

(i) a Notice of Drawdown in accordance with Section 2.02 duly executed by an authorized official of the Territory of Guam; and

(ii) the Note evidencing the Advances in accordance with Section 2.05, duly executed by the Governor of the Territory of Guam; and

(iii) the Pledge securing the Advances in accordance with Section 6.01, duly executed by the Governor of the Territory of Guam; and

(iv) a certificate of a duly authorized representative of the Borrower, in substantially the form of Exhibit C, dated no earlier than the tenth calendar day prior to the Disbursement Date; and

(v) an opinion of the Attorney General for the Government of the Territory of Guam, substantially in the form of Exhibit D and, in any case, in form and substance satisfactory to BOH, dated no earlier than the tenth calendar day prior to the first Disbursement Date; and

(vi) such other opinions as requested by BOH in form and substance satisfactory to BOH confirming that the interest to be paid by Borrower to BOH on the Note shall not be subject to territorial or U.S. Income tax;

(vii) originals or copies of such opinions, resolutions, powers of attorney, certificates and other documents or undertakings relating to this Agreement or the Note or the Pledge as may be reasonably requested by BOH.

(b) BOH shall not have given notice to the Borrower that in its opinion there has occurred since the date of this Agreement a material adverse change in the financial condition or the economic capabilities or prospects of the Borrower.

(c) The representations and warranties of the Borrower contained in this Agreement shall be true and correct in all material respects on the Disbursement Date as if made on such date, and no opinion, certificate or other document delivered pursuant to this Agreement shall have been withdrawn or made subject to any condition or limitation on or prior to the Disbursement Date.

ARTICLE IV
REPAYMENT OF THE ADVANCES

Section 4.01 Scheduled Repayment of Principal. The Borrower shall repay the principal of each Advance on the last day of the Interest Period for that Advance; provided, however, that the entire outstanding principal balance of the Loan, together with accrued interest, shall be due and payable on the 31st day of March, 1995.

Section 4.02 Payments of Interest. Interest on the Advances shall be payable on the last day of the Interest Period for Advances with a three month term and on that date ninety days after the date of the Advance and on the last day of the Interest Period for Advances with a six month term.

Section 4.03 Prepayment. The Borrower shall not be entitled to prepay the Loan in whole or in part.

Section 4.04 Prepayment in the Event of Illegality. Notwithstanding any other provisions herein, if it is or becomes unlawful in any jurisdiction for BOH to comply with its obligations under this Agreement, BOH shall give notice thereof to the Borrower. Upon the giving of such notice, the Commitment shall terminate and the Advances, together with accrued interest thereunder and all other amounts payable to BOH under this Agreement, shall be prepaid by the Borrower immediately.

ARTICLE V
INTEREST

Section 5.01 Interest on the Advances. As to each Advance the following shall be applicable:

(a) The TCD Rate and the Treasury Bill Rate shall be available as to any Advance only to the extent that Borrower has pledged to BOH corresponding deposits in like form so that TCD Rate Advances are collateralized by TCD's and Treasury Bill Rate Advances are collateralized by Treasury Bills;

(b) Each such selection of the applicable interest rate made pursuant to Section 2.03 shall be irrevocable for the period so selected;

(c) Each Interest Period shall be selected in such a way that no Interest Period shall extend beyond the maturity date of the Note;

(d) If any Interest Period ends on a day other than a Business Day, such Interest period shall extend to the next succeeding day that is a Business Day unless such succeeding day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(e) Any Interest Period that begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of such calendar month; and

(f) The Interest Period selected from time to time for any Advance shall apply to the full amount of such Advance.

Section 5.02 Adjusted Rates. To the extent that Borrower has provided to BOH evidence satisfactory to BOH that the interest to be paid on the Advance shall not be subject to territorial, state or federal tax, the interest rate applicable to the Advance shall be adjusted at time of disbursement of the Advance so that BOH shall receive the same yield as under the applicable interest rate if the interest were taxable, provided that at no time shall the adjusted rate equal or be less than the rate of interest paid on the corresponding pledged deposit for the Advance. To the extent that the interest rates applicable to any Advances are adjusted based on there existing tax exempt benefits to BOH and subsequently the interest derived from the Advances is treated as taxable to BOH, whether under territorial, state, or federal tax laws, the Borrower shall pay to BOH, as additional interest, such additional amount as will fully compensate BOH for the resulting loss of yield based on the difference between the adjusted rate and what the unadjusted rate would have been at the time of disbursement.

Section 5.03 Capital Adequacy. If BOH determines that the application of any law, rule, regulation or guideline regarding capital adequacy (or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by BOH or its Lending Branch with any direction, requirement or request regarding capital adequacy, whether or not having the force of law, of any such authority, central bank or comparable agency) affects or would affect the amount of capital required or expected to be maintained by BOH or any corporation controlling BOH, and BOH (taking into consideration its

policies with respect to capital adequacy and its desired return on capital) determines that the amount of such capital is increased as a consequence of BOH's obligations under this Agreement, then, upon demand by BOH, the Borrower shall pay to BOH, from time to time as specified by BOH, additional amounts sufficient to compensate BOH for such increase.

Section 5.04 Computations. All computations of interest shall be made on the basis of a year of 360 days and actual days elapsed.

ARTICLE VI COLLATERAL

Section 6.01 Pledge of Deposits. To secure the Advances and all obligations of the Borrower to BOH hereunder and under the Note, Borrower shall execute and deliver to BOH a pledge of deposits substantially in the form of Exhibit E hereto (the "Pledge"), but in all events in form satisfactory to BOH. The Pledge shall grant to BOH a lien on and security interest in all Time Certificates of Deposit and Treasury Bills of Borrower deposited with or in the possession of BOH as collateral for the Advances. Borrower agrees to make such deposits of Borrower's funds in amounts equal to not less than the aggregate principal amount outstanding of the Advances and accrued interest and costs. The deposits shall be in the form of either Time Certificates of Deposit or Treasury Bills, provided, however, that the applicable interest rates selected by the Borrower pursuant to Section 2.03 shall be determined by and correspond to the form of the deposits. Prior to any Advance, the corresponding deposit must be in place with BOH in an amount equal to the principal of the Advance to be disbursed.

Section 6.02 Other Documents. Borrower shall also provide to BOH such additional documents as may be specifically required hereunder or as BOH may from time to time otherwise reasonably require to effectuate and perfect the lien on the deposits and to open such accounts or place such deposits of funds with BOH.

ARTICLE VII TAXES, INCREASED COSTS

Section 7.01 Taxes. Each payment of principal, interest, fee or other amount required to be made by the Borrower hereunder or under the Note to or for the account of BOH shall be made without deduction for or on account of any present or future income, stamp, registration, transfer and other taxes,

levies, imposts, duties, fees, withholdings, assessments or other charges of whatever nature (including without limitation compulsory savings), or any interest, penalty, or similar liability with respect thereto, now or hereafter imposed by any taxing authorities in any jurisdiction ("Taxes"). If Taxes are required to be withheld or deducted from any such payment, the Borrower shall pay to BOH such additional amount as may be necessary to ensure that the net amount actually received by BOH in respect of such payment free and clear of Taxes is equal to the amount which BOH would have received if Taxes had not been withheld or deducted from such payment. Without limiting the foregoing sentence, the Borrower shall pay all Taxes due in respect of any such payment (including all Taxes payable on account of any such payment of Taxes) on or before the respective due dates thereof and, upon making any such deduction, withholding or payment of Taxes, the Borrower shall furnish to BOH an original or certified copy of a receipt from the relevant taxing authority evidencing such deduction, withholding or payment. If any Taxes are paid directly by BOH, or if the Borrower fails to comply with the provisions of this Section 7.01, the Borrower shall, within 30 calendar days after written demand of BOH, and whether or not such Taxes are correctly or legally asserted, reimburse BOH for all such payments, and indemnify BOH for any related interest, penalty or similar liability.

Section 7.02 Increased Costs. Without limiting Section 7.01, if after the date of this Agreement any law, rule or regulation, or any interpretation thereof by any governmental authority charged with the interpretation or administration thereof, or any request or directive by any governmental authority (whether or not having the force of law)

(i) subjects BOH to any tax, duty or other charge of any jurisdiction with respect to this Agreement or the Note, or changes the basis of taxation of payments to BOH in any jurisdiction, of the principal of or interest on the Note or in respect of any other amount due hereunder or under the Note (except any change in the rate of tax on the overall income of BOH imposed by the jurisdiction in which the principal executive offices or Lending Office of BOH is located, or by any governmental authority in any such jurisdiction) or

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, BOH, or shall impose on BOH any other condition affecting this Agreement or the Note,

and the result of any of the foregoing is to increase the cost to BOH of maintaining its Commitment hereunder or making or maintaining the Loan, or to reduce the amount of any payment received or receivable by BOH, or to impose on BOH an obligation to make any payment to any fiscal, monetary, regulatory or other authority calculated on or by reference to any amount received or receivable by it under this Agreement or the Note, by an amount deemed by BOH to be material, then the Borrower shall pay to BOH, promptly upon demand, such additional amount or amounts as will compensate BOH for such increased cost or reduction in the amount received or receivable. BOH shall notify the Borrower of any event which will entitle BOH to such additional amount or amounts pursuant to this Section as promptly as practicable after becoming aware of such event. A certificate of BOH setting forth the basis for the determination of such additional amount or amounts necessary to compensate BOH as provided herein shall be conclusive and binding, absent manifest error. By a notice given within five Business Days after receipt of notice of any increased cost as so determined, the Borrower shall have the right, exercisable upon not less than ten Business Days' prior written or tested telex notice to BOH, to prepay, without premium or penalty, the then outstanding principal amount of the Loan together with interest accrued thereon and any other amount due under this Agreement (including any amounts payable under this Section), whereupon the Loan shall become due and payable on date set forth in such notice.

Section 7.03 Other Taxes. Without limiting either Section 7.01 or Section 7.02, the Borrower shall pay, and indemnify BOH against, any and all stamp, excise, registration, transfer capital net worth and similar taxes including, without limitation, taxes on financial outstanding, taxes assessed on loans to Guam borrowers, and other taxes ("Other Taxes") which may be payable or determined to be payable on or in connection with the execution, delivery, performance or enforcement of this Agreement, the Note, the lending or borrowing hereunder, or the acquisition of debt obligations of a foreign obligor imposed by any jurisdiction. The Borrower shall further pay, and indemnify BOH against, any and all penalties and liabilities with respect to or resulting from delay or omission to pay such taxes.

ARTICLE VIII PAYMENTS

Section 8.01 Funds of Payment. All payments to be made by the Borrower under this Agreement or the Note shall be made without set-off or counterclaim solely in Dollars in

immediately available funds. All such payments shall be made by the Borrower to the account of BOH at its Lending Office (or to such other account as BOH may designate by written notice to the Borrower) before 11:00 a.m., Guam time, on the date specified for payment. All payment instructions shall contain a written statement that the "payment is being made under Government of Guam Credit Agreement dated as of March 31, 1994" and otherwise shall not be treated as having been paid on the due date. Payments received after 11:00 a.m. Guam time, shall be deemed to be received on the next following Business Day.

Section 8.02 Application of Payments. All payments received by BOH pursuant to this Agreement or the Note other than pursuant to Sections 4.03 or 7.02 shall, regardless of the application designated by the Borrower, be applied: first, to any sum due and owing pursuant to Section 12.05; second, to any sum due and owing pursuant to Article VII of this Agreement; third, to any interest due and owing in respect of the Loan; fourth, to any other amounts due and owing under this Agreement (other than the Loan) and fifth, to the repayment of any principal due and owing on the Loan.

Section 8.03 Payments on Business Days. Whenever any payment to be made hereunder or under the Note would be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such adjustment of time shall in such case be included in the computation of the interest due on the applicable payment.

ARTICLE IX REPRESENTATIONS AND WARRANTIES

Section 9.01 Representations and warranties. The Borrower represents and warrants to BOH as follows:

(a) Power and Authority. The Borrower has full power, authority and legal right to execute and deliver this Agreement and the Note and the Pledge, and to perform its obligations under, and observe the provisions of, this Agreement, the Note, the Pledge and all other documents required or permitted to be executed or delivered by it in connection with this Agreement or the Note. The Borrower has full power and authority to borrow the full amount available under this Agreement.

(b) Governmental Authorization. The execution, delivery and performance by the Borrower of this Agreement and the Note have been duly authorized by all necessary or appropriate legislative, executive, administrative and other

governmental action. The Borrower has obtained, and will maintain in full force and effect, all Governmental Approvals that may be necessary or advisable to authorize the execution and delivery of this Agreement, the Note, the Pledge, the repayment of the Advance and for the validity and enforceability against the Borrower of this Agreement, the Note and the Pledge. No other authorization or approval or other action by, and no notice to or filing with, any Governmental Agency is required for the due execution, delivery and performance by the Borrower of this Agreement, the Note and the Pledge.

(c) Due Execution. This Agreement has been duly executed and delivered by it and constitutes, and the Note and the Pledge when executed and delivered by it will constitute, legal, valid and binding obligations of the Borrower and of the Territory of Guam, enforceable against the Borrower and against the Territory of Guam in accordance with their respective terms and this Agreement is, and the Note and Pledge when executed and delivered by it hereunder will be, in proper legal form for enforcement in the Territory of Guam.

(d) Direct Obligation, Etc. This Agreement and the Note (and each payment obligation of the Borrower hereunder and thereunder) is a direct, unconditional and general obligation of the Territory of Guam and carries the full faith and credit of the Territory of Guam.

(e) No Tax. Under the law of the Territory of Guam presently in effect there is no Tax levied or made by the Territory of Guam or any political subdivision or taxing authority thereof or therein either (i) on or by virtue of the execution or delivery of this Agreement or the Note or (ii) on any payment of principal, interest, fees or other amounts to be made by the Borrower pursuant to this Agreement.

(f) No Stamp Tax. No stamp taxes or similar taxes are now due or, under the present laws of the Territory of Guam could in the future become due, in connection with the execution, delivery, performance and enforcement of this Agreement, the Note and the Pledge.

