

(F) Upon the redemption of Term 1992 Series A Bonds pursuant to Section 4.01(A) or (E), the principal amount of such Bonds shall be credited against remaining Mandatory Sinking Account Payments in the same manner as Bonds are selected for redemption as provided in Section 4.02, treating Mandatory Sinking Account Payments as if they were maturities and given that Mandatory Sinking Account Payments shall remain as integral multiples of \$5,000. If, (1) during the twelve-month period immediately preceding a Mandatory Sinking Account Payment date the Co-Trustee purchases the applicable Term Bonds with moneys in the Bond Fund, or (2) during said period and prior to giving said notice of redemption the Authority otherwise deposits the applicable Term Bonds with the Co-Trustee (together with a Request of the Authority to apply such Bonds so deposited to the Mandatory Sinking Account Payment due on said date), the amount of Bonds so purchased or deposited or redeemed shall be credited at the time of such purchase or deposit, to the extent of the full principal amount thereof, to reduce such Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be cancelled and destroyed.

(G) Notwithstanding anything to the contrary contained hereinbefore in this Section or in Article IV, the Supplemental Indenture providing for the issuance of a Series of Bonds may provide that if a drawing on the Credit Facility with respect to such Bonds is honored, amounts on deposit in the Bond Fund (or in the case of a Credit Facility provided to meet the Bond Reserve Fund Requirement, amounts on deposit in such Bond Reserve Fund) and available for the payment of amounts due on the Bonds of such Series shall be applied by the Co-Trustee to reimburse, as soon as possible on or after the day such drawing is honored, the amount of each payment honoring such drawing, and the Trustee shall give any notice of such reimbursement required by the applicable Credit Agreement. In the event and to the extent such amounts are not sufficient for such reimbursement, amounts on deposit in the Surplus Fund shall be transferred from the Surplus Fund and applied to the payment of any such deficiency.

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 All amounts in the Bond Reserve Fund shall be used and withdrawn by the Co-Trustee solely for the purpose of making up any deficiency in the Bond Fund in the manner and to the extent set forth in Section 5.08.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

If and to the extent provided by a Supplemental Indenture authorizing the issuance of an additional Series of Bonds and with respect to the 1992 Series A Bonds, the portion of the Bond Reserve Fund Requirement allocable to such Series may be wholly or partially satisfied by a Credit Facility. Notwithstanding anything to the contrary contained hereinbefore

in this Section or in Article IV, such Supplemental Indenture may also provide, and with respect to the 1992 Series A Bonds this Indenture hereby provides, that if a drawing on such Credit Facility is honored, amounts available under Section 5.02(B) for deposit in the Bond Reserve Fund shall be applied by the Co-Trustee to reimburse, as soon as practicable, the amount of each payment honoring such drawing, and the Co-Trustee shall give any notice of such reimbursement required by the applicable Credit Agreement.

Section 5.05. Application of Working Capital Fund.
Amounts in the Working Capital Fund may be (A) transferred to the Revenue Fund upon Requisition of the Authority if and to the extent that amounts in the Revenue Fund are insufficient for the purposes of (1) paying Maintenance and Operation Expenses as and when they become due and payable; or (2) transferring the amounts required by Section 5.02(A) or Section 5.02(B) to the Bond Fund or the Bond Reserve Fund, respectively; and (B) used and withdrawn upon Requisition of the Authority to pay the costs of repair or replacement of loss or damage caused by or resulting from fire or from action of the elements (including loss from typhoons, earthquakes, floods and tidal waves), whether or not such costs are Maintenance and Operation Expenses.

Amounts in the Working Capital Fund shall also be transferred by the Depository 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.

Section 5.06. Rebate Fund; 1992 Series A Rebate Account.

(A) The Trustee shall establish and maintain within the Rebate Fund a separate account designated as the "1992 Series A Rebate Account." There shall be deposited in the 1992 Series A Rebate Account from amounts in the Revenue Fund or other lawfully available moneys such amounts as are required to be deposited therein pursuant to the Tax Certificate with respect to the 1992 Series A Bonds. All money at any time deposited in the 1992 Series A Rebate Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement for the 1992 Series A Bonds (as defined in the Tax Certificate with respect to the 1992 Series A Bonds), for payment to the United States of America, and the United States of America is hereby granted a first lien on such money until such payment. All amounts required to be deposited into or on deposit in the 1992 Series A Rebate Account shall be governed exclusively by this Section and by the Tax Certificate with respect to the 1992 Series A Bonds (which is incorporated herein by reference).

In the event that the amount in the 1992 Series A Rebate Account exceeds the Rebate Requirement for the 1992 Series A Bonds, upon the Request of the Authority, the Trustee

shall transfer the excess from the 1992 Series A Rebate Account to the Revenue Fund.

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

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

(D) Notwithstanding any provisions of this Section or Section 8226 of the Act, the Authority reserves the right to issue Bonds the interest on which is intended to be included in gross income of the holders thereof for federal income tax purposes.

Section 5.07. Application of Surplus Fund. The Depository shall disburse moneys from the Surplus Fund (to the Co-Trustee, as necessary) first, to the Bond Fund in the event there are insufficient moneys on deposit in the Bond Fund to pay the principal or redemption price of or interest on the Bonds when due, for the purpose of paying principal of and interest on the Bonds, or for the reimbursement of amounts drawn under any Credit Facility as provided in Section 5.04(F); second, to the Bond Reserve Fund to satisfy any deficiency therein; and third, to pay any other costs and expenses of the Authority budgeted to be paid from Revenues in the Surplus Fund. All amounts in the Surplus Fund on the fifth (5th) day of each month after the deposits required herein have been made shall, upon Request of the Authority, be paid by the Depository to the Authority for any lawful purpose of the Authority, free and clear of the pledge and lien of this Indenture.

