

Twenty-Second Guam Legislature

155 Hesler Street
Pacific Arcade
Agana, Guam 96910
Telephone: (671) 472-3407 thru 9
Fax: 477-3161



CARL T.C. GUTIERREZ
Senator

Chairman, Committee
on Ways & Means

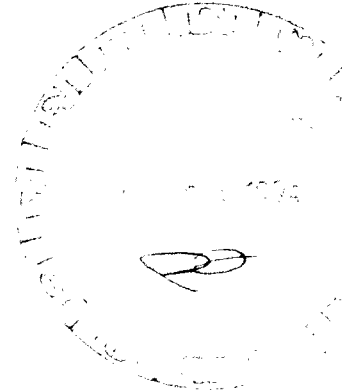
Vice-Chairman, Committee
on Rules

Vice-Chairman, Committee
on Tourism & Transportation

A handwritten signature in black ink, appearing to be "C. Gutierrez".

August 4, 1994

The Honorable Vicente C. Pangelinan
Chairman, Committee on Economic-Agricultural Development
and Insurance
Twenty-Second Guam Legislature
Suite 101 Biscoe Bldg.
Agana, Guam 96910



Dear Senator Pangelinan:

Attached please find a copy of a legal opinion from the Legislative Counsel regarding the proper committee holding jurisdiction over Bill No. 1098, AN ACT TO ADD §22430 TO TITLE 5 OF THE GUAM CODE ANNOTATED TO AUTHORIZE THE ISSUANCE OF GENERAL OBLIGATION TAX AND REVENUE ANTICIPATION NOTES OF THE GOVERNMENT OF GUAM AND FOR OTHER PURPOSES.

Very truly yours,

A handwritten signature in black ink, appearing to be "C. Gutierrez".
Carl T. C. Gutierrez

Enclosure

ORRICK, HERRINGTON
& SUTCLIFFE

Direct Dial

(415) 773-5733

July 14, 1994

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

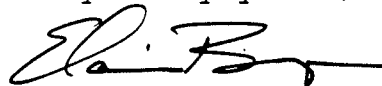
Re: Government of Guam Limited Obligation
Infrastructure Improvement Bonds, 1989
Series A

Dear Carl:

Confirming our telephone conversation of yesterday, under the provisions of the Indenture dated November 15, 1989, relating to these Bonds (specifically Sections 5.02 and 5.07), revenues remaining after all applications required by the Indenture are deposited in the Surplus Fund. Amounts in the Surplus Fund not required to pay principal of and interest on the Bonds are to be paid to the Government for deposit in the Tourist Attraction Fund, free and clear of the lien of the Indenture. The Indenture contains no restrictions on the use by the Government of amounts in the Tourist Attraction Fund.

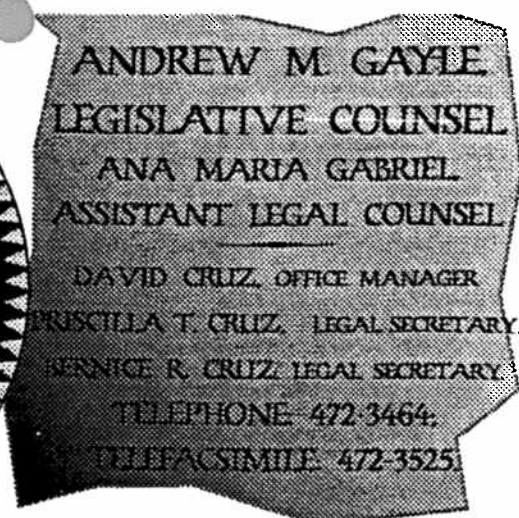
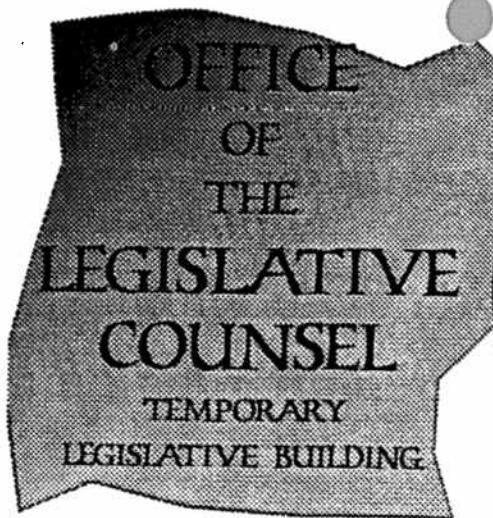
Please do not hesitate to call if any further questions arise with respect to this matter.