(g) No Immunity. Under the law of the Territory of Guam the Borrower is subject to civil and commercial law with respect to its obligations under this Agreement, the Note and the Pledge, and the execution, delivery and performance of this Agreement, the Note and the Pledge constitute private and commercial rather than governmental or public acts. Under the law of the Territory of Guam the waiver by the Borrower both of its right of immunity from jurisdiction and from execution and

attachment on the grounds of sovereignty, as set forth in Section 12.03 (d) of this Agreement, is valid and binding and is enforceable against the Borrower and its Property.

(h) Consent to Jurisdiction. The Borrower's consent to the jurisdiction of territorial and Federal courts sitting in Guam with respect to matters arising from this Agreement, as set forth in Section 12.03, and the provision that the law of the Territory of Guam shall govern this Agreement, as set forth in Section 12.06, are binding and enforceable against it.

(i) No Event of Default. No event has occurred and is continuing which constitutes, or which with the giving of notice or the lapse of time (or both) would constitute, an Event of Default, and no event of default will occur under any agreement to which it is a party by the execution and delivery of this Agreement, the Note or the Pledge or consummation of the transactions contemplated under this Agreement or the Note or the Pledge.

(j) No Consent of Creditors Required. No consent or approval of, or notice to, any of the Borrower's creditors is required by the terms of any agreement to which it is a party in order for the execution, delivery or the performance of its obligations under this Agreement, the Note, or the Pledge or the consummation of the transactions contemplated in this Agreement, the Note or the Pledge.

(k) No Litigation. There are no actions, proceedings or claims pending, or to the best of the Borrower's knowledge threatened, against it which might have a materially adverse effect on its condition or impair its ability to perform its obligations under this Agreement, the Note or the Pledge, or prevent the consummation of the transactions contemplated in this Agreement, the Note, or the Pledge and there are no material actions or proceedings pending against it relating to Indebtedness of the Borrower.

(l) No Breach. Neither its execution or delivery of this Agreement, the Note or the Pledge, nor the fulfillment of its obligations under, nor the consummation of the transactions contemplated in, this Agreement, the Note or the Pledge will (i) conflict with, violate or result in a breach of, any provision of the constitution or any applicable law or administrative procedure; (ii) conflict with, violate or result in a breach of any provision of any law, regulation or court order applicable to it; (iii) conflict with, result in a breach of, constitute a default under, or accelerate the performance required by, any contract or other agreement to which it is a party or by which it or any of its Property is or may be bound

or entitle any party to any such contract or agreement to terminate or modify such contract or agreement; or (iv) result in the creation or imposition of any Encumbrance upon any Property of the Borrower.

(m) No Encumbrance. None of the Property of the Borrower is subject to any Encumbrance securing Indebtedness of the Borrower, except Indebtedness secured as permitted by Section 10.02.

(n) Pari Passu. The obligations of the Borrower under this Agreement and the Note to pay the principal of and interest on the Note and any other amounts due under this Agreement or the Note in accordance with the terms hereof or thereof constitute direct, unconditional and general obligations of the Borrower and will rank at least pari passu (whether in respect of priority of payment, security or otherwise, including any preferential arrangement to provide for the payment of Indebtedness of the Borrower) with all other Indebtedness of the Borrower, except Indebtedness secured as permitted by Section 10.02.

(o) Officers. Each of the officers or representatives of the Borrower who has executed or delivered this Agreement is and each of its officers or representatives who will execute or deliver the Note and any other documents to be executed or delivered by the Borrower in connection with this Agreement or the Note, at the time of such execution, endorsement or delivery will be, duly and properly in office and fully authorized to execute or deliver this Agreement, such Note or such other document, as the case may be on behalf of the Borrower.

Section 9.02 Repetition of Representations and Warranties. Each of the representations and warranties set forth in Section 9.01 shall be deemed to be repeated on each Payment Date as if made on such date.

ARTICLE X COVENANTS

Section 10.01 Affirmative Covenants of the Borrower. The Borrower covenants that during the Term of this Agreement:

(a) It will do and cause to be done all things necessary to (i) comply with all laws and regulations applicable to it and (ii) ensure the obtaining and continuance of all Governmental Approvals which may at any time be required with respect to this Agreement, the Note, the Pledge and any amendment hereto or thereto.

(b) It will notify BOH as soon as possible, and in any event within five Business Days after its occurrence, of each Event of Default or each condition or event which with lapse of time or the giving of notice (or both) would become an Event of Default, in the form of a statement setting forth in reasonable detail the nature and scope of such Event of Default, condition or event and the steps it is taking to remedy the same (if capable of remedy).

(c) It will ensure at all times that its obligations hereunder rank at least pari passu (whether in respect of priority of payment, security or otherwise, including any preferential arrangement to provide for the payment of indebtedness of the Borrower) with all its other indebtedness now or hereafter outstanding, except Indebtedness secured as permitted by Section 10.02.

(d) It will furnish to BOH such financial, statistical and general information about the Borrower as BOH may from time to time reasonably request.

(e) It will use the proceeds of the Loan in the manner described in Section 2.01.

Section 10.02 Negative Covenants. The Borrower covenants that during the Term of this Agreement it will not, without the prior written consent of BOH:

(a) create or permit the creation of, or suffer to exist, any Encumbrance of any nature whatsoever in respect of any of its Property, or incur Indebtedness which gives priority rights other than:

(i) Encumbrances imposed pursuant to an order of attachment, distraint or similar legal process arising in connection with court proceedings, provided that the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested at the time in good faith by appropriate proceedings;

(ii) nonconsensual priority rights which are created on the ordinary course of the Borrower's activities by operation of law, including, without limitation, rights of set-off with respect to deposits maintained by the Borrower with financial institutions and banker's liens with respect to Property of the Borrower held by financial institutions, provided that no such rights have been exercised by the holder or beneficiary thereof;

(iii) mortgages or pledges in favor of vendors upon Property purchased for operations in its course of business, representing the unpaid purchase price of such Property, provided that such Encumbrances do not extend to any other of its Property;

(iv) mortgages or pledges affecting Property specified in the preceding subparagraph in favor of financial creditors to secure loans granted to cancel the unpaid purchase price of such Property;

(v) Encumbrances existing on the date hereof or the date of any Disbursement as disclosed to the BOH; and

(vi) Encumbrances created or existing in connection with the obligations or indebtedness of autonomous agencies of the Borrower;

or

(b) take any such action that would adversely affect its financial condition or impair its ability to repay its obligation to BOH under this Agreement or the Note.

ARTICLE XI EVENTS OF DEFAULT

Section 11.01 Events of Default. If any of the following events occurs and is continuing (herein an "Event of Default"):

(a) the Borrower fails to pay when due any amount of principal of, or any interest on the Advance, or fails to pay any other amount payable under this Agreement or the Note within five calendar days after the date on which the same is due and payable; or

(b) the Borrower fails to perform or duly observe any other term, covenant or agreement contained in this Agreement, the Note or the Pledge to be performed or observed by it and any such failure (other than a failure to fulfill any of the covenants set forth in Sections 10.01(a), (c) or (e), or Section 10.02, which shall constitute an Event of Default upon the occurrence thereof) shall remain unremedied for five calendar days after notice thereof is given to the Borrower by BOH; or

(c) any representation or warranty made or deemed to have been made by the Borrower (or any of its officers or representatives) under or in connection with this Agreement,

the Note or the Pledge or in any document delivered or to be delivered hereunder proves to have been incorrect, incomplete or misleading in any material respect when made or when deemed to have been made; or

(d) this Agreement, the Note or the Pledge for any reason ceases to be binding upon and enforceable against the Borrower in accordance with its terms or the binding effect or enforceability hereof or thereof shall be contested by the Borrower, or the Borrower shall deny that it has any further liability or obligation under this Agreement, the Note or the Pledge before the Advances have been completely repaid; or

(e) the Borrower or any Government Agency is or becomes unable to pay its debts when due (whether at scheduled maturity or by required prepayment, acceleration, demand or otherwise), or makes or files voluntarily, or there is filed against it, whether by means of petition, answer or otherwise (1) a petition in bankruptcy; (2) a petition, liquidation, dissolution, arrangement, readjustment of its debts, or any other relief under any applicable bankruptcy, insolvency, reorganization, or similar law now or hereafter existing affecting creditors' rights generally or for the relief of, or relating to, debtors; (3) an application for the process of controlled administration or preliminary concordat; (4) a petition or application for the appointment of a liquidator, receiver, assignee, trustee, intervenor or similar official for it or for all or a substantial part of its Property; (5) an assignment for the benefit of creditors; (6) an admission in writing of its inability to pay its debts; or (7) a warrant of attachment against all or a substantial part of its Property; and, in any such case where such event is not initiated by or on behalf of the Borrower or such Governmental Agency, such initiative is not set aside or withdrawn or ceases to be in effect within ten (10) days after its inception; or

(f) one or more judgments or orders for the payment of money aggregating in excess of \$1,000,000 (or its equivalent in another currency) is rendered against the Borrower or any Governmental Agency and any such judgment or order continues unsatisfied and in effect for a period of ten calendar days unless such judgment or order is appealed in good faith by the Borrower; or

(g) any Governmental Approval which is necessary for the fulfillment of any obligation under this Agreement, the Note, or the Pledge is revoked, withdrawn, modified or withheld or otherwise fails to remain valid and subsisting in full force and effect; or

(h) there occurs any material adverse change in the overall financial condition of the Borrower, or any Governmental Agency or court takes any action which adversely affects the Borrower's condition or ability to fulfill its obligations under this Agreement or the Note; or

(i) the obligation of the Borrower under this Agreement or under the Note cease to be direct, general obligations of the Territory of Guam, or cease to carry the full faith and credit of the Territory of Guam; or

then, and in any such event BOH may, at its option, (i) terminate the Commitment, whereupon the same shall forthwith terminate, and (ii) declare the Advances, all interest accrued and unpaid relating thereto and all other amounts payable under this Agreement and the Note to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

Section 11.02 Losses and Expenses. If pursuant to Section 11.01 any amount is declared due and payable, and without limiting the rights of BOH under Section 12.07, the Borrower shall indemnify BOH for (i) all losses and expenses which BOH may sustain or incur as a consequence of the default by the Borrower in the payment of any amount due to BOH under this Agreement or under the Note, including, without limitation, all sums (whether in respect of principal, interest, premium or otherwise) paid to lenders of funds borrowed by BOH in order to maintain the amount of any such unpaid amount, and (ii) all losses and expenses which BOH may sustain or incur as a consequence of any repayment of its Loan or any part thereof other than on a Payment Date.

ARTICLE XII MISCELLANEOUS

Section 12.01 Amendments. No provision of this Agreement, the Note, or the Pledge may be amended, supplemented or modified, except with the written consent of the Borrower and BOH.

Section 12.02 No Waiver; Remedies Cumulative. None of the terms and conditions of this Agreement, the Note or the Pledge may be waived except with the written consent of BOH. No failure or delay on the part of BOH in exercising any right, power or remedy under this Agreement, the Note or the Pledge shall operate as a waiver thereof nor shall any single or partial exercise of any such right, power or remedy preclude

any other or further exercise thereof or the exercise of any other such right, power or remedy. The rights and remedies provided in this Agreement, the Note and the Pledge are cumulative and not exclusive of any rights or remedies provided by law or in equity.

Section 12.03 Course of Dealing. Except as otherwise expressly provided in this Agreement, a notice to or demand on the Borrower shall be considered sufficient as notice or demand with respect to subsequent regularly recurring instances.

Section 12.04 Notices, Etc. Except as otherwise provided herein, all notices, requests, demands or other communications between the parties hereto shall be by facsimile or other writing addressed, in the case of any such communication:

(a) To the Borrower:

Officer of the Governor,
Territory of Guam
P.O. Box 2950
Agana, Guam 96910
Attention: Mr. Carl W. Taitano
Telephone: 477-8931
Facsimile: 477-4826

with copy to:

Department of Administration
Post Office Box 884
Agana, Guam 96910
Attention: Mr. Wilfred Aflague
Facsimile: 477-6788

(b) To BOH:

Bank of Hawaii
Guam Branch
P.O. Box BH
Agana, Guam, 96910
Attention: Andy Jordanou
Telephone: 477-9309
Facsimile: 477-6994

or to such other address or facsimile number as each party may designate by written notice to the other party. All such communications shall be effective (i) if by facsimile, on the date of transmission, and (ii) unless otherwise provided in

this Agreement, on the date of receipt if delivered personally or by the mails.

Section 12.03 Consent to Jurisdiction; Waiver of Immunities.

(a) The Borrower agrees that any action or proceeding relating in any way to this Agreement, the Note or the Pledge may be brought and enforced in the courts of the Territory of Guam, United States, or of the United States of America for the District of Guam, and irrevocably submits to the nonexclusive in personam jurisdiction of each such court.

(b) The Borrower agrees that a final judgment (a certified copy of which shall be conclusive evidence of the amount of any indebtedness of the Borrower arising out of, or relating in any way to, this Agreement, the Note or the Pledge) against the Borrower in any action, proceeding or claim arising out of, or relating in any way to, this Agreement, the Note, and the Pledge shall be conclusive and may be enforced by suit on the judgment in any court lawfully entitled to entertain such suit.

(c) The Borrower recognizes that the remedies of BOH specified in this Section are not exclusive and that the exercise of any such remedy shall not preclude BOH from pursuing other remedies available to it in any competent court.

(d) The Borrower hereby irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, attachment and execution, both before and after judgment, to which it might otherwise be entitled in any action or proceeding in the courts of the Territory of Guam, of the United States for the District of Guam, or of any other jurisdiction, relating in any way to this Agreement or the Note or the Pledge, and agrees that it will not raise or claim any such immunity at or in respect of any such action or proceeding.