Section 5.08. Deficiencies in Bond Fund. (A) In the event that on the fifth (5th) day before any Interest Payment Date, or if any such day is not a Business Day, on the next preceding Business Day, the amount in the Bond Fund is

insufficient to pay the principal of, Mandatory Sinking Account Payments for and interest on the Bonds due on the next succeeding Interest Payment Date, the Co-Trustee, or the Depository upon the direction of the Co-Trustee, as the case may be, shall transfer to the Bond Fund the amount of such deficiency by withdrawing said amount from the following funds in the following order of priority: (1) the Revenue Fund, (2) the Surplus Fund, (3) the Working Capital Fund; (4) the Bond Reserve Fund; and (5) any other Fund or Account established pursuant to this Indenture (except the Rebate Fund). If after making all such transfers, the amount in the Bond Fund is insufficient to pay the principal of or Mandatory Sinking Account Payments for or interest on the Bonds due on the next succeeding Interest Payment Date, the Co-Trustee shall notify each Credit Provider, in accordance with such Credit Provider's Credit Facility, of the amount of such insufficiency in a timely manner so as to allow for the provision of moneys under such Credit Facility for the purpose of providing for such payment.

(B) The Co-Trustee is hereby designated, appointed, authorized and directed to act as attorney-in-fact for each Holder of 1992 Series A Bonds, as follows:

(i) if and to the extent of a deficiency in amounts required to pay interest on the 1992 Series A Bonds, to execute and deliver an appropriate instrument of assignment to the 1992 Series A Credit Provider for each of the claims for interest to which such deficiency relates; and

(ii) if and to the extent of a deficiency in amounts required to pay principal or Redemption Price (if such Redemption Price is specifically covered under the terms of the Credit Facility for the 1992 Series A Bonds) of the 1992 Series A Bonds, to execute and deliver an appropriate instrument of assignment to the 1992 Series A Credit Provider for each of the claims for the principal or Redemption Price to which such deficiency relates.

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

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

Section 5.09. Investment of Moneys in Funds. All moneys in the funds and accounts established pursuant to this Indenture, other than the Working Capital Fund and the Surplus

Fund, shall be invested by the Trustee, the Co-Trustee, or the Depositary, as the case may be, solely in Investment Securities to maximize investment income, with proper regard for the preservation of principal, pursuant to a Request of the Authority as to such investment; provided that so long as the 1992 Series A Bonds are Outstanding, amounts in the Bond Reserve Fund shall not be invested in Investment Securities maturing in more than five years without the prior written consent of the Credit Provider with respect to such Bonds. All Investment Securities and any other investments acquired with moneys held hereunder shall be acquired subject to the limitations set forth in Section 6.09, to the limitations as to maturities hereinafter in this Section set forth and to such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority. No Investment Security which is subject to redemption at the option of the issuer may be purchased at a premium above the amount of the premium payable upon any such redemption.

Moneys in all funds and accounts established under this Indenture shall be invested in securities paying interest and maturing not later than the dates on which it is estimated that such moneys will be required by the Trustee, the Co-Trustee or the Depositary. Moneys in all funds and accounts may be commingled for purposes of making investments if the investments so made are otherwise appropriate hereunder for each fund or account so invested, and all gains and losses shall be allocated pro rata.

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

For the purpose of determining the amount in any fund or account, the amount of any obligation allocable to such fund or account shall be equal to the purchase price of such obligation (not including accrued interest, if any, paid on the purchase of such obligation) plus the amount of any discount below par accounting for any such discount ratably each year over the term of such obligation (i.e., by dividing the amount of such discount by the number of interest payments remaining to maturity and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of purchase) (in this Section called "amortized value"); provided, however, that the amount of any accrued interest on any obligation shall be credited to the Revenue Fund or to any fund or account to which such amount or any portion thereof may have been transferred from the Revenue Fund; and provided, further, that

the amount of any obligation in the Bond Reserve Fund and the Bond Fund shall be determined as of each Interest Payment Date and shall be the lesser of amortized value or then current market value. The Trustee shall deliver to each Credit Provider a copy of each such valuation within 30 days after each such Interest Payment Date. The "current market value" of any Investment Security shall be calculated as follows: (i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times), such value shall be the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times, such value shall be the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; and (iii) as to any investment not specified above, such value shall be the value thereof established by prior agreement between the Authority, the Trustee and each Credit Provider.

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

Section 5.10. Special Payment Provisions for the 1992 Series A Serial Bonds. Notwithstanding anything to the contrary contained in this Article, so long as the 1992 Series A Serial Bonds are Outstanding, the following payment provisions shall apply to the 1992 Series A Serial Bonds (for purposes of this Section, the term "Bonds" meaning the 1992 Series A Serial Bonds and the terms "Credit Facility" and "Credit Provider" meaning, respectively, the Credit Facility and Credit Provider for the 1992 Series A Serial Bonds):

(a) At least one (1) day prior to all Interest Payment Dates the Trustee or Paying Agent will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Trustee or Paying Agent determines that there will be insufficient funds in such Funds or Accounts, the Trustee or Paying Agent shall so notify the Credit Provider. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the

Trustee or Paying Agent has not so notified the Credit Provider at least one (1) day prior to an Interest Payment Date, the Credit Provider will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which the Credit Provider shall have received notice of nonpayment from the Trustee or Paying Agent.

(b) The Trustee or Paying Agent shall, after giving notice to the Credit Provider as provided in (a) above, make available to the Credit Provider and, at the Credit Provider's direction, to the United States Trust Company of New York, as insurance trustee for the Credit Provider or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Authority maintained by the Trustee or Paying Agent, if any, and all records relating to the Funds and Accounts maintained under this Indenture.

(c) The Trustee or Paying Agent shall provide the Credit Provider and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from the Credit Provider under the terms of the Municipal Credit Facility, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Credit Provider, and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Credit Provider.

(d) The Trustee or Paying Agent shall, at the time it provides notice to the Credit Provider pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Credit Provider (i) as to the fact of such entitlement, (ii) that the Credit Provider will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Credit Provider, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Credit Provider) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Credit Provider, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent who shall note on such Bonds the portion of the principal paid by the Trustee or Paying Agent, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee or Paying Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent shall, at the time the Credit Provider is notified thereof, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Credit Provider to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to the Credit Provider its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee or Paying Agent and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted the Credit Provider under this Indenture, the Credit Provider shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Credit Facility, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent shall note the Credit Provider of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent shall note the Credit Provider's rights as subrogee on the registration books of the Authority maintained by the Trustee or Paying Agent, upon receipt from the Credit Provider's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent, upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The Authority shall punctually pay or cause to be paid, from the Revenues and other assets pledged hereunder, the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture.