Very truly yours,



Elaine R. Bayus

ERB/lcl



August 3, 1994

received
MGH 8/3 2:15p

The Honorable Carl T. C. Gutierrez,
Acting Chairperson, Committee on Rules,
Twenty-Second Guam Legislature,
Agaña, Guam 96910

Re: Bill No. 1098, An act to add §22430 to Title 5 of the Guam Code Annotated to authorize the issuance of general obligation tax and revenue anticipation notes of the government of Guam and for other purposes.

Dear Mr. Chairperson:

The captioned bill as introduced refers to "notes." As you know, during the course of its hearing before the Committee on Ways and Means, the representatives of the Governor made it clear that "notes" was a misnomer and that the word should have been "bonds." An examination of the content of the bill also reveals that it authorizes a public bond issue.

Under §17.07 of Rule 17 of the Standing Rules of the Twenty-Second Guam Legislature, the Committee on Economic-Agricultural Development and Insurance, chaired by Senator Ben Pangelinan, has jurisdiction over "public bond issues and matters relating thereto." Accordingly, before Bill No. 1098 can be put on the floor of the Legislature, Senator Pangelinan's committee must hold a public hearing thereon and

155 HESLER STREET, AGAÑA, GUAM

OFFICE OF THE
LEGISLATIVE COUNSEL
PAGE TWO



the bill should therefore be referred by the Committee on Rules to the Committee on Economic-Agricultural Development and Insurance.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew M. Gayle".

ANDREW M. GAYLE

AGG/AMG:bc

PACIFIC DAILY NEWS, Tuesday, August 9, 1994

Reno orders FBI into fray over school fire

WEDOWEE, Ala. (AP) — Townsfolk drove past the smoldering ruins of their red brick school Sunday, some of them weeping, in a town torn apart by racial tension.

U.S. Attorney General Janet Reno ordered the FBI to join the investigation into Saturday's apparent arson at a high school where blacks are demanding the removal of the white principal who threatened to cancel the senior prom to keep interracial couples from attending.

Wreaths were placed in front of the burned-out, 56-year-old Randolph County High School building, with ribbons reading "It will never be the same," "Thanks for the memories," and "We will overcome."

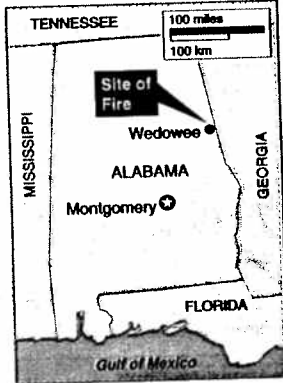
An FBI photographer took pictures of the wreckage Sunday. State Fire Marshal John Robison said agents would not be able to make a close search for evidence before Monday because of the heat from the ruins.

Sheriff Larry Colley said Saturday investigators were "99 percent sure" the fire was arson.

A spokesman at the FBI's office in Mobile on Sunday referred all comment to the Justice Department in Washington. Justice spokesman Myron Marlin said he could not comment, except to confirm Reno had ordered the FBI to investigate.

Authorities noted a number of vehicles in Wedowee with license plates from a Georgia county where the white supremacist Ku Klux Klan has been active. "I don't think we're blind to what that means," said Alabama Attorney General Jimmy Evans.

He said the Klan presence in Wedowee was being "adequate-



ly monitored." The federal Justice Department is seeking the removal of Principal Hulond Humphries, at least temporarily. A hearing on the request is scheduled Thursday in federal court in Montgomery. Parties to the case said Sunday because of the fire, settlement talks were unlikely to resume.

"The African-American community is still determined that Mr. Humphries move out," said Charlotte Clark-Frieson, the only black on the county school board.

Humphries, 55, has had little to say publicly since his stand against interracial dating at the high school prom. He relented, and the prom was held as scheduled, but civil rights leaders called for his ouster. The protest widened when the school board reinstated him after a two-week suspension in March.