Section 12.04 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of each party hereto and its respective successors and assigns, except the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of BOH, which may be withheld for any reason. BOH may at any time, without notice, either prior or subsequent, to the Borrower, assign or participate all or any part of its rights and benefits hereunder or under the Note to any Person. BOH may disclose to a potential assignee, transferee or participant

or any other Person proposing to enter into contractual arrangements with BOH in relation to this Agreement, such financial or other information about the Borrower as it shall think fit. To the extent of such assignment, such assignee shall have the same rights and benefits against the Borrower as it would have if it were BOH. The Borrower shall, at the request of any assignee, promptly execute and deliver to such assignee, or to such party or parties as such assignee may designate, a new Note in accordance with the terms of such assignment or participation, and any and all further instruments as may in the opinion of such assignee necessary to give full force and effect to such assignment or participation, provided, that the Borrower shall not bear or be responsible for any cost connected with any such assignment or participation.

Section 12.05 Costs and Expenses. The Borrower shall reimburse BOH for all costs and expenses incurred by BOH (including, without limitation, attorneys' fees and expenses and allocated costs of in-house counsel) in connection with the preservation of any rights of BOH, or the enforcement of, or legal advice in respect of, the rights and responsibilities Bank under this Agreement, the Note, the Pledge and the other instruments and documents to be delivered hereunder.

Section 12.06 Governing Law. This Agreement and the Note shall be governed by and construed and interpreted in accordance with the law of the Territory of Guam.

Section 12.07 Severability of Provisions. Any provision hereof or of the Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 12.08 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

Section 12.09 Survival. The obligation of the Borrower to make all payments of interest, fees, taxes and other amounts (except principal amounts) under this Agreement and to provide tax receipts pursuant to Section 7.01 shall survive the repayment of the Advances (subject to mandatory limitation periods provided for by applicable law).

Section 12.10 Effectiveness. This Agreement shall be effective upon execution and delivery thereof by the Borrower and BOH.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

BANK OF HAWAII

By _____

Its **ANDREAS (ANDY) JORDANOU**
Vice President & Manager

**GOVERNMENT OF THE
TERRITORY OF GUAM**

By _____

JOSEPH F. ADA
Governor of the Territory
of Guam

"Borrower"

EXHIBIT A

FORM OF NOTICE OF DRAWDOWN

To: Bank of Hawaii
Guam Branch

We refer to the Credit Agreement dated as of _____, 1994 (the "Credit Agreement") between the Government of the Territory of Guam and Bank of Hawaii. Terms used herein have the meanings set forth in the Credit Agreement, unless otherwise stated herein. We hereby:

(a) give you notice, irrevocably, that we request a Disbursement under the Credit Agreement in the amount of U.S.\$_____ on _____ 19____, and confirm that such date will be the Disbursement Date for such Disbursement; and

(b) confirm as follows, both as of the date hereof and as of the Disbursement Date: (i) the representations and warranties of the Borrower contained in the Credit Agreement are and shall be correct on and as of the date of this Notice and as of the Disbursement Date, as though made on and as of each such date; and (ii) no event has or will have occurred and is or shall be continuing, or would result from the Disbursement, which constitutes an Event of Default (as defined in the Agreement) or an event which with the giving of notice or lapse of time (or both) would constitute an Event of Default; and

(c) instruct you to transfer the amount of the Disbursement directly to our account no. _____ with _____.

(d) instruct you to issue a cashiers check made payable to the Government of Guam in the amount of the Disbursement.

(e) confirm that the Interest Period for the Advance shall be three/six months and that the applicable interest rate for the Advance shall be the TCD Rate/Treasury Bill Rate.

Dated _____, 19____

By: _____
NAME:
TITLE:

EXHIBIT B
FORM OF PROMISSORY NOTE
MASTER NOTE

\$6,000,000.00

_____, 1994

Agana, Guam

For value received, the GOVERNMENT OF THE TERRITORY OF GUAM hereby promises to pay to the order of BANK OF HAWAII, a Hawaii corporation authorized to transact business within the Territory of Guam, ("Lender") at its offices in Agana, Guam, or at such other place or to such other party as the holder of this Note may from time to time designate, the principal sum of SIX MILLION AND NO/100 DOLLARS (\$6,000,000.00) in lawful money of the United States, or so much thereof as may be advanced from time to time by the Lender, together with interest on the outstanding balances of principal from the date of each Advance.

1. Definitions. As used in this Note, the following terms shall have the following definitions:

a. "Advance or Advances" shall mean disbursements or advances made by Lender pursuant to or as authorized under the terms of the Credit Agreement.

b. "Business Day" shall mean a day of the year during which the Lender is open for business.

c. "Credit Agreement" shall mean that certain Credit Agreement bearing even date herewith between Borrower and Lender.

d. "Credit Documents" means all agreements and documents evidencing, securing or otherwise pertaining in any respect to the Advances or other extensions of credit evidenced by this Note.

e. "Interest Period" shall mean with respect to each advance, the period commencing on the date the Advance is made and ending on a date either three or six months following such commencement date (all as the Borrower shall select, subject to the provisions set forth below); provided that

(1) Each such selection shall be irrevocable for the period so selected;

(2) Each Interest Period shall be selected in such a way that no Interest Period shall extend beyond the maturity date of this Note;

(3) If any Interest Period ends on a day other than a Business Day, such Interest period shall extend to the next succeeding day that is a Business Day unless such succeeding day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(4) Any Interest Period that begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of such calendar month; and

(5) The Interest Period selected from time to time for any Advance shall apply to the full amount of such Advance.

f. "TCD Rate" during any Interest Period for any Advance shall mean an interest rate per annum equal to 90 basis points above the rate of interest paid by the Lender, on the Time Certificate of Deposit of the Lender pledged by Borrower as collateral for the Advance.

g. "TCD Rate Advance" means any Advance for which Borrower has selected the TCD Rate as the applicable interest rate for such Advance.

h. "Treasury Bill Rate" during any Interest Period for any Advance shall mean an interest rate per annum equal to 62-1/2 Basis points above the rate of interest paid by the U.S. Government on the US Treasury Bills pledged by Borrower as collateral for the Advance.

i. "Treasury Bill Rate Advance" means any Advance for which Borrower has selected the Treasury Bill Rate as the applicable interest rate for such Advance.

2. Selection of Applicable Interest Rate. At least two (2) Business Days prior to each advance made by Lender to Borrower under the Credit Agreement and pursuant to the request of Borrower made in accordance with the terms of the Credit Agreement, Borrower shall advise Lender in writing of its selection of either the TCD Rate or the Treasury Bill Rate (such selection must

include the duration of the initial Interest Period) as the applicable rate for the payment of interest on the Advance. Borrower may elect to change the interest rate applicable to a particular Advance by giving Lender written notice not less than two (2) Business Days prior to said change, which change shall not apply until the expiration of the then current Interest Period applicable to such Advance.

3. Agreements Relating to Interest Accruing.

a. For each TCD Rate Advance and Treasury Bill Advance, Borrower may elect to have either the TCD Rate or the Treasury Bill Rate be applicable to such Advance after the expiration of the then current Interest Period by giving notice of such election to Lender at least two (2) Business Days before the end of the immediately preceding Interest Period, which election must specify the duration of the next Interest Period (either three or six months). If Lender does not receive such a notice of election as to such Advance by such time, the Borrower shall be deemed to have elected to continue the existing applicable rate to the Advance at the expiration of the then current Interest Period.

b. The TCD Rate and the Treasury Bill Rate shall be available as to any Advance only to the extent that Borrower has pledged to Lender corresponding deposits in like form so that TCD Rate Advances are collateralized by TCD's and Treasury Bill Rate Advances are collateralized by Treasury Bills.

c. To the extent that Borrower has provided to Lender evidence satisfactory to Lender that the interest to be paid on the Advance shall not be subject to territorial, state or federal tax, the interest rate applicable to the Advance shall be adjusted at time of disbursement of the Advance as provided in the Credit Agreement.

d. To the extent that the interest rates applicable to any Advances are adjusted based on there existing tax exempt benefits to the Lender and subsequently the interest derived from the Advances is treated as taxable to the Lender, whether under territorial, state, or federal tax laws, the Borrower shall pay to the Lender, as additional interest, such additional amount as will fully compensate the Lender for the resulting loss of yield.

4. Advances.

a. Each Advance shall be in a minimum amount of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00); provided, however, that the total principal sum advanced and outstanding

hereunder shall not exceed at any one time SIX MILLION AND NO/100 DOLLARS (\$6,000,000.00).

b. The Lender's records evidencing the date of disbursement of any Advance, the principal amount of each such Advance and the amounts of all repayments of principal and payments of interest on each such Advance shall constitute prima facie evidence of the making and repayment of such Advance and of the payment of such interest. However, the Lender's making of erroneous notations in its records shall not affect the Borrower's obligation to repay outstanding balances of principal under this Note, and accrued interest thereon, as provided in this Note.

5. Payments of Principal and Interest.

a. Interest on the Advances shall be payable as follows:

i. As to each Advance with a term of three months, interest shall be due on the last day of the Interest Period.

ii. As to each Advance with a term of six months, interest shall be due on that date ninety days after disbursement and on the last day of the Interest Period.

b. Principal of each Advance is payable on the last day of the Interest Period.

c. Unless sooner prepaid, the entire outstanding principal balance, together with accrued interest, shall be due and payable on the _____ day of _____, 1995.

6. Prepayment. The Borrower shall not be permitted to make prepayment of the indebtedness evidenced by this Note, in whole or in part, at any time.

7. Payments. All payments on account of indebtedness evidenced by this Note shall be made not later than 3:00 P.M. on the day when due in lawful money of the United States and shall be first applied to interest on the unpaid principal balance and the remainder to principal. All computations of interest shall be made by Lender on the basis of a year of 360 days for the actual number of days occurring in the period for which such interest is payable.

8. Applicable Laws. This Note shall be governed by the laws of the Territory of Guam.

9. **Events of Default.** Each of the following events is an Event of Default under this Note: (a) the Borrower's failure to pay when due any sum payable to the Bank under this Note or the Credit Agreement, which default continues for five (5) days; or (b) the Borrower's failure to perform any other obligation of the Borrower to the Lender undertaken in any of the Credit Documents.

10. **Acceleration.** If any Event of Default shall occur and be continuing, all further obligations of the Lender to make further Advances shall immediately cease, and the entire principal sum and accrued interest thereon of all Advances made to Borrower shall, at the option of the holder of this Note, immediately become due and payable without further notice to Borrower.

11. **Lender's Expenses.** The Borrower will pay on demand all of the Lender's expenses, including reasonable attorneys' fees, arising out of or related to the protection or enforcement of the Lender's rights under this Note or any other of the Loan Documents, whether or not an Event of Default shall have occurred.

12. **Waivers.** The Borrower waives presentment, demand for payment, notice of dishonor, and any and all other notices or demands in connection with the delivery, acceptance, performance or enforcement of this Note, and consents to any extension of time (and even multiple extensions of time for longer than the original term), renewals, releases of any person or organization liable for the payment of this Note, and waivers or modifications or other indulgences that may be granted or consented to by the Lender in respect of the Advances evidenced by this Note.

13. **Severability.** If any provision of this Note is invalid or unenforceable, such invalidity or enforceability shall not affect any other provision of this Note that can be given effect. The provisions of this Note are severable.

BORROWER:

GOVERNMENT OF THE TERRITORY OF
GUAM

By: _____
JOSEPH F. ADA, Governor of the
Territory of Guam

EXHIBIT C

FORM OF CERTIFICATE OF THE BORROWER

To: Bank of Hawaii
Guam Branch

Re: Credit Agreement dated as of _____, 1994 (the
"Credit Agreement") between the Government of the
Territory of Guam (the "Borrower") and Bank of Hawaii.

CERTIFICATE

Pursuant to Section 3.01(c)(iii) of the referenced Credit Agreement, I hereby certify that the name, title and specimen signature of each person who has executed the Credit Agreement on behalf of the Borrower, or who has or will execute on behalf of the Borrower, the promissory note or any other document (other than this Certificate) in connection with the Agreement are as set forth below, and each such person is in office on the date hereof and thereunto duly authorized:

Name and Title:

Specimen Signature:

Unless and until the Borrower gives you notice of any change in this Certificate, you may continue to rely on this Certificate at all times as if this Certificate were dated on and as of the day of, and delivered at, each such time.

IN WITNESS WHEREOF, this certificate has been executed on and as of _____, 1994.

OFFICE OF THE ATTORNEY
GENERAL

BY: _____
ELIZABETH BARRETT ANDERSON
Attorney General

EXHIBIT D

FORM OF OPINION OF GUAM ATTORNEY GENERAL

To: Bank of Hawaii
Guam Branch

Re: Credit Agreement dated as of _____, 1994 (the
"Credit Agreement") between the Government of the
Territory of Guam (the "Borrower") and Bank of Hawaii.

Gentlemen:

This legal opinion is furnished to you pursuant to Section 3.01(b)(iv) of the referenced Credit Agreement (the "Agreement"). Terms used in this opinion which are defined in the Agreement shall have the meanings ascribed to them under the Agreement unless otherwise defined herein.

In my capacity as Attorney General for the Territory of Guam, I have acted as counsel for the Borrower in connection with the preparation, execution and delivery of the Agreement and the documents delivered thereunder.

In that connection, I have examined:

- (i) the Agreement;
- (ii) the form of promissory note to be delivered pursuant to Section 2.05 of the Agreement;
- (iii) the form of the pledge of deposits to be delivered pursuant to Section 6.01 of the Agreement; and
- (iv) the Organic Act, the statutes and other law of the Territory of Guam and such other documents, agreements and instruments, and such laws, rules, regulations, orders, writs, judgments, awards, injunctions, and the like, as I have deemed necessary as a basis for the opinions herein after expressed.

The opinions expressed herein are limited to questions arising under the laws of the Territory of Guam and does not purport to express and opinion on any question arising under the laws of any other jurisdiction.

Based upon the foregoing, and having regard for legal considerations which I deem relevant, I am of the opinion that:

(1) The Borrower is the government of Guam, duly constituted, validly existing and in good standing under the law of the Territory of Guam.

(2) The Borrower has full power, authority and legal right to execute and deliver the Agreement, the Note, the Pledge and all other documents required or permitted to be executed or delivered by it in connection with the Agreement and to perform and observe the terms and provisions of the Agreement, of the Note and of the Pledge.