Section 6.02. Extension of Payment of Principal and Interest on the Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for

interest or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds or other indebtedness for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

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

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

Section 6.05. Payment of Taxes and Claims. The Authority shall, from time to time, duly pay and discharge, or cause to be paid and discharged, any property taxes, assessments or other governmental charges that may be lawfully imposed upon the Revenues or other assets pledged or assigned under this Indenture, when the same shall become due, after notice to each Credit Provider and an opportunity to contest the same, as well

as any lawful claim which, if unpaid, might by law become a lien or charge upon the Revenues or such other assets or which might impair the security of the Bonds.

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

The Authority shall file with the Trustee, the Co-Trustee, the Depositary and each Credit Provider, and furnish to each major national investment rating service which initially rated any Series of Bonds and to each Bondholder who shall have filed a name and address with the Authority or the Trustee for such purpose, within six months after the close of each Fiscal Year so long as any of the Bonds are Outstanding (commencing with the Fiscal Year ending in 1993), complete financial statements with respect to the Revenues and all funds established pursuant to this indenture, prepared in accordance with generally accepted accounting principles for governmental entities, covering receipts, disbursements, allocation and application of all Revenues for such Fiscal Year, including a statement of revenues, expenditures and fund balances (covering all of the funds established pursuant to this Indenture), balance sheet and statement of changes in financial position, accompanied by an audit report and opinion of a nationally recognized Independent certified public accountant.

The Authority shall also file with the Trustee, the Co-Trustee, the Depositary and each Credit Provider, and furnish to each major national investment rating service which initially rated any Series of Bonds, within thirty (30) days after receipt of the annual audited financial statement of the Authority prepared by an Independent certified public accountant, a copy of such statement.

Section 6.07. Maintenance of Powers. The Authority shall at all times use its best efforts to preserve its existence as a public corporation and autonomous instrumentality of the Government; not to be dissolved or lose its franchise or right to exist as such or lose any rights necessary to enable it to

maintain and operate the System; and to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the observance of any of the covenants herein contained.

Section 6.08. Tax Status. (A) The Authority intends that interest on the 1992 Series A Bonds be excluded from gross income for federal income tax purposes and that the 1992 Series A Bonds and the interest thereon be exempt from taxation by any state or political subdivision or the District of Columbia. The Authority reserves the right to determine the desired tax status of any additional Series of Bonds.

(B) The Authority shall not use or permit the use of any proceeds of the 1992 Series A Bonds or any other funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Authority in any manner, and shall not take or permit to be taken any other action or actions, which would cause any such Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(C) The Authority shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the 1992 Series A Bonds (or on any of them) shall be excluded from gross income for federal income tax purposes.

Section 6.09. Compliance with Indenture, Contracts, Laws and Regulations. The Authority shall faithfully observe and perform all the covenants, conditions and requirements of this Indenture, shall not issue any Bonds in any manner other than in accordance with this Indenture, and shall not take any action that would permit any default to occur hereunder, or do or permit to be done, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to this Indenture. Subject to the limitations and consistent with the covenants, conditions and requirements contained in this Indenture, the Authority shall comply with the terms, covenants and provisions, express or implied, of all contracts concerning or affecting the application of proceeds of Bonds or Revenues. The Authority shall comply promptly, fully and faithfully with and abide by any statute, law, ordinance, order, rule or regulation, judgment, decree, direction or requirement now in force or hereafter enacted, adopted, prescribed, imposed or entered by any competent governmental authority or agency applicable to or affecting the Bonds.

Section 6.10. Rate Covenant. At all times that any Bonds remain Outstanding, rates and charges for the sale or use of electric energy produced, transmitted, distributed or furnished from the System will be established, fixed, prescribed and collected so that such rates and charges will yield Net Revenues for the next twelve months equal to at least 1.30 times Annual Debt Service on the Outstanding Bonds to be paid from Net Revenues during such period. Such rates and charges may be adjusted from time to time and classified as necessary, but such rates and charges shall not be reduced below the rates and charges then in effect unless the Net Revenues from such reduced rates will at all times be sufficient to meet the requirements of this Section. All such rates and charges shall be payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

The debt service coverage ratio specified in this Section shall be the debt service coverage ratio used by the PUC, together with other appropriate factors, in setting rates.

None of the electric energy owned, controlled or supplied by the Authority shall be furnished or supplied free to any person, but on the contrary shall always be sold or furnished so as to produce Revenues hereunder.

Section 6.11. Annual Budgets. The Authority shall file with the Trustee, the Co-Trustee, the Depositary and each Credit Provider, on or before the day on which the 1992 Series A Bonds are issued, a budget setting forth the estimated Maintenance and Operation Expenses to be paid from the Revenue Fund, the estimated Maintenance and Operation Expenses to be paid from the Surplus Fund, and other costs and expenses to be paid from Revenues, each separately stated, for the period from such date until the close of the then current Fiscal Year. Before the first day of each Fiscal Year thereafter, the Authority shall file with the Trustee, the Co-Trustee, the Depositary and each Credit Provider, a budget setting forth the estimated Maintenance and Operation Expenses to be paid from the Revenue Fund, the estimated Maintenance and Operation Expenses to be paid from the Surplus Fund, and other costs and expenses to be paid from Revenues, each separately stated, for such Fiscal Year. The Authority may from time to time amend any budget filed pursuant to this section by filing such amendment with the Trustee, the Co-Trustee, the Depositary and each Credit Provider within thirty (30) days of each amendment. In the absence of a budget for any Fiscal Year, the Trustee, the Co-Trustee and the Depositary shall assume that the budget for such Fiscal Year is the same as the final budget for the prior Fiscal Year.