While blacks in the area have encouraged media attention on the conflict, many whites have complained of reporters unnecessarily stirring up passions.



GUAM POWER AUTHORITY
 ATURIDAT ILEKTRESEDAT GUAHAN
 P.O. BOX 2977, AGANA, GUAM,
 USA 96910-2977
REQUEST FOR PROPOSAL

NO. GPA-RFP-94-009

The Guam Power Authority announces its Request For Proposal for PETROLEUM PRODUCTS INSPECTIONS SERVICES to solicit offers from qualified, experienced and responsive Petroleum Inspection Services firm. To provide the required Inspection Services regarding oil shipment for GPA. Proposals shall be submitted and will be accepted until 5:00 P.M., Guam Standard Time, October 3, 1994, at the General Manager's Office, located at the Sunny Plaza, Tamuning.

Copies of the proposals are available at the GPA Procurement Office, Wing C, IT&E Harmon Plaza Complex, Harmon, or may be ordered from the Manager of Procurement/Matls., Management, GPA, P.O. Box 2977, Agana, Guam, 96910, Telephone Nos. (671) 646-9251/2/3. Fax No. (671) 646-8163, on or after Aug. 9, 1994. Identification of company represented is required.

/s/RAYMOND C. CAMACHO
 General Manager



GUAM POWER AUTHORITY
 ATURIDAT ILEKTRESEDAT GUAHAN
 P.O. BOX 2977, AGANA, GUAM,
 USA 96910-2977
REQUEST FOR PROPOSAL

NO. GPA-RFP-94-010

The Guam Power Authority announces its Request For Proposal for MANAGEMENT AND OPERATIONS OF THE FUEL FARM FACILITIES. To provide the services for the Management, Operations, Maintenance of the Fuel Facility necessary for a continuous supply of fuel oil of the Authority's Electric Generations facility. Proposals shall be submitted and will be accepted until 5:00 P.m., Guam Standard Time, September 6, 1994, at the General Manager's Office, located at the Sunny Plaza, Tamuning.

Copies of the proposals are available at the GPA Procurement Office, Wing C, IT&E Harmon Plaza Complex, Harmon, or may be ordered from the Manager of Procurement/Matls., Management, GPA, P.O. Box 2977, Agana, Guam, 96910, Telephone Nos: (671) 646-9251/2/3. Fax No. (671) 646-8163, on or after Aug. 9, 1994. Identification of company represented is required.

/s/RAYMOND C. CAMACHO
 General Manager

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Notice of Public Hearing

Committee on Economic-Agricultural
 Development & Insurance

9:00 am Wednesday, August 10, 1994
 Public Hearing Room
 Guam Legislature Temporary Building
 155 Hester St. Agana, Guam

Agenda

Bill 1098 An act to add §22430 to Title 5 of the Guam Code Annotated to authorize the issuance of General Obligation Tax and Revenue Anticipation Notes of the Government of Guam and for other purposes.

Bill 1121 an act to add §22440 to Title 5, Guam Code Annotated to authorize the Governor of Guam to issue Government of Guam Refund Bonds for the purpose of paying the income tax refund obligation to the eligible citizens of Guam.



G • M • T • A

Guam Mass Transit Authority
 Government of Guam
 236 E. O'BRIEN DRIVE AGANA, GUAM 96910
 Telephone 475-GMTA (4682); Facsimile: 475-4600

REQUEST FOR PROPOSALS

GUAM MASS TRANSIT AUTHORITY (GMTA), Government of Guam, seeks management expertise from qualified firms or individuals for the management and operations of the following transportation services:

1. RFP-GMTA4801 - GUAM PUBLIC TRANSIT SYSTEM
2. RFP-GMTA 4802 - GUAM PARATRANSIT SYSTEM
 (Transportation for persons with disabilities)

Interested parties may obtain copies of the RFP's at the office of GMTA located at 236 East O'Brien Drive, Agana, Guam 96910, Between the Hours of 9:00 AM to 5:00 PM.

The deadline for submittal of proposals is
2:00 PM, August 31, 1994.