(3) The Agreement has been duly executed and delivered by the Borrower and constitutes, and the Note and Pledge, when executed and delivered by the Borrower thereunder will constitute, legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms and the Agreement is, and the Note and Pledge when executed and delivered by the Borrower will be, in proper legal form for enforcement in the Territory of Guam.

(4) No Governmental Approvals are necessary to authorize the execution and delivery of the Agreement and the Note and Pledge or for the validity and enforceability against the Borrower of the Agreement or the Note and Pledge.

(5) Under the law of the Territory of Guam presently in effect there is no tax, levy, impost, deduction, charge or withholding imposed, levied or made by the Territory of Guam or any political subdivision or taxing authority thereof or therein either (i) on or by virtue of the execution or delivery of the Agreement or the Note or (ii) on any payment of principal amounts, interest, fees or other amounts to be paid by the Borrower pursuant to the Agreement. The Borrower is permitted to make all repayments of principal pursuant to the Agreement free and clear of all Taxes, and no such repayment in the hand of BOH, is subject to any tax, levy, impost, deduction, charge or withholding imposed by the Territory of Guam or any political subdivision or taxing authority therein or thereof.

(6) No stamp taxes or similar taxes are now due or, under the present laws of the Territory of Guam could in the future become due, in connection with the execution, delivery, performance and enforcement of the Agreement, the Note and the Pledge.

(7) The interest income to be received by BOH is not subject to territorial income taxation under the Internal Revenue Code as amended.

(8) Under the law of the Territory of Guam the Borrower is subject to civil and commercial law with respect to its obligations under the Agreement, Note and Pledge, and the execution, delivery and performance of the Agreement, the Note and the Pledge constitute private and commercial rather than governmental or public acts. Under the law of the Territory of Guam, neither the Borrower nor any of its Property has any right of immunity (before or after judgment) from jurisdiction or from execution and attachment in any jurisdiction on the grounds of sovereignty or otherwise in respect of any action or proceeding relating in any way to the Agreement, the Note and the Pledge.

(9) The consent of the Borrower to the jurisdiction of the courts of the Territory of Guam or of the United States of America sitting in Guam, with respect to matters arising from the Agreement, as contained in Section 12.05 of the Agreement, are binding and enforceable against it.

(10) No event has occurred and is continuing which constitutes, or which, with the giving of notice or the lapse of time or both, would constitute, an Event of Default and no event of default will occur under any agreement to which it is a party by the execution and delivery of the Agreement or consummation of the transactions contemplated under the Agreement, the Note or the Pledge.

(11) No consent or approval of, or notice to, any of the creditors of the Borrower is required by the terms of any agreement to which it is a party for the execution, delivery or the performance of its obligations under the Agreement, the Note, or the Pledge or the consummation of the transactions contemplated in the Agreement, the Note or the Pledge.

(12) There are no actions, proceedings or claims pending, or threatened against the Borrower or any Governmental Agency, which might have a materially adverse effect on its condition or impair its ability to perform its obligations under the Agreement or the Note or prevent the consummation of the transactions contemplated in the Agreement or the Note, and there are no material actions or proceedings pending against the Borrower or any Governmental Agency relating to Indebtedness of the Borrower or any Governmental Agency.

(13) Neither the execution or delivery of the Agreement, the Note or the Pledge by the Borrower, nor the fulfillment of the obligations of the Borrower under the Agreement, nor the

consummation of the transactions contemplated in, the Agreement, the Note or Pledge will (i) conflict with, violate or result in a breach of the Organic Act or other constitutive documents of the Borrower or any Governmental Agency; (ii) conflict with, violate or result in a breach of any provision of any law, regulation or court order applicable to the Borrower or any Governmental Agency; (iii) conflict with, result in a breach of, constitute a default under, or accelerate the performance required by, any contract or other agreement to which the Borrower or any Governmental Agency is a party or by which the Borrower or any Governmental Agency or any of their respective Property is or may be bound or entitle any party to any such contract or agreement to terminate or modify such contract or agreement; or (iv) result in the creation or imposition of any Encumbrance upon any Property of the Borrower or any Governmental Agency.

(14) None of the Property of the Borrower or any Governmental Agency is subject to any Encumbrance securing Indebtedness of the Borrower, except Indebtedness secured as permitted by Section 10.02 of the Agreement.

(15) The obligations of the Borrower under the Agreement and the Note to pay the principal of and interest on the Note and any other amounts due under the Agreement or the Note in accordance with the terms hereof or thereof constitute direct, unconditional and general obligations of the Borrower and of the Territory of Guam and will rank at least pari passu (whether in respect of priority of payment or security or otherwise including any preferential arrangement to provide for the payment of Indebtedness of the Borrower) with all other Indebtedness of the Borrower, except Indebtedness secured as permitted by Section 10.02 of the Agreement, and under the terms of the Agreement the Borrower has the obligation to cause its Indebtedness hereunder and under the Note to continue to rank during the term of the Agreement at least pari passu (whether in respect of priority of payment, security or otherwise) with all other Indebtedness of the Borrower except Indebtedness of the Borrower secured as permitted by Section 10.02 of this Agreement.

(16) Each of the officers or representatives of the Borrower who has executed or delivered the Agreement is, and each of its officers or representatives who will execute or deliver the Note, the Pledge and any other documents to be executed or delivered by the Borrower in connection with the Agreement, the Note or Pledge, at the time of such execution, endorsement or delivery will be, duly and properly in office and fully authorized to execute or deliver the Agreement, such Note, the Pledge or such other document, as the case may be, on behalf of the Borrower.

(17) The obligations of the Borrower under the Agreement and the Note and Pledge may be enforced (by judgment and levy) in the courts of the Territory of Guam and a final judgment against the Borrower for the payment of money obtained in the courts of the Territory of Guam, or of the United States of America sitting in Guam would be recognized, conclusive and enforceable in the courts of the Territory of Guam without reconsideration of the merits.

You may rely on this opinion on each Disbursement Date as if this opinion were dated on and as of the Disbursement Date, unless I give BOH prior written notice before such Disbursement Date of such change in this opinion.

Very truly yours,

OFFICE OF THE
ATTORNEY GENERAL

By: ELIZABETH BARRETT ANDERSON
Attorney General

EXHIBIT E

PLEDGE OF DEPOSIT

PLEDGE OF DEPOSITS

THIS Pledge of Deposits by and between the GOVERNMENT OF THE TERRITORY OF GUAM (the "Borrower"), and BANK OF HAWAII ("BOH"),

WITNESSETH:

WHEREAS the Borrower has requested BOH to establish a revolving credit line in favor of the Borrower in the amount of Six Million United States Dollars (US\$6,000,000) to provide Borrower with additional funds during periods of eminent cash shortages consistent with the terms of 5 GCA §22413 (a); and

WHEREAS the Borrower has entered into a Credit Agreement with BOH dated _____, 1994 (the "Agreement") whereby BOH will extend from time to time the Advances of credit, as defined in the Agreement, to Borrower; and

WHEREAS, Borrower will evidence its obligation to repay the Advances under the terms and conditions of the Agreement by the execution and delivery of the Note as defined in the Agreement; and

WHEREAS BOH is willing to establish such credit only upon Borrower securing its obligations under the Agreement and Note by pledging to BOH certain funds of Borrower upon the terms and conditions set forth in this Pledge of Deposits;

NOW, THEREFORE, in consideration of the Loan to Borrower by BOH, and in order to induce BOH to make the Advances under the Agreement and Note to Borrower, the Borrower agrees as follows:

14. Security Interest. That as security for all indebtedness and other liabilities of the Borrower to BOH pursuant to the Agreement and the Note, now or hereafter existing and whether absolute or contingent, including without limitation all continuing and future Advances which BOH has agreed to make by reason of the Agreement, and to secure all other obligations of Borrower herein described (the "Obligations") Borrower hereby pledges and assigns to BOH and grants to the BOH a security interest in the following collateral (being hereinafter referred to as the "Collateral"):

- (a) all sums now and hereafter deposited with BOH as time certificates of deposit or United States treasury bills

issued in the name of Borrower (the "Accounts") as described in Schedule A annexed hereto and as subsequently noted on the attached Schedule A and all certificates, receipts, advices and instruments, if any, now and from time to time hereafter representing or evidencing the Accounts;

- (b) all certificates of deposit, advices of deposit, deposit receipts and other instruments from time to time hereafter delivered to or otherwise possessed by BOH for Borrower or on Borrower's behalf in substitution for or in addition to any or all of the then existing Collateral; and
- (c) all rights, benefits, proceeds, interest, cash and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for, and all proceeds of, any or all of the then existing Collateral.

Upon the opening of each Account with BOH Borrower shall sign the notation on Schedule A hereto indicating the Account Number.

15. Warranties by Borrower. The Borrower warrants and represents with respect to the Collateral (and jointly and severally with respect to each instrument, document or chattel paper which comprises any portion of the Collateral) that:

(a) The Borrower is the absolute owner of said Collateral and said Collateral is not subject to a prior assignment, claim, lien or security interest; and

(b) The Borrower has full power, authority and legal right to execute and deliver this Pledge, and to perform its obligations under, and observe the provisions of the Pledge and all other documents required or permitted to be executed or delivered by it in connection with this Pledge.

Each of the representations and warranties set forth in above shall be deemed to be repeated for all Collateral at the time of deposit or opening of the Account with BOH as if made on such date.

3. Negative Covenants. Borrower shall not (i) sell, transfer or otherwise dispose of any of the Collateral, or (ii) create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Collateral, except for the security interest under this Pledge.

4. Affirmative Covenants. Until payment in full of the Obligations, Borrower agrees that:

- (a) It will maintain the Collateral with BOH;
- (b) It shall be a term and condition of the Collateral, notwithstanding any term or condition to the contrary in any other agreement relating to the Collateral that no amount (including interest on the Collateral) shall be paid or released to or for the account of, or withdrawn by or for the account of, the Borrower any other person or entity; and
- (c) It shall renew the Collateral upon the expiration of each fixed period for which the Collateral (and any certificates or time deposits constituting any portion thereof) is made, failing which BOH may on each maturity date of any portion of the Collateral automatically extend the maturity date of, or renew, the Collateral (and any certificates or time deposits continuing any portion thereof) for a further period equal to the original period of the Collateral. Renewal shall be at such interest rate as BOH is then offering for deposits similar in duration and amount to the Collateral. All renewed, replacement and revised certificate of deposit shall be subject to the terms of this Pledge.

5. Liens. The Borrower shall pay prior to delinquency any and all taxes, charges, liens and assessments against the Collateral, and upon the failure of Borrower to do so BOH at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same.

6. Custody of Collateral. BOH shall exercise reasonable care in the custody of any Collateral in its possession or control, but shall be deemed to have exercised reasonable care if such Collateral is accorded treatment substantially equal to that which the BOH accords to its own property (it being expressly understood that the BOH shall have no responsibility for ascertaining or taking action with respect to calls, conversions, renewals, exchanges, maturities, reinvestments or other matters relative to any Collateral and whether or not the BOH has or is deemed to have knowledge of such matters), or if the BOH shall take such action with respect to the Collateral as the Borrower

shall reasonably request in writing, but no failure to comply with such request nor omission to do any such act requested by the Borrower shall be deemed a failure to exercise reasonable care, nor shall any failure of the BOH to take necessary steps to preserve rights against any parties with respect to any Collateral in its possession or control be deemed a failure to exercise reasonable care.

7. Release of Collateral. Notwithstanding the provisions of this Pledge, upon payment in full of any Advance under the Note and Agreement, and provided that Borrower is not in default under the Agreement, the Note or this Pledge, BOH shall release to Borrower the time certificate of deposit or treasury bill which is in the same amount as the paid Advance and of which the Advance bore the corresponding interest rate. Said release shall occur at maturity of the time certificate of deposit or treasury bill, as the case may be, unless Borrower pays such early withdrawal penalties as are applicable to said deposit provided, however, that in all events the principal amount of all collateral hereunder shall always equal or exceed the total outstanding principal of all Advances and accrued interest thereon.

8. Fees and Costs. The Borrower will pay to the BOH, as soon as incurred, all costs and expenses, including attorneys' fees, related or incidental to the care, holding, taking, collection of or realization upon any of the Collateral or relating or incidental to the establishment or preserving or enforcement of any of the rights of the BOH hereunder or in respect of any of the Collateral and obtaining legal advice with regard to any of the foregoing. Net proceeds of the Collateral resulting from sale, collection or otherwise, may be applied by the BOH, before or after default, to the satisfaction or reduction of the Obligations or costs or expenses as the BOH may see fit, whether or not matured.

9. Extension, and Releases. All rights of the BOH and liens of the BOH hereunder shall continue unimpaired and the Borrower shall remain bound by the Obligations in accordance with the terms thereof, notwithstanding the release or substitution of any Collateral or any rights or interest therein, or any delay, extension of time, renewal, compromise, or other indulgence granted by the BOH with reference to any of the Obligations or any instrument given in connection therewith or constituting a part of the Collateral, the Borrower hereby waiving all notice of any such delay, extension, release, substitution, renewal, compromise or other indulgence and hereby consenting to be bound as fully and effectually as if the Borrower had expressly agreed thereto in advance.

10. Redelivery. BOH may at any time deliver the Collateral or any part thereof to Borrower and the receipt of Borrower shall be a complete and full acquittance for the Collateral so delivered, and BOH shall thereafter be discharged from any liability or responsibility therefor.

11. Continuing Agreement. This is a continuing Security Agreement and all the rights, powers and remedies hereunder shall apply to all past, present and future indebtedness of Borrower to BOH that arising under successive transactions which shall either continue the Obligations, increase or decrease it, or from time to time create new indebtedness after all or any prior Obligations have been satisfied, notwithstanding any event or proceeding affecting Borrower.

12. General Provisions. Time is of the essence of this Agreement; provided however, no act, delay, omission or course of dealings between Borrower and BOH will be a waiver of any of BOH's rights or remedies under this Agreement. No waiver, change, modification or discharge in whole or in part of this Agreement will be effective unless in a writing signed by BOH. A waiver by BOH of any rights or remedies under the terms of this Agreement, or with respect to any Obligations secured hereby on any occasion will not be a bar to an exercise of any right or remedy on any subsequent occasion. If any provision of this Agreement is invalid or unenforceable under any law, such invalid or unenforceable provision will be totally ineffective to that extent, but the remaining provisions of this Agreement will be unaffected thereby. The section headings used in this Agreement are for convenience only, and are to be given no substantive meaning or significance in construing the terms and provisions of this Agreement. This Agreement shall be interpreted in accordance with the laws of the Territory of Guam.