If the budget setting forth the estimated Maintenance and Operating Expenses is increased over the previous Fiscal Year, the Authority shall provide to the Credit Provider a

calculation of the amounts required to be calculated pursuant to Section 6.11 and the estimated amount of Revenues to be collected in such Fiscal Year.

Section 6.12. Construction and Maintenance of the System. The Authority will acquire and construct the 1992 Series A Projects and any other Projects to be financed with the proceeds of the Bonds in a sound and economical manner, with all practicable dispatch, in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

The Board will operate the System continuously, to the extent practicable under conditions as they may from time to time exist, in an efficient and economical manner, and will at all times maintain, preserve and keep, or cause to be maintained, preserved and kept, the System, including all parts thereof and appurtenances thereto, in good repair, working order and condition, and in such manner that the operating efficiency thereof will be of the highest character and so that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Board shall not be required by this Indenture to comply with any such orders so long as the validity or application thereof shall be contested in good faith), and the Board will from time to time make, or cause to be made, all necessary and proper repairs and replacements so that the business carried on in connection with the System by the Board for the production, transmission and distribution of electric energy at all times may be properly and advantageously conducted in a manner consistent with prudent management, and the rights and security of the holders of the Bonds fully protected and preserved.

Section 6.13. Insurance. The Board will secure and maintain adequate workmen's compensation insurance for all employees of the Authority at any time employed in the construction, operation, maintenance, repair or reconstruction of the System, and will secure and maintain general and automotive liability insurance relating to the operation of the System. Such general and automotive liability insurance shall be in an amount not less than \$1,000,000 for injuries, including death, to any one person, and in an amount not less than \$2,000,000 for injuries, including death, to two or more persons, on account of any one accident, and property damage insurance in an amount not less than \$1,000,000 for each occurrence. The Board will also take out and maintain adequate fidelity insurance or bonds on all officers and employees handling or responsible for funds of the Authority. The Board will also secure and maintain property insurance on all facilities constituting the System against risks of loss or damage caused by or resulting from fire and also from action of the elements (including loss from typhoons, earthquakes, floods and tidal waves), to the extent that such insurance is obtainable at reasonable cost.

Such insurance shall be carried with companies duly authorized to transact insurance business on Guam. All such insurance shall be of a scope and nature as that usually carried in the industry. All such policies of insurance shall be in form satisfactory to the Trustee and shall contain a clause making all losses payable to the Trustee, as its interests may appear.

Any insurance required under this Section may be maintained under a self-insurance or deductible program so long as such self-insurance or deductible program is maintained in the amounts and manner customarily maintained by prudent operators of power systems similar to the System. The Authority shall, every third year, engage an insurance consultant to review the Authority's self-insurance or deductible program and to make recommendations for any necessary modifications, including, but not limited to, any modifications necessary to comply with this Section. Each such report shall be filed with the Trustee.

The proceeds of such insurance shall be deposited with the Trustee and held separate and apart from all other funds and moneys, to the end that such proceeds of insurance shall be applied to the reconstruction and restoration of the System to at least the same good order, state of repair and condition as it was in prior to the damage, insofar as the System may be restored from said proceeds. The Trustee shall permit withdrawals of the proceeds of such insurance from time to time, but as to each withdrawal only upon (i) a written request of the Authority, stating that the Authority has expended moneys or incurred liabilities to an amount requested in such request to be paid over to it for the purpose of reconstruction and restoration of the System, and specifying the items for which such moneys were expended or such liabilities incurred in such reasonable detail as may be required by the Trustee in its discretion, and (ii) a certificate of a qualified Independent Consultant that, in its opinion, the amount to be withdrawn is reasonable, necessary and currently required for the purposes requested. Any balance of any proceeds of insurance not required for the purpose of reconstruction and restoration as aforesaid shall be deposited by the Trustee in the Bond Reserve Fund to the extent of any deficiency therein, and any remaining balance shall be applied by the Trustee to the purchase of Bonds in the same manner as moneys are applied to the purchase of Bonds under the provisions of Section 5.04(E).

Section 6.14. Eminent Domain. If all or any part of the System shall be taken by eminent domain proceedings, the net proceeds realized by the Authority shall be deposited with the Trustee in a special fund in trust and shall be applied and disbursed by the Trustee subject to the following conditions, to wit:

(a) If such funds are sufficient to provide for the payment of the entire amount of principal due or to become due

upon all of the Bonds, together with the interest thereon and any redemption premiums, so as to enable the Authority to retire all of the Bonds then outstanding, either by call and redemption as provided in Section 4.01 or by payment at maturity or partly by redemption prior to maturity and partly by payment at maturity, the Co-Trustee shall apply such moneys to such retirement. The balance of such moneys, if any, shall be transferred to the Authority.

(b) If such proceeds are insufficient to provide the money required for the purposes set forth in subsection (a) of this section, the Authority shall file with the Trustee a resolution requesting the Trustee to distribute such proceeds as herein authorized and therein provided.

(1) If such resolution requests the Trustee to apply such proceeds to the purchase or redemption of the Bonds then outstanding, the Trustee shall so apply such proceeds to the purchase or redemption of the Bonds then outstanding. Such proceeds shall be applied pro rata to the purchase or redemption of the Bonds of each Series in the proportion which the principal amount of the Bonds of each Series bears to the aggregate principal amount of all Bonds then outstanding. If the Trustee is unable to purchase or redeem Bonds of any particular Series in amounts sufficient to exhaust the moneys applicable to such Series, the remainder of such moneys shall be held in trust and applied to the payment of the Bonds of such Series as the same become due by their terms, and, pending such application, such remaining moneys shall be invested by the Trustee in the manner provided herein for the investment of moneys in the Reserve Fund.