/s/Fred Carl Santos



Territory of Guam
Federacion Guam

OFFICE OF THE GOVERNOR
TIBSINAN I MAGA'LALLI
AGANA, GUAM 96910 USA

RECEIVED
OFFICE OF THE SPEAKER
DATE: 8/18/94
TIME: 12:00 pm
RECD BY: [Signature]

AUG 18 1994

The Honorable Joe T. San Agustin
Speaker, 22nd Guam Legislature
155 Helser Street
Agana, Guam 96910

Dear Mr. Speaker:

Thank you for calling the Legislature to session to discuss Substitute Bill 1098, which will provide the necessary funding to afford the people of Guam the tax refunds that are rightfully theirs. I am certain that you and your colleagues understand the importance of expediting this legislation so that we may uphold our responsibility to the hardworking taxpayers of our island.

Substitute Bill 1098 is the way forward to get the needed cash to do this but; there are specific provisions in the bill, as it stands today, that will delay obtaining the funds for tax refunds.

① First, the terms and conditions of the bond issuance place a cap of 6% on the interest rate to be taken on the bonds. This cap will definitely prevent issuance of the bonds as just today the newspaper reported that the Federal Reserve Bank announced an increase of short term interest rates to 0.5%. The impact of this means that interest rates will be higher. The 6% cap is based on the percentage that the government is paying taxpayers. This percentage is a variable interest rate and will definitely increase as a result of the Federal Reserve Bank's recent action. Therefore, the cap of 6% will prevent us from paying the tax refunds as interest rates fluctuate.

② Second, another provision of the bill will result in a longer delay. This provision has to do with the normal procurement process of the bonds. Previously, bond issuances following the normal process have taken up to several months before actual bonds could be sold on the market. We request authority to waive the normal procurement process so we may move expeditiously to obtain the cash for the refunds. As interest rates fluctuate without notice, any further delay may cause bonds to be sold at a time when interest rates are higher. Rest assured that though we are asking for a waiver to the normal process, we intend to follow the same process but in an expedited manner. Furthermore in the process, we intend to seek out those firms that have dealt with Guam before on bond issuance.


Commonwealth Now!


Speaker Joe T. San Agustin
Page 2

3 And third, we would like to amend Substitute Bill 1098 to include authority to use funds from the Tourist Attraction Fund and the Territorial Highway Fund. We need the ability to get available cash that the Government of Guam has, but has not been earmarked, in order to pay vendors doing business with the government, make our contribution to the retirement fund and continue issuing subsidies to semi-autonomous and autonomous agencies.

Mr. Speaker, Substitute Bill 1098 with the amendments requested is the only way we can uphold our responsibility to the taxpayers of Guam. We must work together to ensure that the people of Guam receive the tax refunds that are rightfully theirs.

If you have any questions and need further information, please do not hesitate to contact me.

Sincerely,



JOSEPH F. ADA
Governor

Twenty-Second Guam Legislature

155 Hesler Street
Pacific Arcade
Agana, Guam 96910
Telephone: (671) 472-3407 thru 9
Fax: 477-3161



CARL T.C. GUTIERREZ
Senator

Chairman, Committee
on Ways & Means

Vice-Chairman, Committee
on Rules

Vice-Chairman, Committee
on Tourism & Transportation

August 1, 1994

The Honorable Herminia D. Dierking
Chairperson, Committee on Rules
Twenty-Second Guam Legislature
155 Hesler Street
Agana, Guam 96910

Dear Senator Dierking:

The language of Bill No. 1098, introduced at the request of the Governor, called for the issuance of "Tax and Revenue Anticipation Notes", and was originally a Sixty (60) day note. This bill was referred to the Committee on Ways and Means, which conducted a joint public hearing on the bill with the Committee on Tourism and Transportation on July 13, 1994.

During the course of the public hearing, the Governor's Special Assistant for Financial Affairs, Mr. Carl Taitano, informed the members of the Committees that although the language of Bill No. 1098 called for the issuance of a Sixty (60) day note, that this was not possible, and that the financial instruments which would be used for borrowing funds to pay the 1993 tax returns would be the issuance of a Five (5) year bond, instead.