13. Default. In the event of the Borrower failing to observe and comply with the terms and conditions of the Agreement or failing to observe and comply with the terms and conditions hereof; or upon non-payment of principal or interest of any of the Obligations; or in the case of any Event of Default as defined in the Agreement or the Note, then and in any such case:

- (a) BOH may, without notice to Borrower (which is hereby waived) charge, set-off and otherwise apply all or any part of the Obligations against any or all of the Collateral;
- (b) BOH may, without notice to Borrower (which notice is hereby waived) withdraw any monies from the accounts constituting the Collateral, and Borrower agrees to pay any penalties or other charges for early withdrawal

which may apply to any such withdrawal from the accounts;

- (c) Any cash held by BOH as Collateral and all cash proceeds received by BOH in respect of any sale of, or collection from, or other realization upon, all or any part of the Collateral may, in BOH's discretion, then or at any time thereafter be applied in whole or in part by BOH against all or any part of the Obligations in such order as BOH shall elect; and
- (d) BOH may also exercise in respect of the Collateral in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party under the Uniform Commercial Code in effect in the Territory of Guam at that time. BOH's rights herein are cumulative and in addition to any and all of its rights or remedies BOH may have at law and in equity, whether given by statute or otherwise.

14. Additional Documents. Borrower agrees that at any time and from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action that BOH may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable BOH to exercise and enforce its rights and remedies hereunder with respect to any Collateral, and Borrower hereby authorizes BOH, with full authority, from time to time in its discretion to take any action and to execute any instrument or document which it may deem necessary or advisable to accomplish the purposes of this Pledge.

15. Continuing Interest. This Pledge shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until payment in full of the Obligations, (ii) be binding upon the Borrower and its successors and assigns, and (iii) inure to the benefit of BOH and its respective successors, transferees and assigns. Upon the payment in full of the Obligations Borrower shall be entitled to the return upon Borrower's request and at its expense, of such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

16. Waivers. Borrower hereby waives notice of presentment, demand for payment, or protest of its debts or the obligations of any person, firm, or corporation held by BOH as collateral security for the debts of Borrower or the debts of any party related to Borrower. The Borrower hereby irrevocably waives, to the fullest extent permitted by applicable law, all

immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, attachment and execution, both before and after judgment, to which it might otherwise be entitled in any action or proceeding in the courts of the Territory of Guam, of the United States for the District of Guam, or of any other jurisdiction, relating in any way to this Pledge or the Obligations, and agrees that it will not raise or claim any such immunity at or in respect of any such action or proceeding. BOH shall be under no duty or obligation whatsoever to: (i) make or give any presentments, demands for performances, notices of nonperformance, protests, notices of protest or notices of dishonor in connection with any obligations or evidences of indebtedness held by BOH in connection with any obligation or evidences of indebtedness which constitute in whole or in part the Obligations secured hereby; or (ii) give notice of, or to exercise any rights or privileges relating to or affecting any Collateral held by you, all of which notices and demands Borrower hereby waives; or (iii) proceed against any person; or (iv) proceed against or exhaust any Collateral; or (v) pursue any other remedy in its power.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this _____ day of _____, 1994.

BANK OF HAWAII

**GOVERNMENT OF THE
TERRITORY OF GUAM**

By _____

By _____

Its

JOSEPH F. ADA
Governor of the Territory
of Guam

"Borrower"

RDD:kkp
010028-NEW
3/9/94

NOTICE OF DRAWDOWN

To: Bank of Hawaii
Guam Branch

We refer to the Credit Agreement dated as of March 31, 1994 (the "Credit Agreement") between the Government of the Territory of Guam and Bank of Hawaii. Terms used herein have the meanings set forth in the Credit Agreement, unless otherwise stated herein. We hereby:

(a) give you notice, irrevocably, that we request a Disbursement under the Credit Agreement in the amount of U.S. \$ 6,000,000 on 6/8 1994, and confirm that such date will be the Disbursement Date for such Disbursement; and

(b) confirm as follows, both as of the date hereof and as of the Disbursement Date: (i) the representations and warranties of the Borrower contained in the Credit Agreement are and shall be correct on and as of the date of this Notice and as of the Disbursement Date, as though made on and as of each such date; and (ii) no event has or will have occurred and is or shall be continuing, or would result from the Disbursement, which constitutes an Event of Default (as defined in the Agreement) or an event which with the giving of notice or lapse of time (or both) would constitute an Event of Default; and

(c) instruct you to transfer the amount of the Disbursement directly to our account no. _____ with _____.

(d) instruct you to issue a cashiers check made payable to the Government of Guam in the amount of the Disbursement.

(e) confirm that the Interest Period for the Advance shall be three/six months and that the applicable interest rate for the Advance shall be the TCD Rate/Treasury Bill Rate.

Dated June 6, 1994

By: W. L. O'Flynn

NAME:

TITLE: Director, Dept. of Administration.

69403334

AUTHORIZATION TO PURCHASE/SELL SECURITIES

**TO: Bank of Hawaii
Investments Dept. #244
P. O. Box 2900
Honolulu, Hawaii 96846-6000**

You are authorized to purchase or sell for my account and risk such investments as I may instruct. Until otherwise notified, the following individual(s) are authorized to make investment transactions on my behalf, either in person, by letter, or by telephone:

Name: WILFRED G. AFLAGUE or
Name: CARL W. THITAND or
Name: _____

for the account of: GOVERNMENT OF GUAM

In settlement of the investment purchase or sale for the above account, you are authorized to charge or credit my Bank of Hawaii deposit account, number CUSIP 912794M92. It is understood that sufficient collected funds will be on deposit to cover such charges.

I understand that Bank of Hawaii is acting as my agent in executing my transactions, and that the bank cannot advise me on my investments. I am also aware that I am to furnish you with reinvestment instructions at least one day prior to maturity. In the absence of instructions, you will credit the proceeds to the above listed account at maturity.

You are authorized to take delivery and arrange safekeeping of securities purchased for my account through such agents as you customarily use for similar transactions on your behalf.

Tax I.D. #: 98-0018947
W. G. Aflague Director DOTA 6/8/94
Name Title Date

Name Title Date

Address: _____ Phone No. _____

SCHEDULE A

(Pledge Of Deposits - BOH and Government of Guam)

ACCOUNT NUMBER

CUSIP:912794M92

SIGNATURE OF BORROWER

W. L. O'Flynn

h Bank of Hawaii

Receipt No. **6072060**

TIME DEPOSIT ACCOUNT

Date June 7, 1994

Branch Name Guam

Branch No. 838

Account Name GOV'T OF GUAM

(TOURIST ATTRACTION FUND)

annual percentage yield 2.

Amount \$ 3,943.74 Interest Rate 2.30 % (per annum)

Term 86 days Maturity Date Sept. 1, 1994

Source of Deposit TEL-120 (IBD dept.)

NO RIGHT IN, OR TITLE TO, THIS TIME DEPOSIT ACCOUNT, SHALL BE TRANSFERABLE BY ANY MEANS (INCLUDING A SECURITY ASSIGNMENT), UNLESS TRANSFER IS FIRST RECORDED ON THIS BANK'S RECORDS AND A FULLY EXECUTED ASSIGNMENT AND NOTICE FORM, WHICH THIS BANK WILL PROVIDE, IS DULY EXECUTED AND DELIVERED TO THIS BANK.

AT MATURITY Authorized Signature

Interest Payment Frequency

Interest Payment Method:

- Add interest to time deposit account.
- Credit interest to Bankoh account number _____
- Mail interest check to address on file.

At Maturity:

- Renew my account automatically.
- Do not automatically renew my account.

- Transfer principal plus interest to Bankoh account number _____
- Other HOLD AT BRANCH

JU. [Signature]

Customer Receipt

Member FDIC

FAX: 671-477-69

Attn: Andy Jordano

1 Govt YA

dg15 Govt YA

DISCOUNT / YIELD ANALYSIS CUSIP:912794M92
 TREASURY BILL B 09/01/94 4.1 / 4.08 (4.20 / 18) BGN @15:16
 DISCOUNT [REDACTED] SETTLEMENT DATE [REDACTED]
 MATURITY: 9/1/94 86 DAYS TO MATURITY ISSUE: 3/3/94

PRICE	TAXED
YIELD	
CALCULATIONS	
U.S. TREASURY CONVENTION	3.004
COMPUCORP(TM) YIELD(365)	3.004
U.S. GOVT BOND EQUIVALENT	3.029
SIMPLE INTEREST(ACT/365)	2.963
MEDIUM TERM CD (ACT/365)	2.963

CASH FLOW ANALYSIS	
FOR [REDACTED] FACE AMOUNT	
PRINCIPAL	5996056.26
REDEMPTION	6055000.00
PROFIT	58943.74
REPO RATE	[REDACTED]
OVERNIGHT REPO EQV	4.115
COST OF CARRY(PTS.)	0.015
NET P&L	2.51

SENSITIVITY ANALYSIS	
DURATION (YEARS)	0.236
ADJ/MOD DURATION	0.233
RISK	0.231
CONVEXITY	0.000

A [REDACTED] CHANGE IN
 D ISCOUNT/ P RICE/ Y IELD [REDACTED]
 RESULTS IN A -0.00239 CHANGE IN PRICE
 AND A 0.01034 CHANGE IN YIELD

DETAILED ANALYSIS	
1	<GO> COST OF CARRY ANALYSIS
2	<GO> DISCOUNT EQUIVALENT TABLE
3	<GO> DISCOUNT/YIELD TABLE

Bloomberg-all rights protected. Frankfurt:69-920410 Hong Kong:521-3000 London:71-330-7500 New York:212-318-2000
 Princeton:609-279-3000 Singapore:226-3000 Sydney:2-241-1133 Tokyo:3-3201-8900 Washington DC:202-434-1800
 M064-46-6-0 06-Jun-94 16:04:45

Andy -

- 360 days -

PAR = 6,055,000 ✓

Price = \$ 5,996,056.26 ✓

Yield = 4.172%
 .625

DYA	ACTING DIRECTOR	60,850	X		X		
	PROGRAM COOR IV	31,064	X	X			X
	SOCIAL WRKR II	28,520	X	X			X
	YOUTH SVC WRKR I	17,635	X	X			X
	YOUTH SVC WRKR I	17,635	X	X			X
	YOUTH SVC WRKR I	17,635	X	X			X
	YOUTH SVC WRKR I	17,635	X	X			X
	YOUTH SVC WORKER I	17,635	X	X			X
	YOUTH SVC WORKER I	17,635	X	X			X
	YOUTH SVC WORKER I	17,635	X	X			X
GHPDA	CHIEF PLANNER	36,850	X	X			X
GMHA	ACCOUNTING TECH I	18,723	X	X			X
	ACCOUNTING TECH II	19,974	X	X			X
	ASST ADMIN SUPPLY MGMT	28,678	X	X			X
	CARDIO/NEUROLOGY TECH I	22,942	X	X			X
	CHF OF REHABILITATIVE SRVCS	36,850	X	X			X
	CLERK TYPIST I	15,840	X	X			X
	CLERK TYPIST II	16,656	X	X			X
	CLERK TYPIST III	17,635	X	X			X
	COLLECTION AGENT	18,723	X	X			X
	CREDIT/COLL SUPVR	22,942	X	X			X
	ELECTRONIC TECH SUPVR	26,520	X	X			X
	GUARD	16,656	X	X			X
	GUARD	16,656	X	X			X
	GUARD	16,656	X	X			X
	GUARD	16,656	X	X			X
	GUARD SUPVR	17,635	X	X			X
	HOSPITAL RADIOLOGIC TECH I	21,389	X	X			X
	HOUSEKEEPER I	15,133	X	X			X
	HOUSEKEEPER I	15,133	X	X			X
	MED TRANSCRIPTIONIST	17,635	X	X			X
	MEDICAL RECORDS CLERK	16,656	X	X			X
	MEDICAL RECORDS CODER	21,389	X	X			X
	OPERATING RM TECH	17,635	X	X			X
	PAINTER II	17,635	X	X			X
	PATIENT SRVCS REP	19,974	X	X			X
	PERSONNEL SPEC IV	31,064	X	X			X
	PHARMACY AIDE	17,635	X	X			X
	PLANNER IV	33,811	X	X			X
	REFRIGERATION MECH LDR	22,942	X	X			X
	RESPIRATORY THERAPIST I	22,942	X	X			X
	SOCIAL WORKER III	28,678	X	X			X
	STAFF NURSE I	24,656	X	X			X
	STAFF NURSE I	24,656	X	X			X
	STAFF NURSE I	24,656	X	X			X
	STAFF NURSE I	24,656	X	X			X
	STAFF NURSE I	24,656	X	X			X
	STAFF NURSE I	24,656	X	X			X
	STAFF NURSE II	28,678	X	X			X
	STAFF NURSE II	28,678	X	X			X
	STAFF NURSE II	28,678	X	X			X
	STAFF NURSE II	28,678	X	X			X
	STAFF NURSE II	28,678	X	X			X
	STAFF NURSE II	28,678	X	X			X
	STAFF NURSE II	28,678	X	X			X
	STAFF NURSE II	28,678	X	X			X
LABOR	EMPLOYER RELATIONS REPRE	24,656	X	X			X
	EMPLOYMENT COUNSELOR	26,520	X	X			X
	LABOR LAW ENFRMNT SPEC I	19,974	X	X			X
	LABOR LAW ENFRMNT SPEC III	22,942	X	X			X
LAND MGMT	REFRIGERATION MECHANIC II	21,389	X	X			X
LAW	ATTORNEY I	40,352	X		X		X
MENTAL HEALTH	PSYCHIATRIC TECH I	17,635	X	X			X
	PSYCHIATRIC TECH I	17,635	X	X			X
	PSYCHIATRIC TECH I	17,635	X	X			X
	PSYCHIATRIC TECH I	17,635	X	X			X
	PSYCHIATRIC TECH I	17,635	X	X			X
	PSYCHIATRIC TECH I	17,635	X	X			X
	PSYCHIATRIC TECH II	18,723	X	X			X
	PSYCHIATRIC TECH II	18,723	X	X			X
	PSYCHIATRIC TECH II	18,723	X	X			X
	PSYCHIATRIC TECH II	18,723	X	X			X
	PSYCHIATRIC TECH II	18,723	X	X			X
	PSYCHIATRIC TECH II	18,723	X	X			X
	PSYCHIATRIC TECH II	18,723	X	X			X
PHSS	COMM HLTH NURSE II	28,678	X	X			X
	COMM HLTH NURSE II	28,678	X	X			X
	COMM HLTH NURSE SPVSR II	36,850	X	X			X
	DENTAL OFFICER I	50,290	X	X			X
	ELIGIBILITY SPECIALIST I	19,974	X	X			X
	ENVIRONMENTAL HLTH SPEC I	24,656	X	X			X
	HEALTH EDUCATOR I	24,656	X	X			X
	HOMEMAKER	17,635	X	X			X
	LIC PRACTICAL NURSE II	21,389	X	X			X
	MESSENGER CLERK	15,840	X	X			X
	NURSE AIDE II	17,635	X	X			X
	NURSE PRACTITIONER	33,811	X	X			X
	NURSE PRACTITIONER	33,811	X	X			X
	NURSE PRACTITIONER	33,811	X	X			X