(2) If such resolution requests the Trustee to deliver such proceeds to the Authority upon the ground that additions, betterments, extensions or improvements to or new facilities for the System will be acquired by the Authority with such proceeds, the Authority shall also file with the Trustee a report of a qualified Independent Consultant showing the loss in annual Revenues, if any, suffered or to be suffered by the Authority by reason of such eminent domain proceedings, together with a general description of the additions, betterments, extensions or improvements to or new facilities for the System then proposed to be acquired by the Authority with such proceeds. If, in the opinion of the Trustee, which shall be final, the additional Revenues to be derived from such additions, betterments, extensions or improvements or new facilities will sufficiently offset the loss of Revenues resulting from such eminent domain proceedings

so that the ability of the Authority to meet its obligations hereunder will not be substantially impaired, the Trustee shall pay such proceeds to the Treasurer. The Trustee, in reaching such determination, may rely upon the consultant's report. The Authority covenants that such proceeds will be held in a separate account in trust and applied by the Authority, to the extent necessary, for the purpose of making additions, betterments, extensions or improvements to the System, or for the acquisition of new facilities for the System in lieu of the portion of the System so taken in eminent domain proceedings, all substantially in accordance with such consultant's report. Any balance of such proceeds remaining after the accomplishment of the purposes aforesaid shall be accounted for as Revenues (except for the purpose of making the computations required under Section 3.04). While such proceeds are so held in a separate account, they may be invested in the manner provided in Section 5.09 for the investment of moneys in the Construction Fund.

(3) If such resolution requests the Trustee to deliver such proceeds to the Authority upon the ground that such eminent domain proceedings have had no effect, or at the most a relatively immaterial effect, upon the security of the Bonds and if the Trustee determines (which determination shall be final) that such eminent domain proceedings have not substantially impaired or affected the operation of the System or the ability of the Authority to meet all of its obligations hereunder with respect to the payment of the Bonds then outstanding, the Trustee shall disburse such net proceeds to the Treasurer, which shall account for them as Revenues (except for the purpose of making computations required under Section 3.04). The Trustee, in reaching such determination, may, but shall not be required to, obtain at the expense of the Authority the report of a qualified Independent Consultant.

Notwithstanding anything herein contained, it is the intent and purpose of this Section 6.15 to provide that if at any time the proceeds of any eminent domain proceedings affecting all or any part of the System are required to be applied to the payment of the Bonds, such proceeds shall be applied equally and ratably to the payment of all then outstanding Bonds irrespective of their date of issue.

Section 6.15. Against Sale or Other Disposition of Property. The Board will not sell, lease or dispose of the System or any part thereof essential to the proper operation of the System or to the maintenance of the Revenues except as herein

expressly permitted. The Authority will not enter into any lease or agreement which impairs or impedes the operation of the System or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the Bonds, or which would otherwise impair or impede the rights of the holders of the Bonds with respect to the Revenues or the operation of the System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the System, or any material or equipment which has worn out, may be sold at not less than the market value thereof without the consent of Bondholders if such sale will not reduce Revenues and if all of the net proceeds of such sale are deposited in the Revenue Fund.

Section 6.16. Against Competition. So long as any Bonds are outstanding, the Authority and the Board will not acquire, own or operate any electric production, transmission or distribution systems or facilities or improvements thereto which would compete with the System. Nothing herein shall be construed to prohibit the Authority or the Government from purchasing power from any cogeneration or resource recovery facility or, if required by federal law, from any other source, or to prohibit the Government from acquiring any resource recovery facility.

Section 6.17. Protection of Security and Rights of Bondholders. The Board will preserve and protect the security of the Bonds and the rights of the Bondholders, and will warrant and defend their rights against all claims and demands of all persons.

Section 6.18. Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law. The Authority shall not claim, and hereby waives any claim to, sovereign immunity from any suit or other action that may be brought under this Indenture or upon the Bonds.

Section 6.19. Further Assurances. The Authority will make, execute and deliver any and all such further indentures instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Indenture.

Section 6.20. Pledge by Government. The Government hereby pledges to the holders of all Bonds that the Government will not repeal, amend or modify Chapter 12, Title 12, Guam Code Annotated, in any way that would substantially impair the powers,

duties or effectiveness of the Public Utilities Commission thereunder in relation to the Authority and its rates. The Authority includes this pledge of the Government in this Indenture as authorized by Section 8113.3 of the Act.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

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

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

(B) default by the Authority in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or the Co-Trustee, or to the Authority, the Trustee and the Co-Trustee by any Credit Provider and by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(C) if the Authority shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America; or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property; and if, in any such case such petition is not withdrawn or dismissed or such custody or control is not terminated or stayed within sixty (60) days from the date of the filing of such petition or the assumption of such custody or control.

Section 7.02. Remedies. In each and every case during the continuance of an Event of Default, the Co-Trustee in its own name and as trustee of an expressed trust, on behalf and for the benefit and protection of the Bondholders, after notice to the Authority, may, and upon the request of the Holders of not less than twenty-five percent (25%) in Accreted Value of the Bonds then Outstanding shall, to the extent indemnified to its satisfaction from any liability or expense, proceed to protect and enforce any rights of the Co-Trustee and, to the full extent that the Bondholders themselves might do, the rights of such Bondholders under this Indenture and under the laws of Guam by such of the following remedies as the Co-Trustee shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bond owners, including the right to require the Authority to charge, prescribe and collect Revenues adequate to comply with the covenants and agreements made herein, and to require the Authority to carry out any other covenant or agreement with the Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require the Authority to account as if it were the trustee of an expressed trust for the Bondholders;

(4) by realizing or causing to be realized through sale or otherwise upon the moneys, securities and other assets pledged hereunder;

(5) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders;

(6) by requiring the Authority to endorse all checks and other negotiable instruments representing Revenues to the order of the Co-Trustee immediately upon the receipt thereof and to deliver such endorsed instruments daily to the Co-Trustee;

(7) by notifying any or all account debtors of the Authority to pay any amounts representing Revenues, when due, directly to the Co-Trustee as Trustee; and

(8) by commencing proceedings for the appointment of a receiver or receivers of the System and of the Revenues, with such powers as the court making such appointment confers.