Also, during the joint public hearing, many questions were posed by the members of the two committees, and the Governor was forwarded these questions and concerns in writing on July 20, 1994. A letter and packet of information was forwarded to the Ways and Means Committee on July 29, 1994, and the Governor's chief financial advisor did inform my staff of the needed changes in the language of the bill in order to authorize the issuance of Five (5) year bonds instead of a Sixty (60) day note.

The letter received from the Governor, on page two, last paragraph, states:

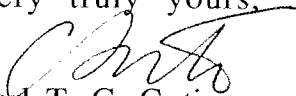
"Further, the legislation for the **tax refund bond** does not conflict with the legislation for the Northern High School (see Attachment ten). Nor will the issuance of the **tax refund bond** affect the timetable for the Northern High School bond issue."

Additionally, the changes said to be needed by the Governor's chief financial advisor include the replacement of the word "note" with the word "**bond**", wherever it appears in Bill No. 1098.

In light of the change of this legislation from the original legislation submitted, I believe that Bill No. 1098 must be referred to the Committee on Economic-Agricultural Development, and Insurance.

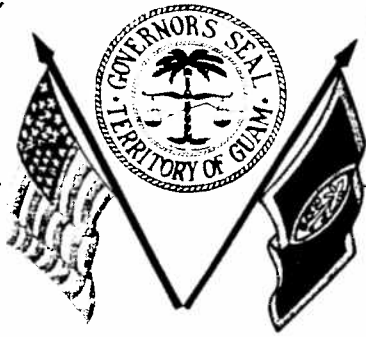
Attached are all of the documents submitted by the Governor on Bill No. 1098 on July 29, 1994.

Very truly yours,



Carl T. C. Gutierrez

Enclosures



Territory of Guam
Territorio Guam

OFFICE OF THE GOVERNOR
UFISINAN I MAGA'LAHI
AGANA, GUAM 96910 U.S.A.

Received
CAC 7/29/94

JUL 29 1994

The Honorable Carl T.C. Gutierrez
Senator
Twenty-Second Guam Legislature
155 Hesler Street
Agana, Guam 96910

Dear Senator Gutierrez:

I would like to thank you and the members of the Committee on Ways and Means for the undeniable spirit of cooperation that has emanated throughout the process of reviewing Bill No. 1097 and Bill No. 1098 with the intent to provide for the payment of tax rebates owed the people of Guam.

Senator, I am sure you will agree that we must do everything in our power to pay these tax rebates that are rightfully owed to the hard working people of our island. This money is theirs and we have the direct responsibility of guaranteeing that they receive what is their due. Bill 1098 maps out how we can do this in a manner which makes good fiscal sense for the Government of Guam.

In response to your inquiries, I am pleased to provide you and the Committee with the requested information to expedite the passage of Bill No. 1098 which ensures the payment of tax rebates to the people of Guam.

1. Attachment one is a copy of the final, signed opinion of the Attorney General authorizing the collateralization of the Tourist Attraction Fund for a \$6 million borrowing authority.
2. Attachment two is a copy of the final, signed documentation of \$6 million 90 day line of credit with the Bank of Hawaii, showing collateralization of the Tourist Attraction Fund.
3. Attachment three is a copy of the signed drawn-down authorization on the 90 day line of credit of attachment number two.



Commonwealth Now!

4. Attachment four lists all new hires in the government of Guam with requested specifications. Please note that the list includes GG-1 vacancies cleared with the Bureau of Budget and Management Research for recruitment. Not all positions are filled as hiring agencies are currently proceeding with the standard governmental hiring process. Please also bear in mind that these positions, for the most part, are essential and critical to government operations. Please also note that as of April of this year we have frozen over 1,000 positions. Attachment four details the 200 new hires that have been made since April. This leaves nearly 800 vacant positions; thereby creating a savings of approximately \$19,200,000.00 to the Government of Guam. The savings realized for this year will, indeed, continue for the next fiscal year.
5. Attachment five shows specific itemization of proposed expenditures for the Tourist Attraction Fund and the Territorial Highway Fund.
6. Attachment six lists the specific breakdown of the projected use of the funds which would be available from the authorization to borrow \$45 million in Section one of the bill.
7. In regard to the specific funding source for the repayment of the proposed authorization, we are proposing that the Territory use the Section 30 fund to better the credit worthiness of the debt. Attachment 7 includes the proposed new language from our bond counsel to accomplish this.
8. Six million dollars from the Tourist Attraction Fund has already been pledged for repayment of the line of credit issued by the Bank of Hawaii, if the Tourist Attraction Fund is not available.
9. Attachment eight shows the cash flow projection of the government for the next five years taking into account the passage of Bill No. 1098.
10. Attachment nine is a copy of the Board Equalization documentation stating the most recent total value of Guam real property, the explanation for the raised in total value of Guam real property and current authorized amount of debt ceiling within the limitation of the Organic Act.