	NUTRITION ASST	16,656	X	X			X
	NUTRITION ASST	16,656	X	X			X
	PHARMACIST	31,064	X	X			X
	PROGRAM COOR II	28,520	X	X			X
	PUBLIC HLTH INSPECTOR I	19,974	X	X			X
	PUBLIC HLTH INSPECTOR I	19,974	X	X			X
PORT AUTHO	PAYROLL SUPVR	24,656	X	X			X
RETIREMENT	DEPUTY DIRECTOR	55,303	X			X	X

1/ SALARIES ARE FOR A FULL YEAR FUNDING OF POSITION AND NOT PRORATED FROM DATE OF ACTUAL EMPLOYMENT. AS SUCH, THE TOTAL WILL NOT REFLECT TRUE EMPLOYMENT COST IN FISCAL YEAR 1994.

Items Proposed to be paid by September 30, 1994 Utilizing Restricted Funds

Items	Projected Amount
*Subsidies to Auto/Semi-Auto and other Branches	\$11,900,000
Retirement	5,000,000
Vendors	<u>3,100,000</u>
	<u>\$20,000,000</u>

Subsidies for:

Legislature	\$ 2,473,000
Superior Court	577,000
UOG)	
GCC)	
GMHA)	8,850,000
PDSC)	
PUAG)	
	<u>\$11,900,000</u>

TO: Carl Taitano
from
Elaine Baynes

Add as second paragraph of subsection (c):

In addition, all or any part of the revenues derived by the government of Guam under Section 30 of the Organic Act may[, if determined by the Governor to be necessary or desirable,] be pledged to secure the repayment of any notes issued under this Section and to pay costs incurred in the issuance or administration of the notes. Any pledge made to secure the notes shall be valid and binding from the time the pledge is made. The revenues pledged and thereafter received by the government of Guam or by any trustee, depository or custodian shall be deposited in a separate account and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the government of Guam or such trustee, depository or custodian, irrespective of whether the parties have notice thereof. The certificate or agreement by which such pledge is created need not be recorded. All such revenues, to the extent so pledged, are hereby continuously appropriated for such purpose.

Carl: You could probably do without the clause in brackets, because it already says "may," but this way it is clear who decides.



JOSEPH F. ADA
Governor

FRANK F. BLAS
Lieutenant Governor

DEPARTMENT OF

REVENUE & TAXATION

GOVERNMENT OF GUAM

JOAQUIN G. BLAZ, Director - V.M. CONCEPCION, Deputy Director

OCT 05 1993

MEMORANDUM

To: The Governor
From: Director, Department of Revenue and Taxation
Subject: 1992 Aggregate Valuation of Taxable Real Property
as Certified by the Board of Equalization

This memorandum is to advise you that on October 31, 1992, the Board of Equalization certified the Territory's taxable real property valuations as follows:

**APPRAISED VALUE
LAND**

\$1,744,689,304.63

**APPRAISED VALUE
IMPROVEMENTS**

\$2,322,699,969.59

The 1992 aggregate valuation of all taxable real property is approximately **\$4,067,389,274.22**.

The Department of Revenue and Taxation forecasts gross property tax valuations to exceed \$7.0 Billion Dollars upon completion of the on-going Triennial Reappraisal Project in mid-1994.


JOAQUIN G. BLAZ

ATTACHMENT #9

378 CHALAN SAN ANTONIO TAMUNING, GUAM 96911

~~325 West Marine Drive, Agaña, Guam 96910 - Tel. (671) 477-5101 - Fax. (671) 472-2643~~



JOSEPH F. ADA
Governor

FRANK F. BLAS
Lieutenant Governor

DEPARTMENT OF

REVENUE & TAXATION

GOVERNMENT OF GUAM

JOAQUIN G. BLAZ, Director • V.M. CONCEPCION, Deputy Director

MEMORANDUM

JUL 26 1994

To: Governor of Guam

From: Director of Revenue and Taxation

Subject: Response to Items 6 and 10 per Facsimile Message from Carl Taitano

Transmitted herewith is the information in response to Items No. 6 and 10 of Senator Carl T. C. Gutierrez's letter:

1. Income Tax Refund Status as of July 1994:


Projected Refunds for 1993	\$55,000,000.00
Refunds Paid As of 7/7/94	<u>16,323,282.00</u>
Outstanding Refunds for 1993	39,676,718.00
Outstanding Prior Years	<u>15,299,088.00*</u>
Total Outstanding Refunds	\$54,975,806.00

*NOTE: \$11 Million currently under examination review.

- Copy of summary sheet for the 1993 Tax Roll as certified by the Board of Equalization. The most recent total aggregate appraised value of all taxable properties on Guam is approximately \$4,255,669,653.00.
- Explanation for the raise in total appraised values and corresponding tax base.
- The current authorized amount of debt ceiling within the limitation of the Organic Act of Guam is ten percent (10%) of the aggregate appraised value of all taxable properties on Guam.

1993 Aggregate Value: \$4,255,669,653.00

10% Debt Limitation: \$ 425,566,965.30



VICENTE M. CONCEPCION
Acting Director

Attachments

10/27/93 19:09:55


PAGE 4

Department of Revenue & Taxation
Real Property Tax System
Statistical and Revenue Analysis-2

Mun_Code	Municipality_Desc	Land_appr Bidg_appr	Land_assess Bidg_assess	Land_tax Bidg_tax	Land_exm Bidg_exm	Total_tax
04	Yona Suburban					
Totals for Municipality 04 - Yona Suburban		111,076,310.55	39,156,708.71	195,784.14	1,258.69	380,175.76
TOTAL	TOTAL	2,035	18,439,165.71	184,391.62	15,681.13	
FINAL TOTALS						
TOTAL	TOTAL	1,725,812,307.15	604,034,307.02	3,020,193.95	33,173.72	11,074,701.16
COUNT	COUNT	46,095	885,450,070.99	8,854,507.23	366,654.91	

*** END OF REPORT ***

CERTIFICATION OF THE 1993 REAL PROPERTY TAX ASSESSMENT ROLL PURSUANT TO SECTION 24518, CHAPTER 24, TITLE 11 OF THE GUAM CODE ANNOTATED. (Subject to escaped assessments to include pending updates, of which are not subject to penalties and cost, to be incorporated in the 1993 Real Property Tax Assessment Roll as warranted).


TOMAS P. MENDIOLA, Secretary
Board of Equalization

Date 10/29/93

**GOVERNMENT OF GUAM
DEPARTMENT OF REVENUE AND TAXATION**

REAL PROPERTY TAX DIVISION

***AN OVERVIEW ON THE INCREASE OF REAL PROPERTY TAX ASSESSMENTS
SINCE THE 1987 TRIENNIAL REAPPRAISAL***

Section 24306, Chapter 24, Title 11 of the Government Code Annotated requires the Department of Revenue and Taxation, Government of Guam to reascertain the values of all taxable real property in Guam every three years beginning in 1978. The Department, by contract with certified real estate appraisers, completed two Triennial Reappraisals: one in 1978 and the other in 1987.

As a result of the 1987 Triennial Reappraisal, the aggregate real property tax assessments increased by \$2.6 million dollars, a fifty-four percent (54%) increase over 1986 tax assessments. The increase in the 1987 tax base was attributed directly to the 1987 Triennial Reappraisal. The updated values derived from this reappraisal were based on market transactions of properties bought and sold between 1978 and 1987. These updated (fair market) values were applied to properties in inventory as well as to properties that were included onto the tax roll. To date, the Department of Revenue and Taxation continues to use the valuation and tax assessment system developed from the 1987 Triennial Reappraisal Project.

The real property tax base has steadily grown since the 1987 base year. The increases in both appraised values and corresponding tax assessments are attributed primarily to an increase in the number of taxable improvements added onto the annual tax rolls. Since 1987, the island has experienced tremendous growth and development in terms of the number of single-family dwellings, multi-unit dwellings, apartments, condominiums, shopping malls and commercial centers that have since been constructed. Many large tracts of raw land have also been subdivided adding to the number of parcels being assessed for taxes.

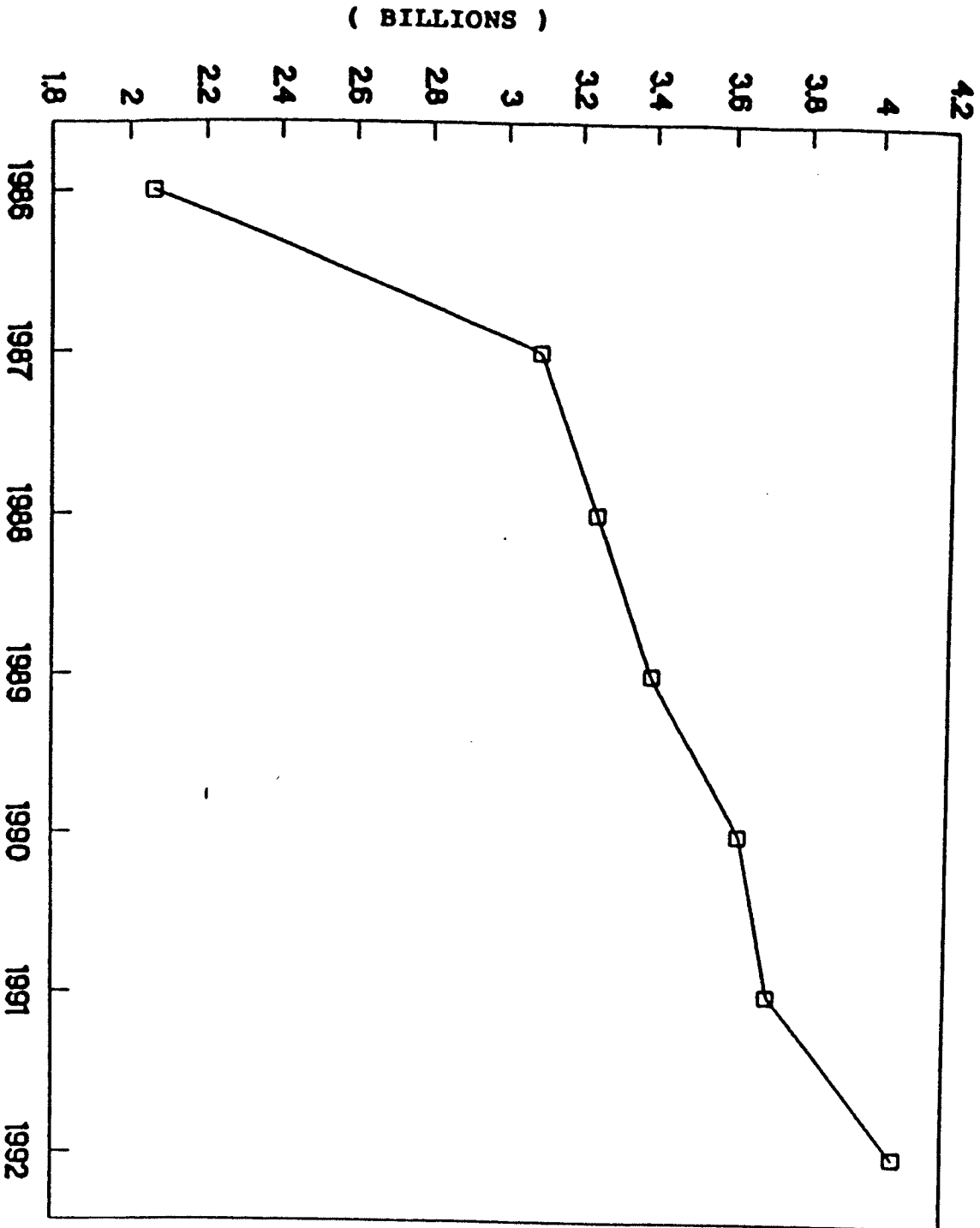
The following tables and graphs illustrate the significant increase in aggregate appraised values and corresponding tax assessments since FY 1987. Approximate figures are shown to highlight the current (1993) tax roll.