In addition, if an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Co-Trustee shall be entitled, and if requested to do so by the Holders of not less than a majority in Accreted Value of the Bonds at the time Outstanding shall be required, upon notice in writing to the Authority, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority shall deposit with the Co-Trustee a sum sufficient to pay all the principal or Redemption Price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee and the Co-Trustee, and any and all other Events of Default known to the Trustee or the Co-Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee and the Co-Trustee or provision deemed by the Trustee and the Co-Trustee to be adequate shall have been made therefor, then, and in every such case, the holders of a majority in Accreted Value of the Bonds then Outstanding, by written notice to the Authority and to the Trustee and the Co-Trustee, may, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

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

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

(B) To the payment of Maintenance and Operation Expenses as the same become due and payable;

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

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

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

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

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

entitled thereto without any discrimination or preference.

Section 7.04. Co-Trustee to Represent Bondholders.

The Co-Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Co-Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds and this Indenture, as well as under the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Co-Trustee to represent the Bondholders, the Co-Trustee in its discretion may, subject to any direction by the holders of a majority in Accreted Value of the Bonds at the time Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Holders by such appropriate suit, action, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Co-Trustee or in such Holders under this Indenture, the Act or any other law; and upon instituting such proceeding, the Co-Trustee shall be entitled as a matter of right to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Co-Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Co-Trustee shall be brought in the name of the Co-Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Indenture.

Section 7.05. Bondholders' Direction of Proceedings.

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

Section 7.06. Right of Bondholders to Bring Action. Anything in this Indenture to the contrary notwithstanding, as provided in Section 8235 of the Act, the holder of any Bond may by mandamus or other appropriate proceeding require and compel the performance of any of the duties imposed upon or assumed by the Authority, the Board, the Treasurer or the General Manager of the Authority, the Governor, the Director of Administration or any other officer or agency of the Authority or the Board of the Government or any employee thereof, in connection with the acquisition, construction, improvement, operation, equipment, maintenance, repair, renewal, replacement, reconstruction or insurance of the System or any part thereof, or the collection, deposit, investment, application and disbursement of all Revenues or in connection with the deposit, investment and disbursement of the proceeds received from the sale of the Bonds. The enumeration of such rights and remedies does not, however, exclude the exercise or prosecution of any other rights or remedies available to the holders of Bonds.

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

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

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

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

ARTICLE VIII

THE FIDUCIARIES

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

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

(C) The Authority may remove the Trustee, the Co-Trustee or the Depositary at any time unless an Event of Default shall have occurred and then be continuing, and the Authority shall remove the Trustee, the Co-Trustee or the Depositary if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in Accreted Value of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee, the Co-Trustee or the Depositary shall cease to be eligible in accordance with subsection (F) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee, the Co-Trustee or the Depositary or their respective property shall be appointed, or any public officer shall take control or charge of the Trustee, the Co-Trustee or the Depositary or their respective property or affairs for the purpose of rehabilitation, conservation or liquidation; in each case by giving written

notice of such removal to the Trustee, the Co-Trustee, the Depository and each Credit Provider, and thereupon shall appoint a successor Trustee, Co-Trustee or Depository, as the case may be, by an instrument in writing.

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

(E) Any such removal or resignation and appointment of a successor shall become effective upon acceptance of appointment by the successor. Promptly upon such acceptance, the Authority shall give notice thereof to each Paying Agent and Credit Provider and to the Bondholders by mail in the manner provided by Section 4.03. If no successor shall have been appointed and have accepted appointment within forty-five (45) days after giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, Co-Trustee or Depository, as the case may be, or any Bondholder (on behalf of such Bondholder and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor. Any such successor appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority, to its predecessor, to each other Fiduciary and to each Credit Provider a written acceptance thereof, and thereupon such successor, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor, with like effect as if originally named herein; but, nevertheless at the Request of the Authority or the request of the successor, such predecessor shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor all the right, title and interest of such predecessor in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor all such moneys, estates, properties, rights, powers, trusts, duties and obligations.

(F) (1) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company doing business and having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or

examination by federal, state or territorial authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (F)(1), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

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

(3) Any Depositary appointed under the provisions of this Section in succession to the Depositary shall be a trust company or bank having the powers of a trust company doing business and having a trust office in Agana, Guam, having a combined capital and surplus of at least Ten Million Dollars (\$10,000,000), and subject to supervision or examination by federal or territorial authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examination authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published. In case at any time the Depositary shall cease to be eligible in accordance with the provisions of this subsection (F)(3), the Depositary shall resign immediately in the manner and with the effect specified in this Section.

(G) Any company into which the Trustee, the Co-Trustee or the Depositary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee, the Co-Trustee or the Depositary may sell or transfer all or substantially all of its corporate

trust business, provided such company shall be eligible under subsection (F) of this Section, shall be the successor to such Trustee, Co-Trustee or Depositary, as the case may be, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. Any such successor shall give notice of such merger, conversion or consolidation to each other Fiduciary and to the Authority.

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

Section 8.03. Liability of Trustee, Co-Trustee and Depositary. The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and neither the Trustee, the Co-Trustee nor the Depositary assumes any responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Indenture or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon them, respectively. The Co-Trustee shall, however, be responsible for its representations contained in its certificate of authentication and registration on the Bonds. Neither the Trustee, the Co-Trustee nor the Depositary shall be liable in connection with the performance of their respective duties hereunder, except for their own respective negligence or willful misconduct. The Trustee, the Co-Trustee and the Depositary may become the owner of Bonds with the same rights they would have if they were not Trustee or Depositary, as the case may be, and, to the extent permitted by law, may act as depositary for and permit any of their officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders, whether or not such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary or the acts or omissions of

any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would require it to expend or risk its own moneys or otherwise incur any liability or to institute or defend any action or suit in respect of this Indenture or the Bonds, unless it is in its judgment adequately indemnified. No Fiduciary shall be deemed to have knowledge of an Event of Default hereunder unless it has received actual knowledge thereof at its Principal Office, except, in the case of the Co-Trustee, default in the payment of any amounts due on the Bonds on the due date therefor.