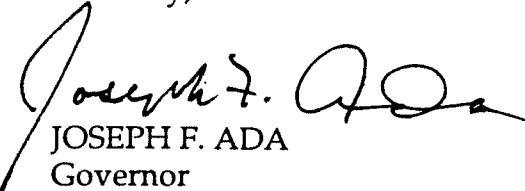
Further, the legislation for the tax refund bond does not conflict with the legislation for the Northern High School (see Attachment ten). Nor will the issuance of the tax refund bond affect the time-table for the Northern High School bond issue.

Senator Carl T.C. Gutierrez
Page 3

The Triannual appraisal is expected to be completed by October of this year. It is also expected that the appraisal will, at minimum, double the estimated valuation of taxable property in Guam. Thus, we can proceed with the Northern High School bond issue this fall.

I am certain that the information enclosed with this letter will answer any and all questions that may impede the passage of Bill No. 1098. My hope is that we can now move forward with the legislative process to ensure that the people of Guam receive the tax rebates they are entitled.

Sincerely,


JOSEPH F. ADA
Governor



GOVERNMENT OF GUAM
AGANA, GUAM 96910

February 22, 1994

CONFIDENTIAL

Memorandum (Informational)

Ref: GOV 94-0174

To: Governor

ATT: Chief Financial Officer

From: Attorney General *EB*

Subject: Security for Repayment of Line of Credit

You have inquired as to whether or not the Governor, in exercising his authority under 6 GCA §22413 to arrange for a line of credit on behalf of the government of Guam, can pledge funds in the Tourist Attraction Fund (TAF) for repayment of interest and principal on any loan(s) obtained thereby.

Within the limits and terms as discussed herein, we believe that the Governor can lawfully designate the TAF as a funding source for such payment. This is analogous to a pledge of collateral to secure a line of credit.

5 GCA §22413 provides:

Line of Credit. The Governor, on behalf of the government of Guam, is authorized to arrange a line of credit not to exceed Ten Million Dollars with any bank or commercial lending institution licensed on Guam, provided that any agreement between any bank or commercial lending institution licensed on Guam and the Governor of Guam for a line of credit in excess of Six Million Dollars shall be subject to the approval of the Legislature by

Felipe A. Chang
3/1/94
4:50 p.m.

0211dlpjlagovopinion



other revenues of the government of Guam and the General Fund. Any excess funds from the tax increases contained in P.L. 17-4 shall be used to retire said debt instruments as additional principal payments and for no other purposes.

(h) Notwithstanding the first paragraph of this Section, or any other provision of law, the terms of the line of credit arranged by the Governor as provided by this Section, may permit the bank or commercial lending institution licensed on Guam with which such line of credit is arranged, to grant participation in such line of credit, at such times and in such amounts and upon such terms and conditions as such bank or lending institution licensed in Guam shall determine, to other banks, or commercial lending institutions, including those not licensed on Guam, or to any other persons, associations, or corporations. The exemption from taxation by the government of Guam of the interest derived from the line of credit shall be preserved to any such participant. Such participation shall be by public offering. Note that Subsections (f) and (g) above specifically provide that funds necessary for the repayment of interest and principal are appropriated (1) from the General Fund, and (2) from revenue derived from the tax increase contained in P.L. 17-4, and (3) as necessary from other revenues of the government of Guam. (Emphasis added)

Note that Subsections (f) and (g) above specifically provide that funds necessary for the repayment of interest and principal are appropriated (1) from the General Fund, and (2) from revenue derived from the tax increase contained in P.L. 17-4, and (3) as necessary from other revenues of the government of Guam.

