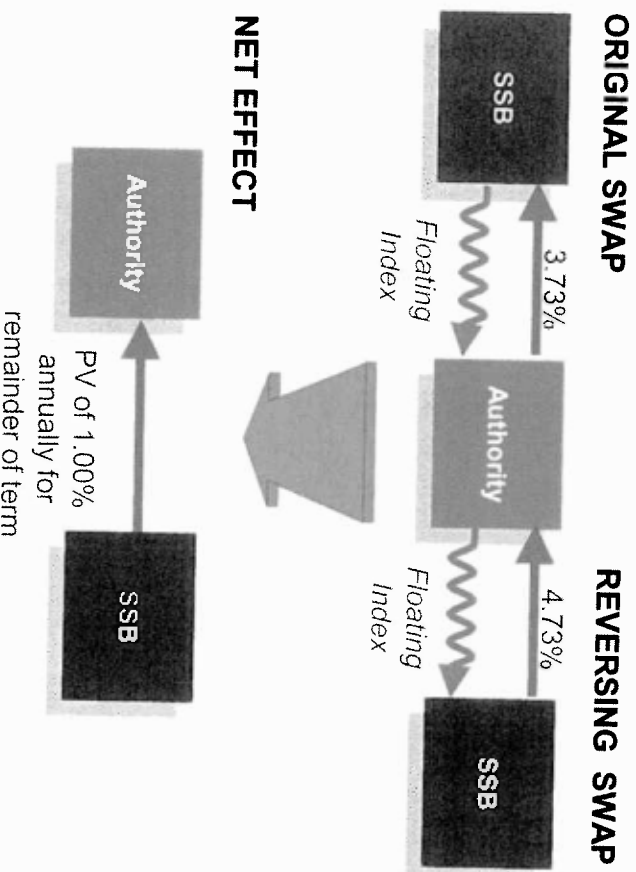


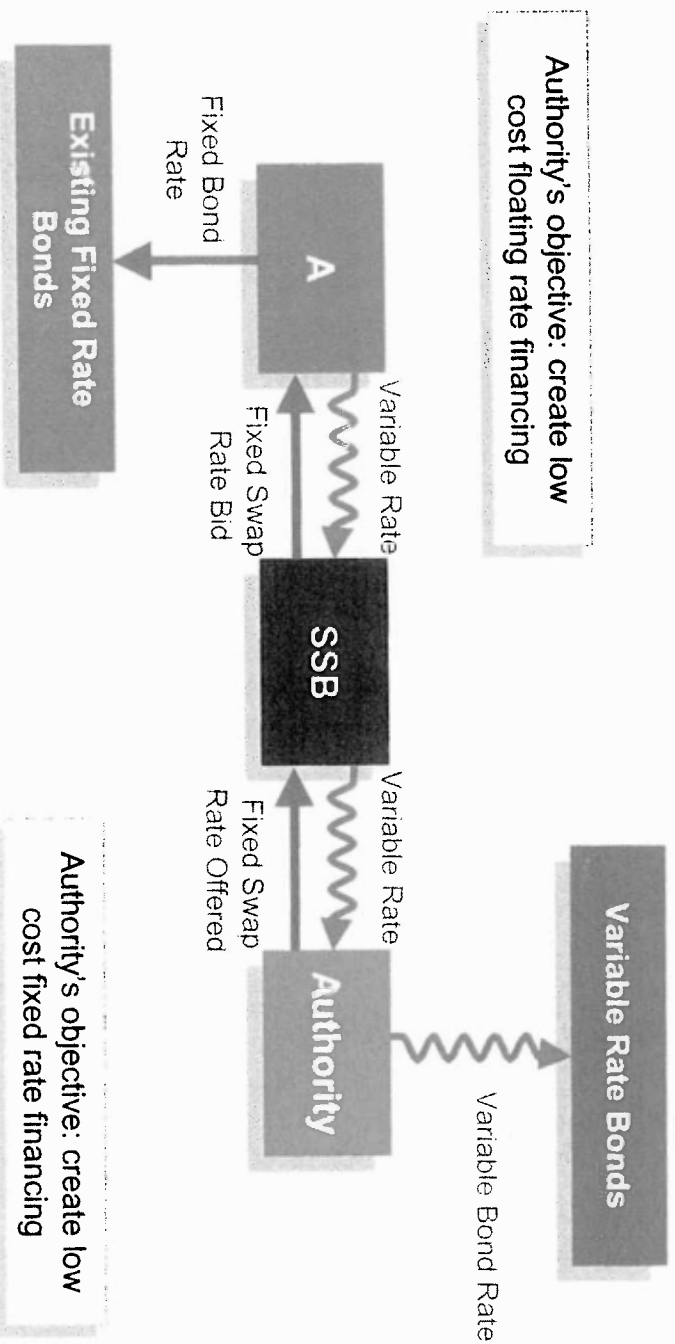
# Swap Termination and Valuation

- The Authority may ask SSB to terminate (reverse) the swap at any time for market value
- The value is determined by a comparison between the original swap rate the Authority is paying and fixed rate the Authority could receive in a mirror-image (fixed-to-floating) swap
- If swap is terminated prior to maturity, the Authority would make a make-whole payment to SSB in lower rate environment, receive a payment if rates are higher.
- Upon an early termination, the Authority may leave variable rate Bonds outstanding or convert them to a fixed rate at prevailing market yields

The possibility of a make-whole payment if the swap is terminated early makes the synthetic fixed rate bonds economically non-callable.



# Swap Dealers Act as Intermediaries Between End-Users



Swap Dealer's compensation is the difference between fixed rates paid ("Bid") and received ("Offered").

## Projected PV Impact Under Tax Relief Act of 2001

- Under current market conditions, an MSL swap is expected to provide \$29.87 million in present value savings on the 1993 Series B Bonds.<sup>1</sup> In this structure approximately \$185 million of fixed rate bonds have been refunded with variable rate bonds swapped to a fixed rate. This savings calculation assumes the variable rate paid by SSB equals the variable rate on the refunding bonds
- However, the MSL swap has Alternate Rate Events, which, if they occur, could reduce the actual present value benefit. Chief among these is SSB's ability to pay the Authority 71% of LIBOR, in lieu of the bond rate, should the bond rate exceed 71% of LIBOR on average for a predetermined number of days
- The Tax Relief Act of 2001 may trigger this Alternate Rate Event. The reduction in savings would be equal to the difference between the variable bond rate and 71% of LIBOR
- The relationship between the bond rate and LIBOR depends, in part, on future marginal tax rates. In theory, the bond rate is LIBOR \* 365/360 \* [(1 - Federal Marginal Tax Rate) + Inefficiency]<sup>2</sup>
- The table below shows the possible impact of the Tax Relief Act of 2001 on PV benefit of the swap, given alternative assumptions for inefficiency and average LIBOR