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

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

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

Section 8.06. Paying Agents. The Authority may at any time or from time to time appoint one or more Paying Agents, in addition to the Co-Trustee, for the purpose of paying the principal or Redemption Price of and the interest on Bonds of any

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

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted. (A) This Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee and the Co-Trustee may be modified or amended at any time by a Supplemental Indenture which shall become effective when the written consents of each Credit Provider and the Holders of sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee and the Co-Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity or Series remain Outstanding, the consent of the Holders of Bonds of such maturity or Series and the Credit Provider of such Series, if any, shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall (i) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided herein for the payment of any Bond, or extend

the time of payment of any interest on any Bond, or reduce the rate of interest thereon, without the consent of the Holder of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture, or deprive the Holders of the Bonds of the lien created by this Indenture upon such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Holders of all of the Bonds then Outstanding.

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

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

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

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

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

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

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

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

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

ARTICLE X

DEFEASANCE

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

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

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

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

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

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Co-Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such

Bond), then all liability of the Authority in respect of such Bond shall cease, determine and be completely discharged, and the Holder thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Co-Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

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

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on any 1992 Series A Serial Bonds shall be paid by the Credit Provider pursuant to the Credit Facility with respect thereto, such Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Authority, and the assignment and pledge of the Revenues and other assets pledged hereunder and all covenants, agreements and other obligations of the Authority to the registered owners of such Bonds shall continue to exist and shall run to the benefit of the Credit Provider, and the Credit Provider shall be subrogated to the rights of such registered owners.

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

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

(b) noncallable Federal Securities the principal of and interest on which when due will provide money sufficient, in the opinion of an Independent Certified Public Accountant delivered in writing to the Authority, the Trustee and the Co-Trustee, to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the date fixed for redemption, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that substitution of such Federal Securities shall not be permitted without the consent of each Credit Provider for such Bonds;

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

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

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Revenues. No Bond issued hereunder shall be or become a lien, charge or liability against the Government or the Governor or against the Authority or the Board or against any property or funds of the Authority or the Board or the Government or the Governor, except to the extent of the pledge of Revenues hereunder, and neither the payment of the principal of any Bond or any part thereof, nor of any interest thereon, is a debt, liability or obligation of the Government.

Notwithstanding anything in this Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for

any other purpose of this Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture the Authority, the Trustee, the Co-Trustee or the Depositary is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the Trustee, the Co-Trustee or the Depositary shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and Bondholders. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the Co-Trustee, the Depositary, the Credit Providers and the Holders of the Bonds any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the Co-Trustee, the Depositary, the Credit Providers and the Holders of the Bonds.

Section 11.04. Special Credit Provider Provisions. So long as the Credit Facility with respect to the 1992 Series A Serial Bonds remains in effect and the Credit Provider is not in default with respect thereto, the provisions of this Section shall apply. Similar provisions with respect to any Credit Provider for any other Series may be included in the Supplemental Indenture for such Series. For purposes of the following provisions of this Section, the term "Bonds" shall mean the 1992 Series A Serial Bonds and the terms "Credit Facility" and "Credit Provider" shall mean, respectively, the Credit Facility and Credit Provider for the 1992 Series A Serial Bonds.

(a) Any provision of this Indenture expressly recognizing or granting rights in or to the Credit Provider may not be amended in any manner which affects the rights of the Credit Provider hereunder without the prior written consent of the Credit Provider.

(b) Unless otherwise provided in this Section, the Credit Provider's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture; (ii) removal of the Fiduciary and selection and appointment of any successor; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

(c) Anything in this Indenture to the contrary notwithstanding, upon the occurrence and the continuance of an Event of Default as defined herein, the Credit Provider shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under this Indenture to the same extent as if it were the holder of the Bonds insured by it, including, without limitation the right to participate in any direction to accelerate the principal of the Bonds as described in this Indenture, to annul any such declaration of acceleration, and to approve all waivers of events of default. In order to be effective, any consent from the Credit Provider to any such acceleration, annulment or waiver must, as applicable, include or be accompanied by an agreement either to pay the Bonds insured or otherwise secured by such Credit Facility as accelerated or to pay such Bonds and the interest thereon on the dates originally scheduled for such payment without regard to such acceleration.

(d) The Authority or the Trustee, as appropriate, shall furnish to the Credit Providers: (i) as soon as practicable after the filing thereof, a copy of any financial statement of the Authority and a copy of any audit and annual report of the Authority; (ii) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Indenture relating to the security for the Bonds; (iii) such additional information it may reasonably request; and (iv) notice of any failure of the Authority to provide relevant notices, certificates or other required items.

(e) The Authority will permit the Credit Provider to discuss the affairs, finances and accounts of the Authority or any information the Credit Provider may reasonably request regarding the security for the Bonds with appropriate officers of the Authority. The Trustee or Authority, as appropriate, will permit the Credit Provider to have access to the Project and have access to and to make copies of all books and records relating to the Bonds at any reasonable time. To the extent necessary pursuant to Section 6.06, or if the Credit Provider specifies cause to believe that there is noncompliance with Section 6.10 or Article V, the Credit Provider shall have the right to direct an accounting, at the Authority's expense, and the Authority's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Credit Provider shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and

diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

(f) Notwithstanding any other provision of this Indenture, the Trustee or the Authority, as appropriate, shall immediately notify the Credit Provider if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default hereunder and of the declaration of acceleration of the Bonds.

(g) To the extent that this Indenture confers upon or gives or grants to the Credit Provider any right, remedy or claim under or by reason of this Indenture, the Credit Provider is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

(h) The consent or direction of the Credit Provider shall be treated as the consent or direction of the holders of the Bonds insured by it for purposes of any removal or replacement of a Fiduciary or any change in the qualifications applicable to any Fiduciary, as set forth in Section 8.01(F).

(i) The Credit Provider shall receive prior written notice of any resignation of a Fiduciary.

(j) Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee or Co-Trustee shall consider the effect on the Bondholders as if there were no Credit Facility.