Inasmuch as the statutory credit line authorization provides sources for repayment of principal and interest of any loans obtained pursuant to that authorization, any pledge by the Governor of other funds from a specifically designated source such as the

resolution for the amount in excess of Six Million Dollars. The terms of the line of credit shall include the following:

- (a) The line of credit shall be used by the Governor in cases where a cash shortage is eminent (sic) and a strong likelihood exists that the shortage could hamper government operations.
- (b) Prepaid charges shall not be levied by the bank or trust department for opening the line of credit.
- (c) The interest rate shall be subject to competitive negotiations between the Governor and the banks. Such interest rate shall be computed on a monthly average and based on the actual amounts extended to the Government.
- (d) Interest derived from the line of credit shall be exempt from taxation by the government of Guam.
- (e) All terms of the line of credit agreement not specifically defined in the foregoing shall be negotiated by the Governor in the best interests of the people of Guam.
- (f) Funds necessary for such repayment of interest and principal are appropriated from the General Fund. The duration for repayment of the loan shall be negotiated by the Governor.
- (g) Funds necessary for the repayment of interest and principal on loans authorized by this Section and GCA §6122 [§22414 of this Article] are appropriated from the revenue derived from the tax increase contained in P.L. 17-4, and, to the extent necessary, from

Memo to Governor
February 22, 1994
Page 4

TAF would be in the nature of collateral security for the purpose of further securing the line of credit arranged with the bank or lending institution. The additional collateral, presumably, would assist in negotiating more favorable repayment terms with the lender, as the Governor is charged to do.

Of course, the Governor's authority to so designate the TAF as a funding source for repayment in arranging the line of credit would be limited to the amount of unappropriated surplus in the fund, and could not include any amounts required to meet prior debt service obligations such as the Infrastructure Bond Indenture or other trustee depository requirements of the fund.

This memorandum is informational only and is not issued as an opinion of the Attorney General. For a faster response to any inquiry about this memorandum, please use the reference number shown.

OFFICE OF THE ATTORNEY GENERAL



By: DONALD L. PAILLETTE
Chief Deputy



Office of the Attorney General
Territory of Guam

Elizabeth Barrett-Anderson
Attorney General

Phone: (671) 475-3324
Telefax: (671) 472-2493

Donald L. Paillette
Chief Deputy Attorney General

March 31, 1994

Bank of Hawaii
Guam Branch
Agana, Guam 96910

Re: Credit Agreement between the Government
of Guam (the "Borrower") and Bank of Hawaii

Gentlemen:

This opinion letter is furnished to you pursuant to Section 3.01(a)(v) 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 do not purport to express an opinion on any question arising under the laws of any

COMMONWEALTH NOW!

Suite 2-200 E, Judicial Center Building 120 West O'Brien Drive Agana, Guam 96910

ATTACHMENT #2

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.

Sincerely,


ELIZABETH BARRETT-ANDERSON
Attorney General

MASTER NOTE

\$6,000,000.00

March 31, 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 31st day of March, 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.

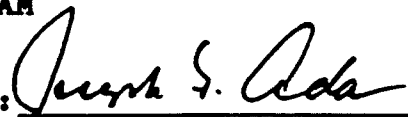
11. **Lender's Expenses.** The Borrower will pay on demand all of the Lender's expenses, including reasonable attorneys' fees, arising out of or related to the protection or enforcement of the Lender's rights under this Note or any other of the Loan Documents, whether or not an Event of Default shall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

CERTIFICATE OF THE BORROWER

To: Bank of Hawaii
Guam Branch

Re: Credit Agreement dated as of March 31, 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:

JOSEPH F. ADA

Governor of Guam

WILFRED G. AFLAGUE

Director, Dept. of Administration

Specimen Signature:

Joseph F. Ada

W. G. Aflague

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 March 31, 1994.

OFFICE OF THE ATTORNEY
GENERAL

BY: E. Barrett Anderson
ELIZABETH BARRETT ANDERSON
Attorney General

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 March 31, 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:

1. 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.

2. 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 31st day of March, 1994.