### Estimated Present Value Impact of Tax Reform Act of 2001 (decrease in savings) - 71% LIBOR

Assumed LIBOR	Bond Rate Inefficiency to [1-MTR]				
	2%	3%	4%	5%	6%
1.0000%	-	129,298.00	258,596.00	403,028.00	806,055.00
2.0000%	-	258,596.00	517,192.00	806,055.00	1,209,083.00
3.0000%	-	387,894.00	775,788.00	1,209,083.00	1,612,110.00
4.0000%	-	517,192.00	1,034,384.00	1,612,110.00	2,015,138.00
5.0000%	-	646,490.00	1,292,980.00	2,015,138.00	2,418,166.00
5.5000%	-	711,139.00	1,422,278.00	2,216,652.00	2,821,193.00
6.0000%	-	775,788.00	1,551,576.00	2,418,166.00	3,224,221.00
7.0000%	-	905,086.00	1,810,172.00	2,821,193.00	3,627,249.00
8.0000%	-	1,034,384.00	2,068,768.00	3,224,221.00	4,030,276.00
9.0000%	-	1,163,682.00	2,327,364.00	3,627,249.00	-
10.0000%	-	1,292,980.00	2,585,960.00	-	-

<sup>1</sup> Present value benefit does not include impact of reserve fund earnings.

<sup>2</sup> Bond rate = after-tax equivalent of LIBOR + assumed inefficiency.

Assumes PV factor of 4.05%, the arbitrage yield.

For illustration only; actual results will depend on future market conditions.

The Tax Relief Act of 2001 contemplates a reduction in the top tax rate from 39.6% to 38.6% effective July 1, 2001, 37.6% January 2004, and 35% in January 2006. This may cause the BMA/LIBOR ratio to increase by about 4.6%, everything else being equal.

The TRA 2001 is scheduled to sunset in 2010, unless Congress takes further action.

# Projected Annual Cashflow Impact Under Tax Relief Act of 2001

Cashflow Savings Impact of Tax Reform Act of 2001 (annual cashflow increase)  
Bond Rate Inefficiency to [1-MTR]

Year	2%	3%	4%	5%	6%
2002	-	-	-	-	-
2003	-	-	-	-	-
2004	-	-	-	-	40,537
2005	-	-	-	-	40,537
2006	-	-	99,413	198,826	298,240
2007	-	-	94,599	189,198	283,797
2008	-	-	89,594	179,189	268,783
2009	-	-	84,387	168,774	253,160
2010	-	-	78,974	157,948	236,922
2011	-	-	73,343	146,687	220,030
2012	-	-	67,493	134,985	202,478
2013	-	-	61,409	122,819	184,228
2014	-	-	55,081	110,162	165,243
2015	-	-	48,498	96,996	145,494
2016	-	-	41,650	83,301	124,951
2017	-	-	34,531	69,061	103,592
2018	-	-	27,126	54,252	81,379
2019	-	-	19,427	38,855	58,282
2020	-	-	11,422	22,844	34,266
2021	-	-	3,095	6,190	9,285
2022	-	-	1,578	3,157	4,735
	-	-	<b>891,622</b>	<b>1,783,243</b>	<b>2,755,939</b>

Assumes LIBOR is 4.88%, the five year historical average and that the floaters trade at BMA  
Actual results may vary

The prices and levels contained herein are indicative only and do not represent bids or offers. These indications are provided solely for your consideration and information, are subject to change at any time without notice and are not intended as a solicitation with respect to the purchase or sale of any instrument. This is not a complete analysis of every material fact representing any product. Statements of fact have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. Any estimates included herein constitute our judgment as of the date hereof and are subject to change without notice. Salomon Smith Barney Inc. and/or its affiliates (the "Firm") may make a market in these instruments for its customers and for its own account. Accordingly, the Firm may have a position in any such instrument at any time.



Member of the Federal  
Deposit Insurance Corp.

**BANK OF GUAM**  
THE PEOPLE'S BANK

Headquarters • P.O. Box BW • Hagåtña, Guam 96932

Tel: (671) 472-5300

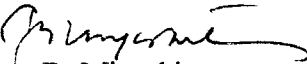
August 30, 2002

Mr. Lester Carlson  
Finance Manager  
Guam Economic Development Authority  
ITC Building, Suite 511  
590 South Marine Drive  
Tamuning, Guam 96932

Subject:        Loan Documents

Dear Lester:

Enclosed please find the revised version of the loan documents on the \$10,000,000.00 credit request for the Government of Guam as discussed during our meeting yesterday. You will also find attached the Redline version which incorporates the areas of changes considered and discussed also.

  
Joyce B. Miyashita  
VP/Credit Administrator

Enclosures

**CLEAN VERSION**

## LOAN AGREEMENT

### WITNESSETH:

THIS AGREEMENT, made this \_\_\_ day of \_\_\_\_\_, 2002, by and between BANK OF GUAM, a Guam Banking Corporation organized under the laws of Guam, and authorized to do business within Guam, hereinafter sometimes referred to as "Bank" and the GOVERNMENT OF GUAM, hereinafter sometimes referred to as "the Government" is with reference to the following facts:

Pursuant to Public Laws 26-84, as amended by Public Law 26-122, the Legislature of Guam has authorized the Governor of Guam to borrow or arrange a line of credit not to exceed Ten Million Dollars (\$10,000,000), and has further authorized a pledge of the Revenues payable to the Government of Guam by the United States of America under Section 30 of the Organic Act of Guam, 48 U.S. Code §1421h, as security for repayment of the Loan. The Governor of Guam has determined to borrow in the form of, and has negotiated, a term loan in the sum of Ten Million Dollars (\$10,000,000), and Bank has agreed to extend such loan, all upon the terms and conditions herein provided.

In consideration of the mutual promises hereinafter contained, and of other valuable consideration, Bank and the Government agree as follows:

1. **Loan.**

(a) Subject to the conditions and upon the terms herein provided, Bank agrees to lend and the Government will borrow the sum of up to Ten Million Dollars (\$10,000,000), lawful money of the United States (hereinafter "the Loan").

(b) The Loan shall be evidenced by a Promissory Note (hereinafter "the Note") in the form of Exhibit "A", attached hereto, and by referenced incorporated herein.

(c) Interest on the Loan will be exempt from all Government of Guam taxation.

2. **Interest and Repayment.**

The Loan shall bear interest and shall be repaid pursuant to the provisions of the Note in the form of **Exhibit A** hereto.



3. **Security.**

(a) The obligations of the Government under the Loan are general and not special obligations of the Government of Guam, subject to the full faith and credit of the territory of Guam.