Section 11.05. Credit Providers. All provisions hereof regarding consents, approvals, directions, appointments or requests by any Credit Provider shall be deemed not to require or permit such consents, approvals, directions, appointments or requests by any Credit Provider and shall be read as if such Credit Provider were not mentioned therein and as if no Credit Facility were in effect during any time in which such Credit Provider is in default under its Credit Facility, or after such Credit Facility shall at any time for any reason cease to be valid and binding on such Credit Provider, or shall be declared to be null and void, or while the validity or enforceability of any provision thereof is being contested by such Credit Provider or any governmental agency or authority, or while such Credit Provider is denying further liability or obligation under such Credit Facility or after such Credit Provider has rescinded, repudiated or terminated such Credit Facility.

All provisions herein relating to any Credit Provider shall be of no force and effect if there is no Credit Facility in effect and there are no Bonds held by such Credit Provider and all amounts owing to such Credit Provider have been paid.

Section 11.06. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.07. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee, the Co-Trustee and the delivery to the Authority of any Bonds, the Trustee, the Co-Trustee may, upon Request of the Authority, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Authority, if the Authority shall so require), and deliver a certificate of such destruction to the Authority.

Section 11.08. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.09. Notice to Authority, Trustee, Co-Trustee and Depository. Any notice to or demand upon the Trustee or the Depository may be served or presented, and such demand may be made, at the Principal Office of the Trustee, which at the date of adoption of this Indenture is the following:

Bank of Guam
Box BW
Chalan Santa Papa & Route 4
Agana, Guam 96910
Attention: Glenn W. Cook

or at such other address as may have been provided in writing by the Trustee to the Authority and the Depository.

Any notice to or demand upon the Co-Trustee may be served or presented, and such demand may be made, at the trust office designated by the Co-Trustee, which at the date of adoption of this Indenture is the following:

Bank of America National Trust and Savings Association
600 Wilshire Boulevard, Suite 500
Los Angeles, California 90017
Attention: Corporate Trust Administration

or at such other address as may have been provided in writing by the Co-Trustee to the Authority and the Trustee.

Any notice to or demand upon the Authority shall be deemed to have been sufficiently given or served for all purposes by being deposited, postage prepaid, in a post office letter box, addressed as follows:

Guam Power Authority
P.O. Box 2977
Agana, Guam 96910-2977
Attention: Comptroller

or to the Authority at such other address as may have been filed in writing by the Authority with the Co-Trustee, the Trustee and the Depository.

Section 11.10. Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee, the Co-Trustee, the Depository and the Authority if made in the manner provided in this Section.

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

The ownership of Bonds shall be proved by the Bond registration books held by the Co-Trustee.

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

Section 11.11. Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee and the Co-Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee and the Co-Trustee taken upon the advice of counsel shall be full protection to the Trustee and the Co-Trustee.

Section 11.12. Money Held for Particular Bonds. The money held by the Co-Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be put aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

Section 11.13. Funds and Accounts. Any fund required by this Indenture to be established and maintained by the Trustee, the Co-Trustee or the Depository may be established and maintained in the accounting records of the Trustee, the Co-Trustee or the Depository, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with industry practice, to the extent practicable, and with due regard for the requirements of Section 6.09 as established by Request of the Authority and for the protection of the security of the Bonds and the rights of every holder thereof.

Section 11.14. Article and Section Headings and References. The headings or titles of the several Articles and

Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

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

Section 11.15. Waiver of Personal Liability. No legislator, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds; but nothing herein contained shall relieve any such legislator, officer, agent or employee from the performance of any official duty provided by law.


Section 11.16. Saturdays, Sundays and Legal Holidays. If any party hereto is required to perform, pursuant to a provision of this Indenture, any act on a date which falls on a Saturday, Sunday or legal holiday, the party required to perform such act shall be deemed to have performed it in a timely manner, and in conformance with such provision, if it shall perform such act on the next succeeding Business Day.

Section 11.17. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority, the Trustee, the Co-Trustee and the Depositary shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.18. Governing Law. The rights and duties of the parties to this Indenture shall be governed by the laws of Guam, provided, however, that the administration of the trusts imposed upon the Trustee and the Co-Trustee by the Indenture and the rights and duties of the Trustee and the Co-Trustee hereunder shall be governed by, and construed in accordance with, the laws of the respective jurisdiction in which the Trustee or the Co-Trustee has its respective Principal Office.

IN WITNESS WHEREOF, the GUAM POWER AUTHORITY has caused this Indenture to be signed in its name by its duly authorized officers, under its seal, BANK OF GUAM, as Trustee and as a Depository, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by one of its authorized officers and its corporate seal to be hereunto affixed, and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Co-Trustee and as a Paying Agent, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by one of its authorized officers, all as of the day and year first above written.

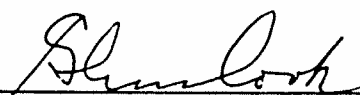
GUAM POWER AUTHORITY

By 
Title: CHAIRMAN

[SEAL]

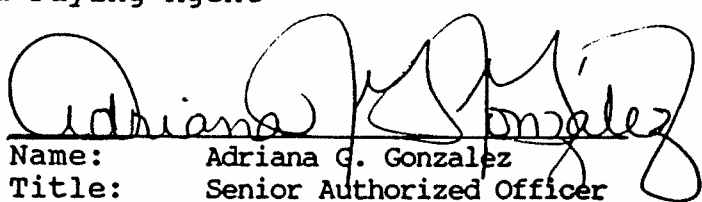
By 
Title: SECRETARY

BANK OF GUAM, as Trustee and Depository

By 
Name: GLENN W. COOK
Title: VICE PRESIDENT/TRUST OFFICER



BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Co-Trustee and Paying Agent

By 
Name: Adriana G. Gonzalez
Title: Senior Authorized Officer



The foregoing Indenture of the Guam Power Authority is hereby approved this 5th day of January, 1993.

Joseph F. Ada
Governor of Guam

[SEAL]

Attest:

[Signature]
Lieutenant Governor

The foregoing Indenture of the Guam Power Authority, and the appointment of the Trustee, the Co-Trustee and the Depository and the exercise of their respective powers and functions as set forth in such Indenture, is hereby approved this 5th day of January, 1993.



[Signature]
Director of Administration
Department of Administration
Government of Guam