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"

RDD:kkp
010028-NEW
3/9/94

SCHEDULE A

(Pledge Of Deposits - BOH and Government of Guam)

ACCOUNT NUMBER

SIGNATURE OF BORROWER

CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of March 31, 1994, 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 will evidence its obligation to repay the credit under the terms and conditions of this Agreement by the execution and delivery of this Agreement and the Note (as defined below); and

WHEREAS BOH is willing to establish such credit upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Certain Defined Terms. When used in this Agreement and the Exhibits hereto, the following terms shall have the meanings stated (such meanings to be equally applicable to both the singular and plural of the terms defined unless otherwise indicated):

"Advances" mean the advances made to the Borrower by BOH pursuant to Article II.

"Affiliate" means any Person, directly or indirectly controlling, controlled by, or under common control with, any other Person.

"Business Day" means any day during which BOH is open for business.

"Commitment" means the obligation of BOH pursuant to Section 2.01 to make the Advances.

"Commitment Period" means the period commencing on the date of this Agreement and ending on March 31, 1995, or any

earlier date on which the Commitment is terminated pursuant to this Agreement.

"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 the Note.

"Disbursement" has the meaning set forth in Section 2.04.

"Disbursement Date" means the date specified in the Notice of Drawdown delivered pursuant to Section 2.02 as the date a Disbursement is to occur.

"Dollars", "\$" and "US\$" each means the lawful money of the United States.

"Encumbrance" means any mortgage, lien, security interest, pledge, charge, encumbrance or other type of preferential arrangement.

"Event of Default" means any event specified in Section 11.01 as an Event of Default.

"Governmental Agency" means each of: the government of the Territory of Guam, and any agency, department, ministry, authority, statutory corporation or other statutory body, political subdivision or judicial entity of such government, now existing or hereafter created.

"Governmental Approval" means any consent, license, approval, authorization, exemption, registration, filing, opinion or declaration from or with, as the case may be, any Governmental Agency.

"Indebtedness" means, for any Person, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of any Property or services, (ii) all indebtedness created or arising under any conditional sales or other title retention agreement with respect to any Property acquired by such Person (including, without limitation, indebtedness under any such agreement which provides that the rights and remedies of the seller or lender thereunder in the event of default are limited to repossession or sale of such Property), (iii) all obligations under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capitalized leases in respect of which such Person is liable as lessee, (iv) all direct or indirect guaranties of such Person in respect of, and all obligations (contingent or otherwise) of such Person to purchase or otherwise acquire, or

otherwise to assure a creditor against loss in respect of, any indebtedness or obligation referred to above in item (i), (ii) or (iii) of any other Person, and (v) all indebtedness and obligations referred to above in item (i), (ii), (iii) or (iv) secured by (or for which the holder of such indebtedness or obligation has an existing right, contingent or otherwise, to be secured by) any Encumbrance upon or in any Property of such Person notwithstanding that such Person has not assumed or become liable for the payment of such indebtedness or obligation.

"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 the 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.

"Lending Office" means BOH's office in Agana, Guam, or such other branch or office of BOH as BOH may at its sole discretion designate by notice in writing to the Borrower as the branch or office from which the Loan will thereafter be made or maintained.

"Loan" means, at any time, the principal amount of the Advances then outstanding.

"Note" has the meaning set forth in Section 2.05.

"Notice of Drawdown" means any Notice of Drawdown given to BOH pursuant to Section 2.02 in the form appearing as Exhibit A.

"Obligations" has the meaning assigned to that term in Section 8.01.

"Payment Date" means a day on which the Borrower is required to make a repayment of the Loan pursuant to Section 4.01.

"Person" means an individual, corporation, partnership, joint venture, trust, unincorporated organization or any juridical entity or a national state or any agency or political subdivision thereof.

"Property" means at any time as to each Person, all assets, revenues, rights to receive income and other property (whether tangible or intangible) of such Person.

"Taxes" has the meaning assigned to that term in Section 7.01.

"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 BOH, on the Time Certificate of Deposit of BOH pledged by Borrower as collateral for the Advance.

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

"Term of this Agreement" means the period commencing on the date hereof and ending on the final date of payment in full of the remaining principal amount, interest or other amount payable by the Borrower under this Agreement or the Note.

"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.

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