(b) The Loan shall be secured by a pledge of revenues payable to the Government under Section 30 of the Organic Act, 48 U.S. Code §1421h, ("the Pledge"), in the form of **Exhibit B** hereto, subject to a prior pledge of such revenues pursuant to the terms of an Indenture made between the Government of Guam and Bank of Guam as Trustee and Depository and U.S. Bank Trust National Association as Co-Trustee with respect to the Government of Guam Limited Obligation (Section 30) Bonds including the \$76,895,000 Government of Guam Limited Obligation (Section 30) Bonds Series 2001A ("the Indenture") dated as of December 1, 2001, and issued pursuant to 5 GCA §1508.1 and 12 GCA Chapter 51, but otherwise a first lien upon such Revenues.

4. **Representations, Warranties and Agreements.** The Government makes the following representations, covenants and warranties, which shall survive the execution and delivery of this Agreement, the Pledge and the Note and shall be continuing:

(a) The Government has the authority necessary to execute, deliver and perform the terms of this Agreement, the Pledge and the Note, and to borrow hereunder. The execution, delivery and performance of this Agreement, the Pledge and the Note, and all other agreements, instruments and documents provided for herein and the borrowing contemplated hereby have been duly authorized by proper proceedings and do not and will not conflict with or result in a breach by Government or any officer or representative of the Government of any law or any regulation, order, writ, injunction or decree.

(b) This Agreement constitutes a valid and binding obligation of the Government, enforceable in accordance with its terms, and the Pledge and the Note when duly executed on behalf of the Government, and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Government enforceable in accordance with their terms. The Pledge is, subject only to the rights of a trustee, depository or of the bond holders under the Indenture, valid, binding and enforceable upon the Government of Guam, and upon the property subject thereto, and as to other parties who may claim interests in the property subject thereto and is effective to create and perfect the lien it purports to create upon the property subject thereto.

(c) There is no action, suit or proceeding pending or, to the knowledge of the Government, threatened against or affecting the Government in any court or before any arbitrator

or before any governmental agency, wherein an adverse determination would materially adversely affect the ability of the Government to perform its obligations under this Agreement, the Pledge and the Note.

(d) All borrowings or public indebtedness of the Government, in addition to the borrowing represented by the Loan, do not exceed the ten percent (10%) ceiling imposed by Section 11 of the Organic Act of Guam, 48 U.S. Code §1423a, as amended.

(e) All necessary action required by law to authorize performance of the terms and conditions of the Loan by the Government has been made including any necessary appropriation for repayment.

(f) The Government will not be immune from suit in any action whatsoever as may arise out of the Loan, and the Bank will not be limited in any way as to the remedies available to it, or as to the amount or amounts that may be collected under such litigation.

5. **Supporting Documents.** Government will as a condition of the Loan and prior to disbursement of the Loan deliver the following documents in form and substance satisfactory to Bank:

(a) The Pledge in the form of **Exhibit B** hereto executed and delivered by the Government of revenues payable from time to time by the United States of America to the Government pursuant to Section 30 of the Organic Act.

(b) An opinion of the Attorney General of Guam in the form of **Exhibit C** hereto.

(c) A certification by the Director of Administration of the Government that all borrowings or public indebtedness of the Government of Guam, in addition to and inclusive of the borrowing under the Loan, do not exceed the ten percent (10%) ceiling imposed by Section 11 of the Organic Act of Guam, 48 U.S. Code §1423a.

(d) An opinion of counsel to the Guam Economic Development and Commerce Authority that the Loan has been duly authorized by such Authority consistent with 12 GCA §50103(k).

6. **Opinion of Counsel.** The obligation of Bank to make its Loan disbursement is subject to receipt from its own counsel of a favorable opinion that such counsel has reviewed all documents required by this Agreement, in connection with the Loan, is satisfied with their contents, and deems them to be sufficient to secure the Loan.

7. **Use of Loan Funds.** The Loan funds extended hereunder shall be used as needed by the Government in amounts not exceeding the authorized amount of the Loan hereunder for the purposes specified in Public Laws 26-84 and 26-122.

Without limitation of the foregoing, *I Maga'lahaen Guåhan* shall use Five Million Dollars (\$5,000,000) of the Loan for the purpose of funding public assistance programs as appropriated in Public Law Number 26-35, as amended, and Five Million Dollars (\$5,000,000) for the payment of the Department of Education's monthly allotment backlog as appropriated in Public Law Number 26-35, as amended.

Loan funds hereunder shall not be diverted by the Government to or drawn for any other purpose than permitted by law.

Breach of this provision or of any statutory provision as to application of the Loan shall not impair the obligations of the Government to the Lender hereunder.

8. **General Conditions to Disbursement.** Lender shall not be obligated to make any disbursement under the Loan:

(a) When the Government has defaulted in the making of any payment required by this Agreement.

(b) When the Government is in breach of any covenant, condition or warranty under this Agreement or the Pledge.

(c) When any claim has been made by the Department of Revenue and Taxation of the Government of Guam, or the Internal Revenue Service of the United States, that interest hereon is not exempt from taxation under the Internal Revenue Code of the United States, the Guam Territorial Income Tax or the Guam Business Privilege Tax.

9. **Conditions to Disbursement.** The obligations of the Lender to disburse funds hereunder shall be conditioned upon the following, which shall be satisfied prior to disbursement of any funds hereunder:

(a) All conditions to the lawful borrowing by the Government hereunder, to the making and performance of this Agreement and to the making and performance of the Pledge by the Government shall have been obtained.

(b) The Government shall have made and delivered to Lender:

(1) This Agreement.

(2) The Note.

(3) The Pledge.

(4) Notice of the Pledge as required by the Pledge to the trustee and depository under the Indenture, and direction to pay funds held by such trustee and depository under the Indenture as and when payable to the Government to the Lender hereunder pursuant to the provisions of the Pledge, duly acknowledged by such trustee and depository.

(5) Notice of the Pledge as required by the Pledge to the Secretary of the Treasury and Secretary of the Interior of the Government of the United States, subject to the prior pledge under the Indenture.

(6) A Certificate of appropriate officials of the Government of Guam to the effect that the obligations of the Government of Guam under the Pledge, together with all other obligations of the Government of Guam outstanding, do not exceed the limitations provided by Section 11 of the Organic Act, 48 U.S. Code §1423a.

(c) Lender and its legal counsel shall have been furnished an opinion of the Attorney General of Guam in substantially the form of **Exhibit C** hereto.

(d) Government shall have furnished to Lender and its legal counsel the Revenue Ruling, and a true copy of the application for the Revenue Ruling referred to in Section 10 hereof, together with other assurances as to the tax exempt status of the Loan reasonably requested by Lender.

