount thereof plus interest accrued thereon, without premium.

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 Co-Trustee shall promptly notify the Authority 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 Co-Trustee by lot within a maturity in such manner as the Co-Trustee may determine and the amount of each maturity of the Bonds to be redeemed shall be determined, in the case of the 1992 Series A Bonds, by Request of the Authority,

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 Co-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 Co-Trustee 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. No defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for redemption 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; 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 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," 65 Broadway Street, 16th Floor, New York, New York 10006; Moody's "Municipal and Authority," 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 Authority may designate in a Certificate delivered to the Co-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; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex-(215) 496-5058; 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 Authority may designate in a Certificate delivered to the Co-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 Co-Trustee for and on behalf of the Authority.

Section 4.04. Partial Redemption. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Co-Trustee shall authenticate and deliver to the registered owner thereof, at the expense of the Authority, 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 Co-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 redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof and destroyed.

Section 4.06. Rescission of Notice of Redemption. The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption.

ARTICLE V

REVENUES

Section 5.01. Pledge and Assignment; Revenue Fund; Other Funds. (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 assets and shall attach, be perfected and be valid and binding from and after delivery by the Co-Trustee of the 1992 Series A Bonds, without any physical delivery thereof or further act.

(B) There is hereby created within the Guam Power Authority Revenue Fund established and held by the Treasurer of the Authority pursuant to Section 8237 of the Act a separate fund designated the "Revenue Bond Revenue Fund," which the Depository shall maintain and hold in trust, on behalf of the Treasurer of the Authority. The Authority shall deposit all Revenues upon the receipt thereof in the Revenue Fund, except that all interest and other profit from the investment of moneys in the Construction Fund shall be retained in such Fund. 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 Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and Depository and shall forthwith be paid by the Authority 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 Working Capital Fund; and
- (2) the Surplus Fund.

(E) The Co-Trustee shall establish and maintain the following funds:

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

(F) All funds and accounts held by the Trustee or the Depository shall be held in the name of the Co-Trustee. All moneys at any time deposited with the Trustee, the Co-Trustee or the Depository, as the case may be, shall be held by the Trustee, the Co-Trustee 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 Authority 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. Use and Allocation of Revenues. Amounts in the Revenue Fund shall be used and withdrawn by the Authority upon Requisition for the purpose of paying Maintenance and Operation Expenses budgeted, pursuant to the budget filed in accordance with Section 6.12, to be paid from the Revenue Fund, as such Maintenance and Operation Expenses become due and payable. Amounts in the Revenue Fund shall also be transferred to the Rebate Fund as required by the provisions of Section 5.06 and the Tax Certificate and to the Co-Trustee 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.

On or before the fifth day of each calendar month, the Depository shall transfer from the Revenue Fund (to the Co-Trustee 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 Co-Trustee, 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 the Construction Fund to pay Capitalized Interest):

(1) the amount of interest payable on each Bond on a current uncompounded 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 Co-Trustee, the amount, if any, needed to increase the amount in the Bond Reserve Fund to the Bond Reserve Fund Requirement; and

(C) Into the Working Capital Fund held by the Depository, the lesser of (i) the amount, if any needed to increase the amount in the Working Capital Fund to the Working Capital Requirement, or (ii) an amount equal to one-sixth of the amount of the Working Capital Requirement;

(D) Into the Surplus Fund held by the Depository, the balance remaining in the Revenue Fund after the foregoing deposits, to be applied as provided in Section 5.07.

If the Depository has insufficient funds to make any deposit required by (A) or (B) of this Section 5.02 on the date required therefor, or if the Co-Trustee does not receive any deposit required to be made pursuant to (A) or (B), the Depository or the Co-Trustee, respectively, shall give notice thereof to 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 Co-Trustee 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 Co-Trustee 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 Co-Trustee, upon the Request of the Authority, 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), Term 1992 Series A Bonds maturing October 1, 2008, 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 upon October 1 in the years hereinafter set forth:

Mandatory Sinking Account
Payments for Bonds Due
October 1, 2008

<u>Year</u>	<u>Amount</u>
2005	\$3,895,000
2006	4,145,000
2007	4,410,000
2008*	4,690,000

*Maturity

(D) Subject to the terms and conditions hereinbefore set forth in this Section and in Section 4.01(C), Term 1992 Series A Bonds maturing October 1, 2012, 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 upon October 1 in the years hereinafter set forth:

Mandatory Sinking Account
Payments for Bonds Due
October 1, 2012

<u>Year</u>	<u>Amount</u>
2009	\$4,990,000
2010	5,305,000
2011	5,635,000
2012*	5,995,000

*Maturity

(E) Subject to the terms and conditions hereinbefore set forth in this Section and in Section 4.01(D), Term 1992 Series A Bonds maturing October 1, 2022, 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 upon October 1 in the years hereinafter set forth:

Mandatory Sinking Account
Payments for Bonds Due
October 1, 2022

<u>Year</u>	<u>Amount</u>
2013	\$ 6,370,000
2014	6,770,000
2015	7,200,000
2016	7,650,000
2017	8,135,000
2018	8,645,000
2019	9,190,000
2020	9,770,000
2021	10,385,000
2022*	11,040,000

*Maturity