**COMPARISON OF THE AGGREGATE PROPERTY TAX VALUATIONS
AND CORRESPONDING TAX ASSESSMENTS
OVER THE FY 1987 BASE YEAR**

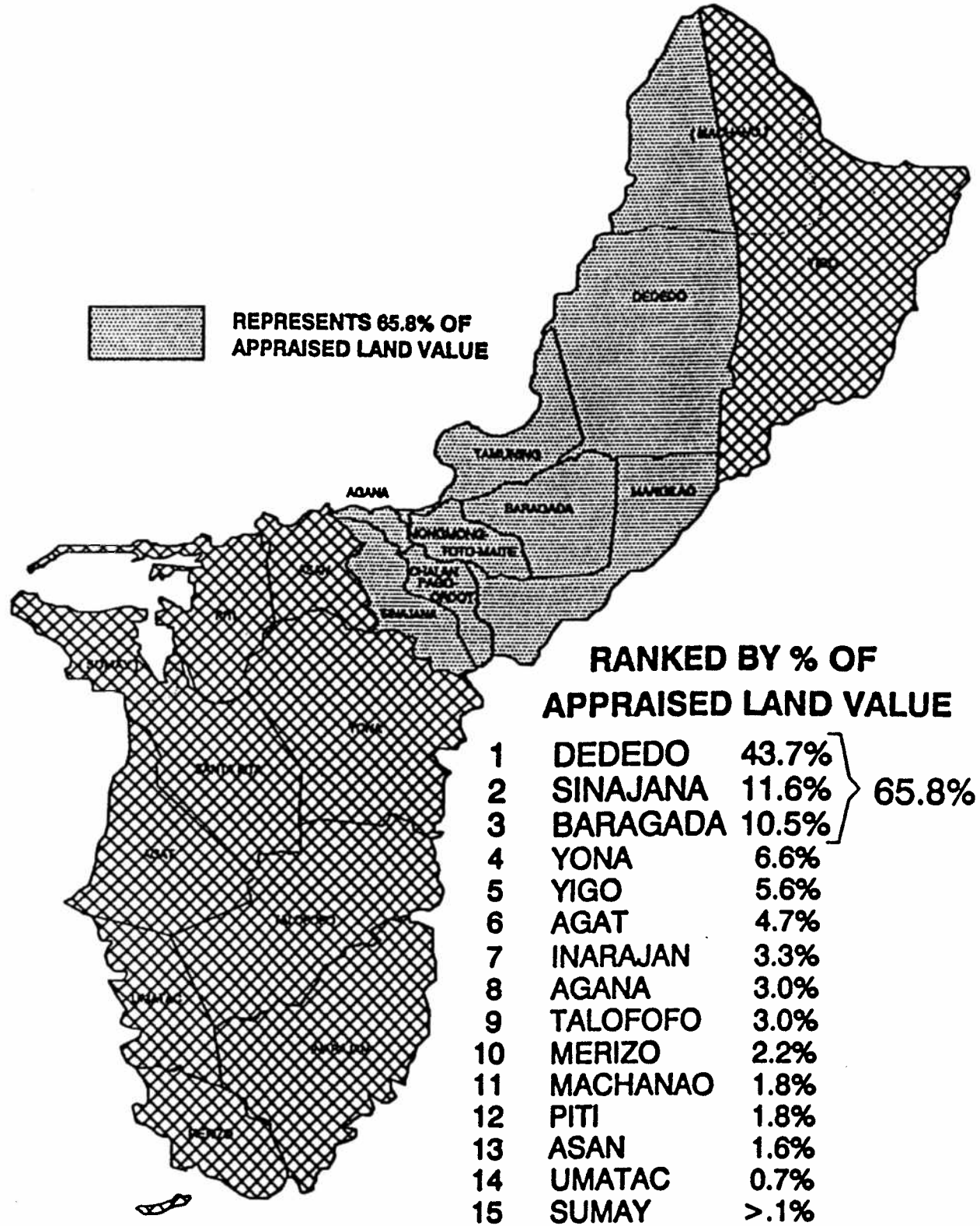
YEAR	AGGREGATE TAX VALUATION *	TAX ASSESSMENT
1993	\$ 4.256 billion	\$ 11.8 million
1992	4.067 billion	10.7 million
1991	3.712 billion	9.6 million
1990	3.631 billion	9.3 million
1989	3.400 billion	8.5 million
1988	3.246 billion	8.2 million
1987	3.093 billion	7.5 million
1986	2.061 billion	4.8 million

* Aggregate valuations of taxable properties as certified by the Board of Equalization.
[Section 24518, Chapter 24, Title 11 GCA]

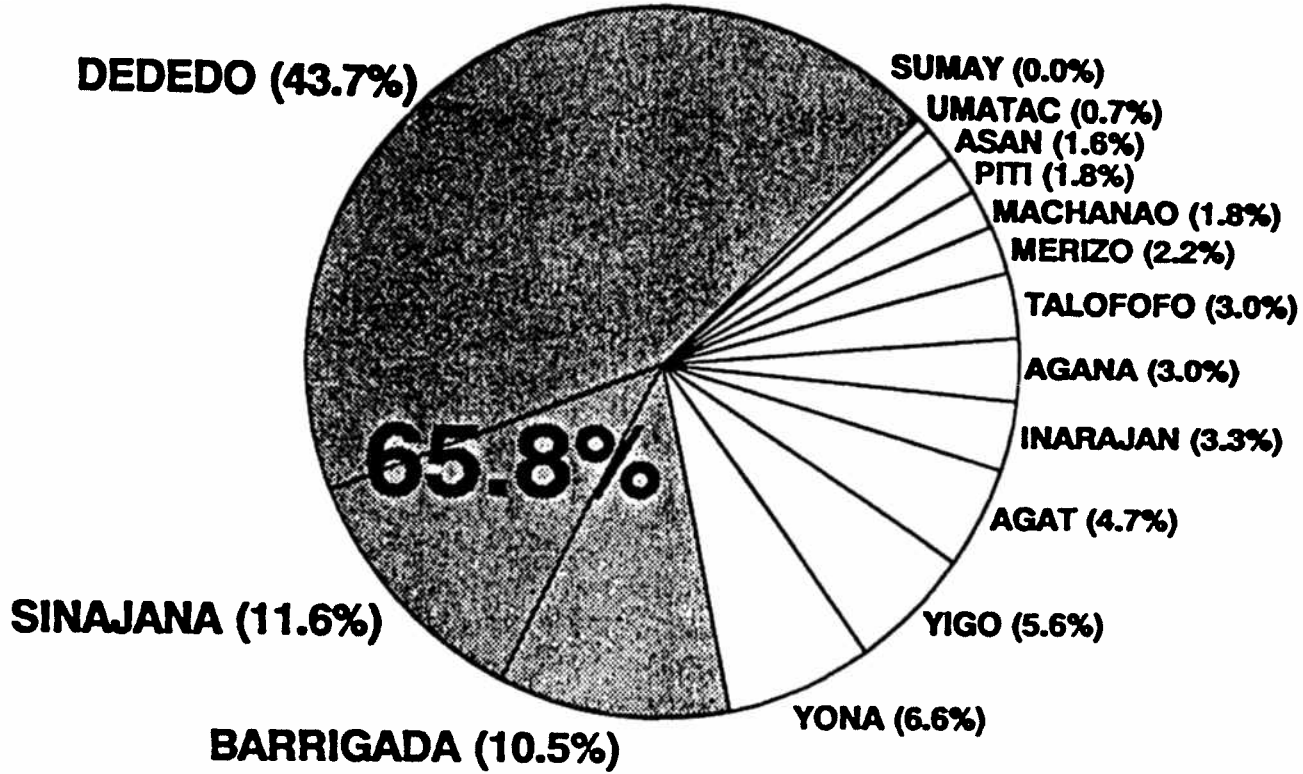
COMPARISON OF AGGREGATE TAX VALUATIONS OVER FY 1987 BASE YEAR



APPRAISED LAND VALUE BY MUNICIPALITY

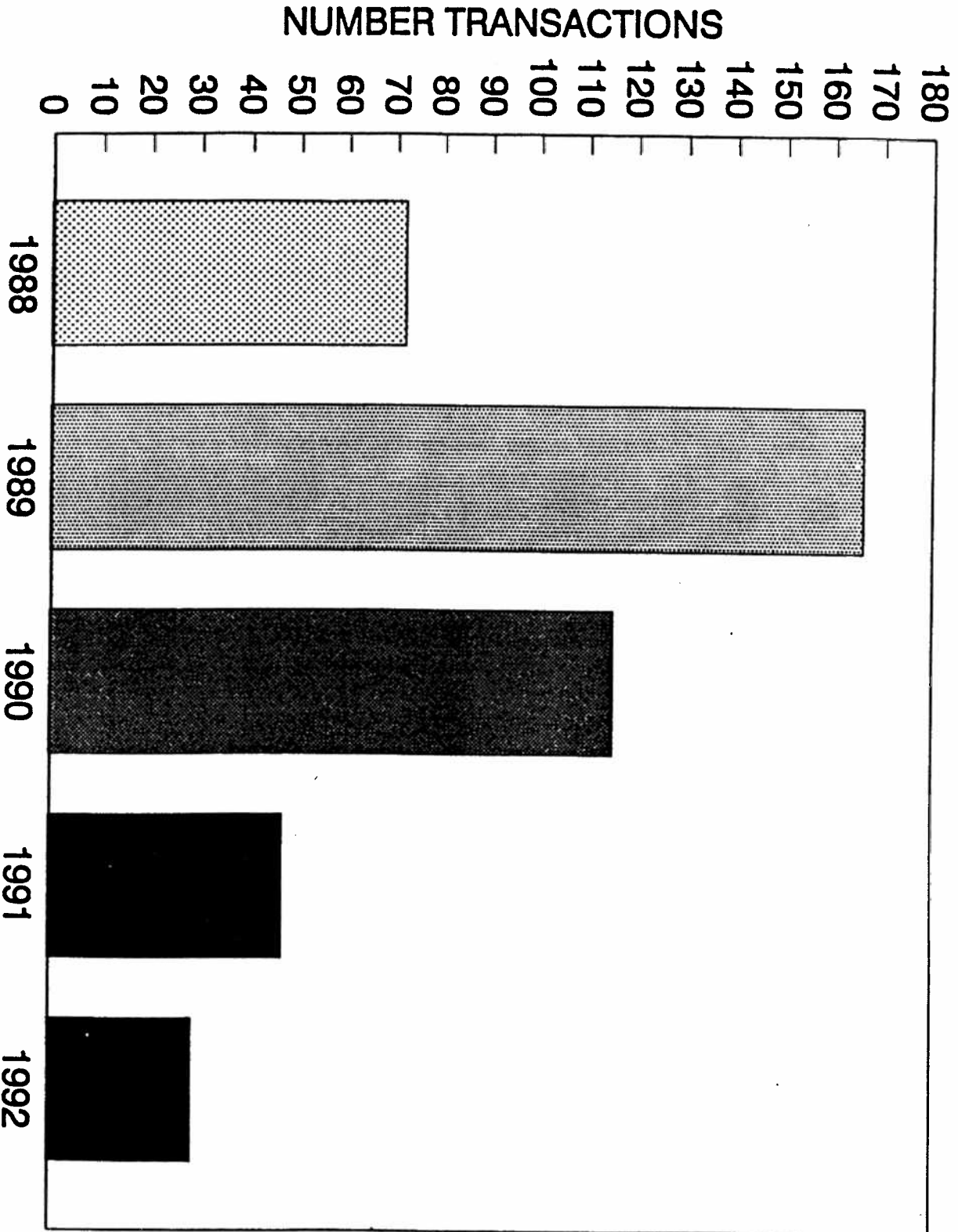


APPRAISED LAND VALUE BY MUNICIPALITY



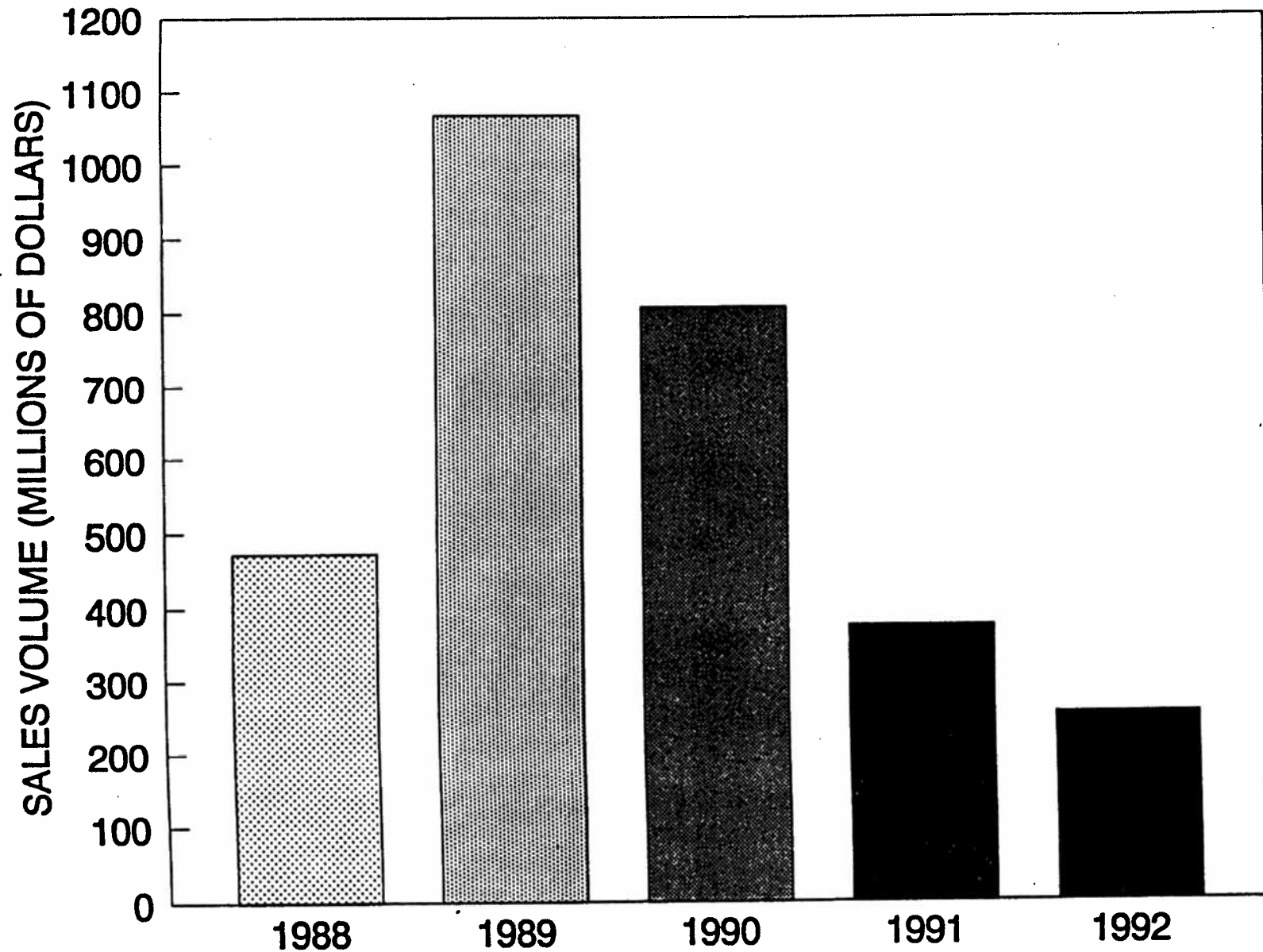
SUMMARY OF GUAM REAL ESTATE TRANSACTIONS