(e) Approvals of the borrowing hereunder and of the terms and conditions thereof by Resolution of the Guam Economic Development and Commerce Authority and of the Legislature of Guam as required by 12 GCA §50103(k) have been obtained and evidence thereof furnished to Lender.

10. **Warranty and Covenants with Respect to Tax Exempt Status of Loan.** This Agreement is made upon the condition (and Government does hereby warrant) that the interest of the Loan paid to the Lender shall be exempt from taxation under the Internal Revenue Code of the United States, the Guam Territorial Income Tax and the Guam Business Privilege Tax.

Prior to initial disbursement hereunder the Government shall furnish to the Lender a Revenue Ruling with specific reference to the Loan issued by the Department of Revenue of Taxation in the manner provided, and after application made, as provided by law to the effect that the interest of this Loan is exempt from taxation under the Guam Territorial Income Tax and the Guam Business Privilege Tax. The Government shall first make application for such Revenue Ruling, providing

accurate detail as to the terms, conditions and purposes of this Loan, including detailed information as to the intended usage of Loan funds hereunder.

Government shall not use directly or indirectly any portion of the Loan proceeds hereunder for any purpose inconsistent with that disclosed to the Department of Revenue and Taxation in the application for the Revenue Ruling.

Government shall not use, directly or indirectly, any of the Loan proceeds hereunder in any manner that may result in a determination that the Loan or interest hereof is, in whole or in part, or for the whole or any portion of the term of the Loan or period in which it remains outstanding, subject to taxation under the Internal Revenue Code of the United States, the Guam Territorial Income Tax or Guam Business Privilege Tax. Without limitation of the foregoing, Government shall not utilize all or any portion of the Loan proceeds hereunder in a manner that may result in a determination that the Loan or either Note constitutes in whole or in part an "arbitrage bond", or a "private facility bond" which is not a "qualified bond" under the provisions of the Internal Revenue Code of the United States or of the Guam Territorial Income Tax.

Government agrees to indemnify and hold Lender harmless from any claim (including costs of defense of such claim whether or not such claim be sustained) that the interest on the Loan is in any period in which it remains outstanding subject to taxation under the Internal Revenue Code of the United States, the Guam Territorial Income Tax or Guam Business Privilege Tax. For any period (1) as to which it is determined as a result of a change in law or a final determination of any administrative officer or official having enforcement powers or jurisdiction over the administration of such tax, or as a result of the final decision of any court of competent jurisdiction or by any other final determination binding upon the Lender that interest hereunder is subject to taxation under the Internal Revenue Code of the United States, the Guam Territorial Income Tax or Guam Gross Receipts Tax, or (2) such interest becomes subject to taxation under the laws of the United States or of Guam as a result of any change in any of such taxes or any rule or regulation thereunder, or by reason of the enactment by any governmental entity of any other tax upon net incomes, on gross receipts of revenues, or by reason of any other change in law, then in any of such events the effective rate of interest hereunder shall be 2% per annum above instead of equal to the Reference Rate of Bank of Guam subject to a maximum rate of interest of 8% per annum. The provisions of this paragraph and obligations of the Government hereunder shall be continuing and survive repayment of the principal of this Loan.

11. **Warranties.** The Government makes the following warranties which shall continue in effect until the obligations hereunder have been fully paid and satisfied.

(a) The Government has the statutory authority necessary to make, deliver and to perform the terms of this Agreement, the Note and the Pledge, and to borrow as provided hereunder.

(b) The making, delivery and performance of this Agreement, and the borrowing contemplated hereby have been duly and regularly authorized by all requisite action of the Government and of each agency or instrumentality of the Government of Guam having jurisdiction.

(c) This Agreement constitutes a legal, valid and binding obligation of the Government, enforceable in accordance with its terms.

(d) There is no action, suit or proceeding pending or, to the knowledge of the Government, threatened against or affecting the Government in any court or before any arbitrator or before any other forum which may materially adversely affect the ability of the Government to perform its obligations under this Agreement, nor has any default occurred or any claim of default been made with respect to any covenant, indenture or agreement to which Government is a party.

(e) The making, delivery and performance of this Agreement by the Government are not contrary to any provision of law or regulation, nor will the same constitute, or with lapse of time and giving of notice, give ground to declare a default or breach of any covenant, warranty, indenture or agreement to which the Government is a party or which is secured by a pledge of assets or revenues of Government.

(f) The Government is not immune from suit to enforce the obligations hereunder or under the Pledge and Assignment.

(g) The Pledge has been duly and validly executed and delivered to the Lender, and constitutes the valid, binding and enforceable lien upon the property therein described as security for the Loan, subordinate only to the Indenture.

12. **Default and Remedies of the Bank.** The following shall constitute events of default: (1) any default (by failure to make payment on or before the due date) in the payment of principal or interest on the Note; or, (2) the occurrence of certain other events as set forth in the Pledge. In the event of default the Bank shall have the remedies set forth in the Pledge, in addition to any other rights and remedies Bank may have, pursuant to the Note, the Loan or this Agreement, or by law.

13. **Affirmative Covenants of Government.** The Government will duly perform and observe all covenants and conditions undertaken and to be observed by it pursuant to this Agreement, the Pledge and the Note, the terms of which are incorporated herein.

14. **Restriction on Further Pledge or Change of Trustee or Depository under Indenture.** The Government of Guam shall not create or permit the creation of any pledge, lien, charge or other encumbrance upon the Revenues, or other assets pledged or assigned under the Pledge and Assignment while the Loan remains outstanding except the Pledge or any encumbrance subordinate to the Pledge. The Government shall not assert against such property any pledge, lien, charge or encumbrance which the Government of Guam itself may hold. The Government of Guam shall not issue, while the Loan remains outstanding, under authority of the Indenture, any further bonds of equal rank to those issued and outstanding under the Indenture.

The Government shall furnish to the Bank such information as to the projected amount of and date of payment in each year of revenues pursuant to Section 30 of the Organic Act. Not later than September 15<sup>th</sup> of each calendar year, or 15 days prior to any earlier date upon which revenues payable under Section 30 of the Organic Act in such calendar year are projected to be received, the Government shall advise the Bank of the projected amount of revenues to be paid in such calendar year, and projected date of receipt by the Government or for its account of such revenues. Nothing contained herein shall limit the obligation of the Government under the Pledge with respect to payment of such revenues to a depository or trustee under the Indenture so long as the Indenture remains outstanding or to the Lender under the Pledge.

15. **Non-Waiver.** Any failure or neglect by Bank to collect or receive any payments due upon any collateral, or to collect any collateral or to collect or receive any payments due under this Agreement, the Note or the Pledge shall not release Government from any liability to Bank or constitute a waiver of any of the rights or remedies available to the Bank.

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

17. **Construction.**

(a) **Powers Cumulative.** All rights, powers and remedies herein given to the Bank are cumulative and not alternative, and are in addition to all statutes or rules of law; and partial exercise or forbearance or delay by Bank in exercising the same shall not operate as any waiver thereof or of any other power or rights hereunder or granted to Bank by law, and the exercise of any rights or partial exercise thereof or of any other rights, and the same shall continue in full force and effect until specifically waived by an instrument in writing executed by Bank.

(b) **Covenants Survive Closing.** All covenants, agreements, undertakings, representations and warranties made herein shall survive the execution hereof and all closings hereunder.

(c) **No Trust for Third Parties.** Nothing herein contained shall be deemed to establish any trust fund for the benefit of any third person or persons, nor to impose any liability upon Bank to pay or be chargeable with any claims of third persons against the Government.

(d) **Invalid Provisions.** In the event any one or more of the provisions contained in this Loan Agreement or in any documents which are the subject of this Loan Agreement or given hereunder shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, unenforceability or illegality shall not affect any other provision of this Loan Agreement and/or of such other documents, and this Loan Agreement and such documents shall be construed as if such provision had never been contained herein or therein.

(e) **Governing Law.** This Loan Agreement is executed, delivered and to be performed in the Territory of Guam, and the validity, construction, enforcement, and interpretation of this Loan Agreement and all security agreements executed and delivered pursuant to this Loan Agreement shall be governed by the laws of the Territory of Guam.

(f) **Captions: Accounting Terms.** The captions and section headings herein are for reference and convenience only, and shall not enter into the interpretation hereof. In the event of any conflict between any caption and the written text, the terms of the written text shall control. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of any financial statements or financial instruments submitted to Bank by Government pursuant to or in connection with this Loan Agreement.

18. **Indemnification.** Government shall indemnify and hold Bank harmless from any liability, cost or damage arising out of Government's breach hereof. Bank may appear in or defend



any action or proceedings purporting to affect the rights or duties of the parties hereunder or property; subject to any security interest, and Government shall pay all of Bank's costs and expenses.

19. **Costs and Expenses.** Government shall pay on demand all costs and expenses in connection with the preparation, execution, delivery, filing and recording of the Loan Documents and the other documents to be delivered under the Loan Documents, including the reasonable fees and out-of-pocket expenses of counsel for the Bank with respect thereto. Government shall pay all other expenses of Bank, including reasonable attorney's fees, in connection with the administration of this Loan Agreement and the other Loan Documents and all costs and expenses, if any, in connection with the enforcement of this Loan Agreement, the Note and the Pledge.

20. **Counterparts.** This Loan Agreement may be executed in as many counterparts as may be deemed necessary or convenient, and each counterpart shall be deemed an original.

21. **Assignment.** The Government hereby grants to the Bank the unrestricted and unqualified right and power to sell, assign, convey or transfer all, or any part of, this Loan, and Note, and all the rights, powers, remedies, and benefits appertaining thereto (including but not limited to all tax exemptions), to another lending institution, as the Bank may in its sole discretion decide.

22. **Miscellaneous.**

(a) Any notice or demand upon the Government of Guam, or the Lender shall be deemed to have been sufficiently given or served for all purposes by being deposited, postage prepaid, in a post office letter box, addressed to the applicable address set forth below, or at such other address as may have been filed in writing by such party with each other party or by delivery to such place as may be designated herein. At the date of execution of this Agreement, the address of the Government of Guam and Lender are as follows:

Government of Guam:

Lender: Bank of Guam  
Route 4 and Chalan Santo Papa  
P.O. Box BW  
Hagåtña, Guam 96932

(b) The Note contemplated to be executed and delivered pursuant to the Agreement is hereby made subject to all conditions, agreements and covenants contained herein to the same extent

as if they were fully set forth in and made a part of the Note, and this Agreement is made subject to all the conditions, agreements and covenants contained in the Note to the same extent as if they would be set forth herein, and made a part hereof.

(c) Government shall execute and deliver to Bank, such other and further documents or instruments as may be reasonably requested in connection with the transaction contemplated hereunder.

(d) The section headings used herein are for reference and for convenience only and shall not enter into the interpretations hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers on this \_\_\_\_\_ day of \_\_\_\_\_, 2002.

**BANK OF GUAM**

By: \_\_\_\_\_  
*Its Duly Authorized Representative*

**GOVERNMENT OF GUAM**

By: \_\_\_\_\_  
**Governor of Guam**

Guam, )  
City of Hagåtña ) ss:

On this \_\_\_\_\_ day of \_\_\_\_\_, 2002, before me, a Notary Public of Guam, duly commissioned and sworn, personally appeared \_\_\_\_\_, to me known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

(SEAL)

-----  
NOTARY PUBLIC

## PROMISSORY NOTE

The **GOVERNMENT OF GUAM**, (the "Government") promises to pay to the **BANK OF GUAM**, a Guam banking corporation, or to its order, the principal sum of TEN MILLION DOLLARS (\$10,000,000) with interest as hereafter provided. This Note is made under a Loan extended by the Bank of Guam to the Government pursuant to a certain Loan Agreement (the "Loan Agreement") and is given to evidence the obligation of the Government to the Bank of Guam for repayment of the Loan as provided by the Loan Agreement. This Note is secured by a Pledge and Assignment ("the Pledge") of revenues payable to the Government of Guam by the Government of the United States pursuant to Section 30 of the Organic Act, 48 U.S. Code §1421h.

1. **Interest.** The principal outstanding upon this Note shall bear interest at a variable rate based upon and, except as hereafter provided, equal to the Bank of Guam Reference Rate ("the Index"). The Bank of Guam Reference Rate is a base rate that Bank of Guam from time to time establishes and which serves as the basis upon which effective rates of interest per annum are calculated for those loans making reference thereto. In the event the Bank of Guam Reference Rate becomes unavailable as an index, then the Bank of Guam shall select in good faith a new index based upon comparable information, and the new index shall be utilized to determine effective rates of interest hereunder.

The initial rate of interest upon this Note shall be the index value effective on the date of this Note. The rate of interest upon this Note shall be changed monthly, if necessary, as of the first day of each calendar month to reflect the index value last effective in the immediately preceding calendar month such that net or aggregate changes to the index in any calendar month shall result in change to the effective rate of interest hereunder as of the first day of the following month.

The rate of interest hereon shall notwithstanding the foregoing be subject to adjustment to a rate equal to two percentage points (2%) per annum above the Index value, instead of a rate equal to the Index value, upon the occurrence of certain events as specified in paragraph 10 of the Loan Agreement with respect to the tax exempt status of the Loan. Upon the occurrence of any such events the effective rate of interest hereunder shall be adjusted as above provided and as provided in paragraph 10 of the Loan Agreement.