TOTAL NUMBER OF TRANSACTIONS OVER \$1 MILLION



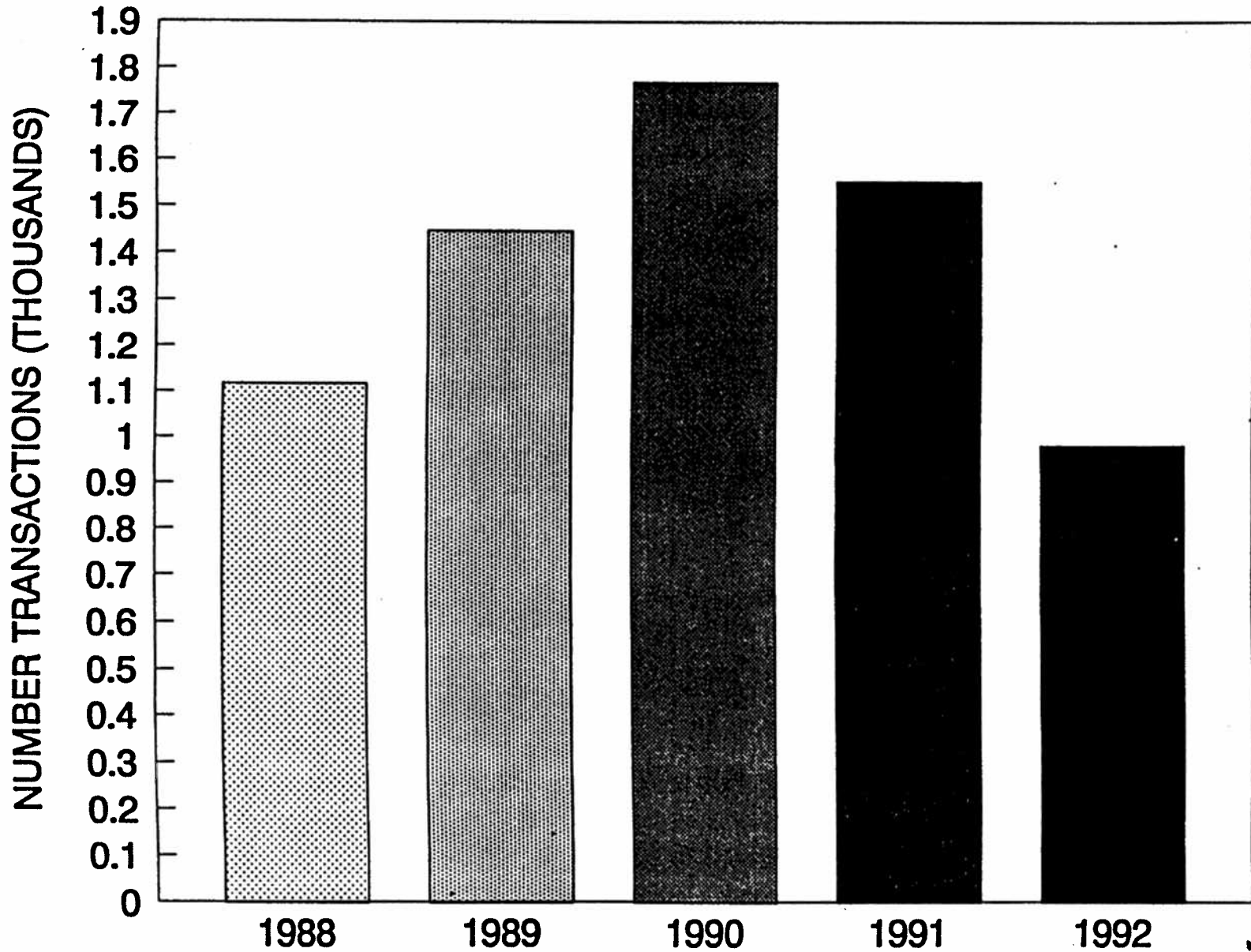
SUMMARY OF GUAM REAL ESTATE TRANSACTIONS

TOTAL SALES VOLUME OF TRANSACTIONS



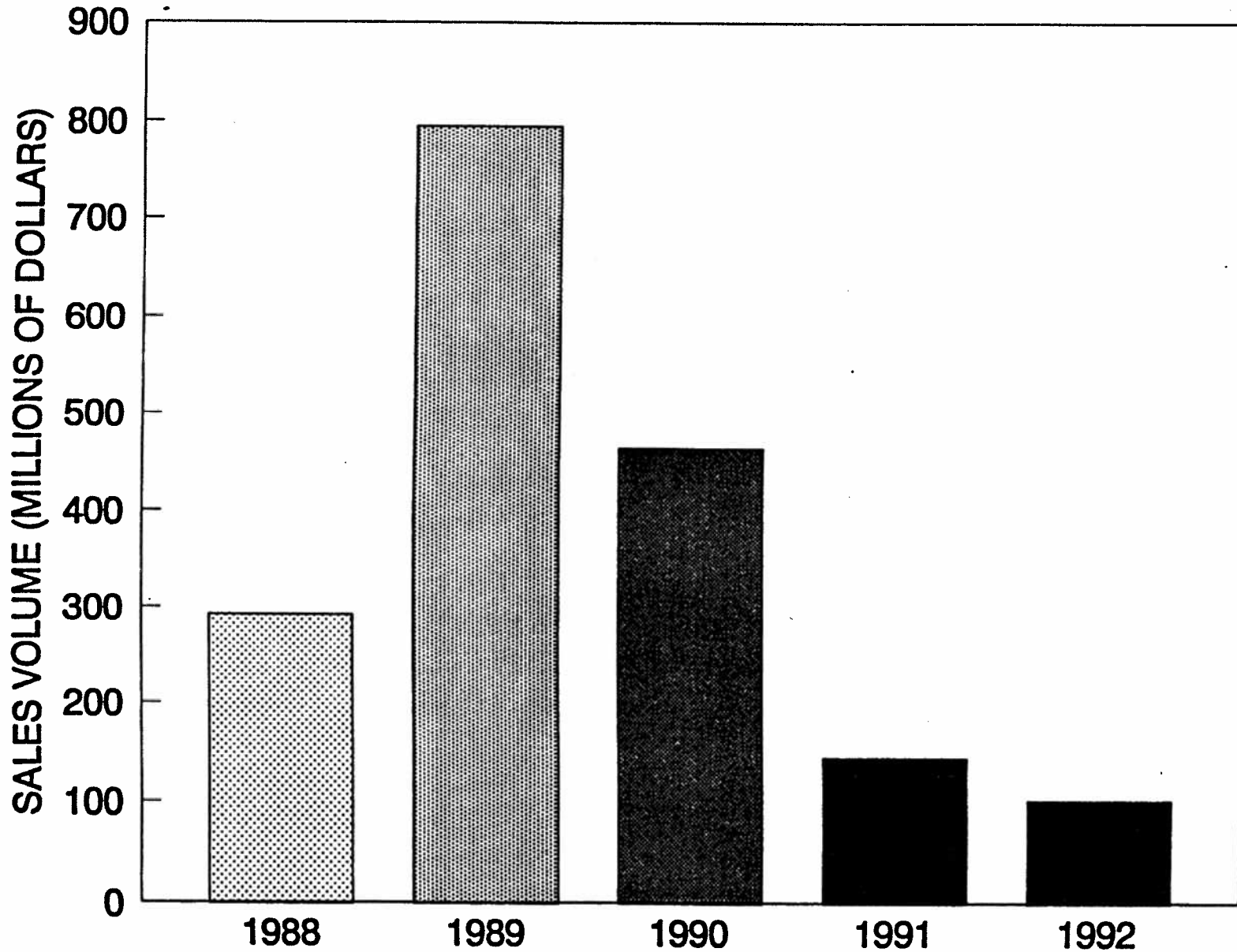
SUMMARY OF GUAM REAL ESTATE TRANSACTIONS

TOTAL NUMBER OF TRANSACTIONS



SUMMARY OF GUAM REAL ESTATE TRANSACTIONS

TOTAL SALES VOLUME OF TRANSACTIONS OVER \$1 MILLION



**LAND AND BUILDING APPRAISED VALUES
BY MUNICIPALITY
FY 1993**

<u>MUNICIPALITY</u>	<u>LAND APPRAISED VALUES</u>	<u>BUILDING APPRAISED VALUES</u>
Agana	52,546,052.90	106,413,624.13
Agat	82,215,960.32	129,277,680.12
Asan	27,700,764.42	23,559,663.86
Barrigada	186,966,916.64	238,901,816.07
Dededo	750,621,755.27	1,259,820,416.75
Inarajan	56,834,310.49	15,873,249.42
Machanao	30,552,963.47	44,549,144.09
Merizo	37,657,347.52	18,875,359.90
Piti	31,167,314.69	47,357,233.20
Sinajana	198,009,761.35	247,685,792.72
Sumay	133,410.00	0.00
Talofoyo	65,330,188.46	21,607,875.00
Umatac	11,054,609.34	4,083,404.00
Yigo	97,777,041.18	101,407,471.73
Yona	<u>116,120,908.58</u>	<u>63,287,238.60</u>
TOTAL	<u>1,744,689,304.63</u>	<u>2,322,699,969.59</u>

**LAND AND BUILDING ASSESSED VALUES
BY MUNICIPALITY
FY 1993**

<u>MUNICIPALITY</u>	<u>LAND ASSESSED VALUES</u>	<u>BUILDING ASSESSED VALUES</u>
Agana	18,360,378.73	37,244,768.45
Agat	28,771,925.20	45,193,678.29
Asan	9,695,267.57	8,245,882.35
Barrigada	65,495,117.55	83,610,988.56
Dededo	262,712,263.83	440,361,487.72
Inarajan	19,892,008.84	5,555,637.31
Machanao	10,693,537.45	15,553,004.93
Merizo	13,180,071.68	6,606,375.97
Piti	10,908,560.17	16,575,031.63
Sinajana	69,207,044.53	86,559,918.10
Sumay	46,693.50	0.00
Talofofu	22,865,565.97	7,562,756.25
Umatac	3,869,113.27	1,429,191.40
Yigo	34,221,964.74	35,556,376.02
Yona	<u>40,642,318.25</u>	<u>22,150,533.51</u>
TOTAL	<u>610,561,831.28</u>	<u>812,185,630.49</u>

**LAND AND BUILDING TAX ASSESSMENTS
BY MUNICIPALITY
FY 1993**

MUNICIPALITY	LAND TAX	BUILDING TAX
Agana	91,801.89	372,447.68
Agat	143,859.63	451,936.78
Asan	48,476.34	82,458.82
Barrigada	327,475.55	836,109.89
Dededo	1,313,561.32	4,403,614.88
Inarajan	99,460.04	55,556.37
Machanao	53,467.69	155,530.05
Merizo	65,900.36	66,063.76
Piti	54,542.80	165,750.32
Sinajana	346,035.22	865,599.18
Sumay	233.47	0.00
Talofoyo	114,327.83	75,627.56
Umatac	19,345.57	14,291.91
Yigo	171,109.82	355,563.76
Yona	<u>203,211.59</u>	<u>221,505.34</u>
TOTAL	<u>3,052,809.16</u>	<u>8,122,056.30</u>

ORRICK, HERRINGTON
& SUTCLIFFE

July 18, 1994

Direct Dial

(415) 773-5733

Carl W. Taitano
Governor's Office
Territory of Guam
P.O. Box 2950
Adelup Complex
Agana, Guam 96910

Re: Question Concerning 1993 General Obligation Bond Legislation

Dear Carl:

This letter is in response to your question about whether or not the provision relating to Northern High School in the legislation authorizing the 1993 general obligation bonds would affect or be affected by or need to be amended in connection with the proposed legislation for temporary borrowings. Section 7 of P.L. 22-19 reads as follows:

In the event the debt capacity of the government of Guam as limited under Section 11 of the Organic Act of Guam shall increase by no less than \$86,000,000, the following amendments to §22430 of Title 5, Guam Code Annotated, set out in Section 2 of this Act, will automatically go into effect:

(1) In subparagraph (a) of said section, the aggregate principal amount of the general obligation bonds described therein shall be increased from \$175,000,000 to \$261,000,000.

(2) In subparagraph (m) of said section, a new item (8) shall be inserted to read as follows:

"(8) Northern High School \$76,000,000."

This language does not require that the first additional \$86,000,000 of additional debt capacity be applied to the high school, or indeed that bonds be issued for such purpose at all, but simply increases the total amount the Governor is authorized to issue and adds an additional purpose to the existing list of permitted uses of bond proceeds. Therefore, this provision should not affect the ability to incur indebtedness under the legislation now proposed. If such indebtedness is incurred, the ability to issue bonds for Northern High School will of course be affected to the extent that \$86,000,000 of remaining debt capacity is not available. Whether the Legislature wishes to address this in the proposed

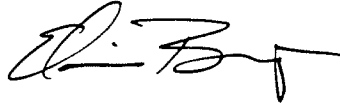
ORRICK, HERRINGTON
& SUTCLIFFE

Carl W. Taitano
July 18, 1994
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legislation is a policy decision, but would only be necessary if the desired result would be to give priority to the high school.

Please do not hesitate to call us if you would like to discuss this further.

Very truly yours,



Elaine R. Bayus

ERB/lcl

cc: Stanley J. Dirks