Notwithstanding the foregoing for any period of time in which the rate of interest hereunder would if computed as aforesaid, including taking into account the provisions of paragraph 10 of the Loan Agreement, exceed eight percent (8%) per annum, this Note shall bear interest at the rate of eight percent (8%) per annum.

All interest hereunder shall be computed based upon a year of 365 or 366 days as the case may be and based upon a monthly average of principal disbursed and outstanding upon this Note.

2. **Payment.** This Note shall be paid as follows:

(a) The full principal and accrued interest hereunder then outstanding shall be paid on \_\_\_\_\_, 2012.

(b) Until the payment specified in the preceding subparagraph this Note shall be payable annually in installments each in the amount of \$\_\_\_\_\_. The amount of such installments shall be fixed notwithstanding adjustments to the applicable rate of interest on this Note, except that in the event such amount is as of the date any installment is due less than the amount of interest accrued and unpaid to such date since the date the preceding installment was due, then the amount of such accrued interest shall be paid as the amount of such installment.

(c) Such installments shall be due on October 1<sup>st</sup> of each calendar year provided that in the event in any calendar year the payment specified to be paid in such calendar year by the United States of America to the Government of Guam pursuant to Section 30 of the Organic Act, 48 U.S. Code §1421h, is paid on a date earlier than September 30<sup>th</sup> of such calendar year, then the installment hereunder in such year shall be due the date following the date such payment is made to or for the account of the Government of Guam by the United States of America.

(d) This Note may be prepaid at any time without penalty.

The principal and accrued interest outstanding under this Note shall, at the option of the Holder, become immediately due and payable should the Government default in the due and punctual payment of principal or of interest or both on this Note.

The principal and accrued interest hereunder may, under certain additional circumstances set forth in the Pledge (which provisions are by reference incorporated herein), be declared immediately due and payable.

If any payment hereunder shall become due and payable on a Saturday, Sunday or public holiday, then the payment date thereof shall be extended to the next succeeding business day and interest shall be payable at the above rate per annum during such extension.

The Government of Guam hereby waives presentment, demand for payment, protest and notice of dishonor and all other notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and authorizes the holder without notice or further consent to grant extensions of time in the payment of all monies payable under this Note, to waive compliance with any of the provisions of this Note, and to release all or any part of money or other property held by the Bank of Guam and for which a lien for the repayment of this indebtedness exists; and also agrees in the event of any default to pay all costs of collection including reasonable attorneys' fees which may be incurred by the Holder in collecting any sums due hereunder, whether or not suit is brought.

This Note is given as a general and not as a special obligation of the Government. It is secured by the Pledge but is not limited as to repayment or recourse to pledged revenues.

This Note shall be governed by and construed in accordance with the laws of Guam.

Dated: \_\_\_\_\_.

**GOVERNMENT OF GUAM**

By: \_\_\_\_\_  
Governor of Guam

**PLEDGE AND ASSIGNMENT**

This Pledge and Assignment is made and entered into as of \_\_\_\_\_, between the **GOVERNMENT OF GUAM** and the **BANK OF GUAM**, a Guam banking corporation organized under the laws of Guam.

**WITNESSETH:**

WHEREAS, pursuant to Public Law 26-84, as amended by Public Law 26-122, the Legislature of Guam has authorized the Governor of Guam to borrow or arrange a line of credit in amount not to exceed Ten Million Dollars (\$10,000,000), and has further authorized a pledge of the Revenues payable to the Government of Guam by the United States of America under Section 30 of the Organic Act of Guam, 48 U.S. Code §1421h, as security for payment of the Loan,

AND WHEREAS, the Bank of Guam has agreed to extend a loan (“the Loan”) to the Government of Guam upon the terms and conditions set forth in a loan agreement (“the Loan Agreement”) dated the date hereof,

AND WHEREAS, it is a condition to the grant of the Loan by Bank of Guam, among other things, that the Government of Guam make this Pledge,

AND WHEREAS, the Bank of Guam is duly licensed to act as Lender within the Territory of Guam,

AND WHEREAS, all acts, conditions and things required by the laws of the United States of America and the Government of Guam to exist, to have happened and to have been performed precedent to and in connection with the making of the Loan, and the making of this Pledge have happened and have been duly performed in regular and due time, form and manner as required by law and the Government of Guam is now authorized and empowered pursuant to each and every requirement of law to issue this Pledge for the purpose and the manner and upon the terms herein provided.

NOW, THEREFORE, FOR AND IN CONSIDERATION of the premises and of the mutual covenants herein contained and contained in the Loan Agreement, and for other good and valuable consideration receipt whereof is hereby acknowledged the Government of Guam does hereby covenant and agree with the Bank of Guam as follows:

- I. For the purposes of this Pledge the following definitions shall apply:
  - A. “Revenues” means all customs duties and Federal income taxes derived from Guam, the proceeds of all taxes collected under the internal-revenue laws of the United States on articles produced in Guam and transported to the United States, its Territories, or possessions, or

consumed in Guam, and the proceeds of any other taxes which may be levied by the Congress on the inhabitants of Guam (including, but not limited to, compensation paid to members of the Armed Forces and pensions paid to retired civilians and military employees of the United States, or their survivors, who are residents of, or who are domiciled in, Guam), and all quarantine, passport, immigration, and naturalization fees collected in Guam.

B. "Indenture" means the Indenture dated as of December 1, 2001 made between the Government of Guam and Bank of Guam as Trustee and Depository and U.S. Bank Trust National Association as Co-Trustee with respect to the Government of Guam Limited Obligation (Section 30) Bonds including the \$76,895,000 Government of Guam Limited Obligation (Section 30) Bonds Series 2001A issued under authority of 12 GCA Chapter 51, and 5 GCA §1508.1, under which certain bonds were issued and are outstanding and are secured by a pledge and assignment of the Revenues under the Indenture.

C. The "Bonds" means the bonds issued and now outstanding under the Indenture.

D. The "Loan" means the Loan given by the Bank of Guam to the Government of Guam pursuant to Public Law 26-84, as amended by Public Law 26-122.

E. "Loan Agreement" means the credit agreement given and made between the Bank of Guam and the Government of Guam with respect to the Loan, and which together with any other documents or instruments made in connection therewith, document the terms, covenants and conditions of the Loan with respect to which given.

F. "Pledge" means this Pledge and Assignment.

G. "Trustee" and "Depository" have the meanings provided by the Indenture.

II. There are hereby pledged and assigned by the Government of Guam to the Bank of Guam, as security for the Loan:

(i) all of the Revenues;

(ii) so long as the Indenture has not been discharged, the Revenues and any other property pledged under the Indenture and held by any Trustee or Depository thereunder or by the Government of Guam;

(iii) all interest, profits or other income derived from the investment of any property subject to this Pledge.

III. This Pledge shall extend to all property of the Government of Guam made subject hereto, regardless by whom held, existing as of the date of this Pledge, and all property subject to this Pledge acquired by the Government of Guam on or after the date hereof, regardless by whom

held, including but not limited to in either such case property held by any Trustee or Depository under the Indenture, but so long as the Indenture has not been discharged, this Pledge shall be subordinate to the Indenture and to the rights of any Trustee or Depository or bondholders thereunder. So long as the Indenture has not been discharged, property pledged hereunder also subject to the Indenture shall be first paid to the Trustee or Depository provided by the Indenture in accordance with the provisions of the Indenture. At such time as any property subject to the Indenture becomes payable to the Government of Guam pursuant to the provisions of the Indenture, such amounts shall be payable and paid to the Bank of Guam pursuant to this Pledge.

IV. Except to the extent limited or restricted by the requirements of the Indenture, the Government of Guam shall deposit all of the Revenues, and all other property pledged hereunder upon the receipt thereof in a special fund designated as the Revenue Fund which the Bank of Guam hereunder shall establish, maintain and hold in trust. The Bank of Guam shall be entitled to and shall collect and receive all of the Revenues and other property pledged hereunder collected or received by the Government of Guam and any such property collected or received by the Government of Guam shall be deemed to be held and to have been collected or received by the Government of Guam as the agent of the Bank of Guam and shall forthwith be paid by the Government of Guam to the Bank of Guam. The rights of the Bank of Guam hereunder shall so long as the Indenture has not been discharged be subordinate to the rights of any Trustee or Depository acting under the Indenture and the provisions of the Indenture but only so long as the Indenture has not been discharged.

V. (a) The Bank of Guam shall establish, maintain and hold in trust subject to this Pledge following the additional funds:

- (i) The Loan Fund; and
- (ii) The Surplus Fund.

(b) There shall be paid and transferred by the Bank of Guam from the Revenue Fund not less frequently than monthly, in the following order of priority:

- (i) to the Loan Fund such amount, if any, as is necessary to maintain the required reserve in such fund;
- (ii) the balance to the Surplus Fund;

(c) The required reserve to be maintained in the Reserve Fund shall be the amount that is as of any date the amount, if any, of principal, interest and other charges matured, upon originally scheduled maturity or otherwise, outstanding, but unpaid upon the Loan, together with the amounts of principal and interest estimated to accrue and to become due and payable within thirty (30) days after from such date.



(d) There may be disbursed from time to time by the Bank of Guam from the Loan Fund or the Surplus Fund, in that order, such amount as is necessary to meet payments of principal, interest or other charges upon the Loan.

(e) The Government of Guam may requisition for transfer any available amounts in the Surplus Fund for any lawful purpose of the Government of Guam.

All moneys in the funds and accounts established pursuant to this Pledge shall be invested by the Bank of Guam, solely in Investment Securities, as defined in the Indenture, to maximize investment income, with proper regard for the preservation of principal, subject to any Request of the Government of Guam as to such investment.

VI. There shall be punctually paid by the Government of Guam from revenues and other assets pledged hereunder, or other assets of the Government of Guam, the principal and interest to become due under the Loan in strict conformity with the terms of the Loan and this Pledge.

VII. The Government of Guam shall not create or permit the creation of any pledge, lien, charge or other encumbrance upon the Revenues, or other assets pledged or assigned under this Pledge while the Loan remains outstanding except this Pledge created by this instrument or any encumbrance subordinate to this Pledge. The Government of Guam shall not assert against such property any pledge, lien, charge or encumbrance which the Government of Guam itself may at any time hold. The Government of Guam shall not issue, while the Loan remains outstanding, under authority of the Indenture, any further bonds of equal rank to those issued and outstanding under the Indenture.

VIII. The Government of Guam represents and warrants that the Government of Guam is duly authorized pursuant to law to make the Loan, and that the Government of Guam is duly authorized pursuant to law to enter into this Pledge, and to pledge the Revenues and other assets purported to be pledged hereunder in the manner and to the extent provided hereunder. The Loan will be the valid, binding and enforceable general and not limited obligation of the Government of Guam in accordance with its terms, and this Pledge, the legal, valid and binding general and not limited obligation of the Government of Guam in accordance with its terms. The Government of Guam shall at all times to the extent permitted by law defend, preserve and protect this Pledge and all of the rights of the Bank of Guam under this Pledge against all claims and demands of all persons whatsoever.

IX. The Government of Guam covenants and warrants that the payments, receipts, revenues and income to the Bank of Guam from the Loan shall be free of any taxes imposed by or payable to the Government of Guam or any agency or instrumentality thereof.

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

XI. (a) Subject to the requirements of the Indenture, all pledged revenues payable by the United States of America shall be paid directly to the Bank of Guam for application as herein provided. The Government of Guam covenants and agrees that it shall do all things necessary to cause such Revenues to be so paid, including but not limited to maintaining in effect appropriate instructions to the relevant officials of the United States of America with respect to such payment. The Government of Guam covenants and warrants that any funds or property held by any Trustee or Depository under the indenture shall as and when the same become payable to the Government of Guam by such Trustee or Depository shall be paid directly to the Bank of Guam. The Government of Guam covenants and agrees that it shall do all things necessary to cause such funds to be so paid, including giving and maintaining in effect any appropriate directions or instructions with respect to such payment.

(b) Without limitation of the foregoing, the Government of Guam concurrently with the execution of this Pledge, and prior to disbursement of any funds secured hereby by Bank of Guam, (1) shall give notice in the form attached hereto as **Exhibit** \_\_\_\_, to each Trustee and Depository under the Indenture of the existence of this Pledge, and of the rights of the Bank of Guam hereunder, and direction to pay funds or property held by such Trustee or Depository as and when the same become payable to the Government, to the Bank of Guam, and shall furnish to Bank of Guam prior to disbursement of any loan funds secured by this Pledge of acknowledgment of receipt of such notice by each such Trustee or Depository, and (2) the Government of Guam shall give notice in the form of **Exhibit** \_\_\_\_ attached hereto to the Secretary of Treasury and to the Secretary of the Interior of the Government of the United States of America, of the existence of this Pledge and of the rights of the Bank of Guam hereunder, and shall furnish to Bank of Guam prior to any disbursement of loan funds secured by this Pledge acknowledgment of receipt of such notice by the Secretary of the Treasury and the Secretary of the Interior of the Government of the United States.

(c) The notice above provided to the incumbent Trustee or Depository under the Indenture shall be binding upon any successor Trustee or Depository. Notwithstanding the foregoing, the Government of Guam shall not cause or permit or suffer to occur any change or substitution of any incumbent Trustee or Depository under the Indenture without thirty (30) days

prior notice to Bank of Guam as Lender hereunder, and in any event without first giving such substitute or successor Trustee or Depository notice of this Pledge and instruction as to payment in substantially the form of **Exhibit** \_\_\_\_ hereto. The foregoing provision shall be without prejudice to the right hereby granted to Bank of Guam as Lender to give notice of this Pledge to any such successor Trustee or Depository, by furnishing a copy of this Pledge to such successor in which event the notice and instructions contained in the form of **Exhibit** \_\_\_\_ hereto shall be fully binding upon such successor as though such successor had been specifically identified in and given a similar notice executed by the Government of Guam.

(d) The Government shall furnish to the Bank such information as to the projected amount of and date of payment in each year of revenues pursuant to Section 30 of the Organic Act. Not later than September 15<sup>th</sup> of each calendar year, or 15 days prior to any earlier date upon which revenues payable under Section 30 of the Organic Act in such calendar year are projected to be received, the Government shall advise the Bank of the projected amount of revenues to be paid in such calendar year, and projected date of receipt by the Government or for its account of such revenues. Nothing contained herein shall limit the obligation of the Government under the Pledge with respect to payment of such revenues to a Depository or Trustee under the Indenture so long as the Indenture remains outstanding or to the Lender under the Pledge.

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

XIII. The Government of Guam will make, execute and deliver any and all such further agreements, documents, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Pledge and for the better assuring and confirming unto the Bank of Guam of the rights and benefits provided in this Pledge.

XIV. The Government of Guam warrants that as of the date hereof, the Government of Guam is not in default of any material obligation, covenant, warranty or provision applicable to the Government of Guam under the Indenture, including but not limited to with respect to payment of principal, interest or premium, if any, upon the Bonds, with respect to receipt, collection and application of any property pledged under the Indenture or with respect to the funding or adequacy

of funding of any accounts or funds maintained or established under the Indenture. The Government of Guam covenants and warrants that during the term of the Loan and until it has been paid and satisfied the Government of Guam will fully and faithfully comply with all provisions of the Indenture including without limitation those specifically above referred to. The Government of Guam shall promptly notify the Bank of Guam as Bank of Guam in the event of receipt by the Government of Guam of any notice by any Trustee or Depository under the Indenture of default or of breach by the Government of Guam of any provision of the Indenture.

XV. In the event of default under this Pledge or under the Loan Agreement, the Government of Guam shall pay to the Bank of Guam all fees, costs and expenses including those of attorneys reasonably incurred in the enforcement of this Pledge and the Loan Agreement, and recovery of amounts secured by this Pledge. Revenues pledged hereunder may be applied to payment of and shall secure all the foregoing amounts.

XVI. Events of Defaults and Remedies of Bank of Guam. Any of the following shall constitute an event of default hereunder:

(a) Default in the due and punctual payment of principal or interest when due and payable under the Loan.

(b) Receipt of property subject to this Pledge by the Government of Guam, other than by a Trustee or Depository pursuant to the terms of the Indenture so long as the Indenture is in effect, or other than by the Bank of Guam hereunder if the Indenture has been discharged, or receipt of any disbursements from any Trustee or Depository under the Indenture by the Government of Guam or any agency thereof, other than to the Bank of Guam pursuant to the terms of this Pledge.

(c) A failure by the Government of Guam to pay when due any bonded indebtedness of the Government of Guam, under the Indenture or otherwise, and whether or not secured by the property subject to this Pledge.

(d) Any breach of the covenants contained in paragraph VII or XI hereof.

(e) Any breach of any other obligation on the part of the Government of Guam under this Pledge, if such breach is not cured within 60 days after notice of breach is given to the Government of Guam, and opportunity to cure.

(f) The repeal of or amendment to Section 30 of the Organic Act, 48 U.S. Code §1421h, resulting in reduction of the Revenues payable thereunder to the Government of Guam.

Upon the occurrence of an event of default, the Bank of Guam (i) may elect to accelerate all sums outstanding upon the Loan, and to demand the immediate payment of the full principal and interest thereof, and other amounts due and outstanding, and cease further

disbursement of any undisbursed funds hereunder; (ii) Bank of Guam may with or without acceleration apply to payments of amounts due and secured hereby any funds pledged hereunder, and held by it hereunder, to amounts due under the Loan and secured hereby, including amounts due by acceleration; (iii) and may further exercise any remedies at law or in equity, including the initiation of proceedings in mandamus or for specific performance to compel the performance of this Agreement.

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

XVIII. No Waiver of Default. No delay or omission of the Bank of Guam to exercise any right or power arising upon the occurrence of any event of default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Bank of Guam may be exercised from time to time and as often as may be deemed expedient.

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

XX. Notices. Any notice or demand upon the Government of Guam, or the Bank of Guam shall be deemed to have been sufficiently given or served for all purposes by being deposited, postage prepaid, in a post office letter box, addressed to the applicable address set forth below, or at such other address as may have been filed in writing by such party with each other party or by delivery to such place as may be designated herein. At the date of execution of this Indenture, the address of the Government of Guam and the principal office of the Lender are as follows:

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Government of Guam:

Lender: Bank of Guam  
Route 4 and Chalan Santo Papa  
P.O. Box BW  
Hagåtña, Guam 96932

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2002.

**GOVERNMENT OF GUAM**

By: \_\_\_\_\_  
**Governor of Guam**

APPROVED AS TO FORM:  
Department of Law

By: \_\_\_\_\_  
Acting Attorney General

## NOTICE OF PLEDGE AND ASSIGNMENT

To: Bank of Guam as Trustee and Depository and any successor Depository or Trustee under the Government of Guam Limited Obligation (Section 30) Bonds, including the \$76,895,000 Government of Guam Limited Obligation (Section 30) Bonds Series 2001A, issued under Indenture dated as of December 1, 2001, made between the Government of Guam and Bank of Guam as Trustee and Depository, and U.S. Bank Trust National Association as Co-Trustee.

1. Concurrently herewith or prior to the execution of this Notice, the Government of Guam (hereinafter "the Government") has made and entered into a Pledge and Assignment ("the Pledge") to and for the benefit of the Bank of Guam, as security for a loan made by the Bank of Guam to the Government of Guam, which Pledge extends to the following described property:

(i) All customs duties and Federal income taxes derived from Guam, the proceeds of all taxes collected under the internal-revenue laws of the United States on articles produced in Guam and transported to the United States, its Territories, or possessions, or consumed in Guam, and the proceeds of any other taxes which may be levied by the Congress on the inhabitants of Guam (including, but not limited to, compensation paid to members of the Armed Forces and pensions paid to retired civilians and military employees of the United States, or their survivors, who are residents of, or who are domiciled in, Guam), and all quarantine, passport, immigration, and naturalization fees collected in Guam ("the Revenues").

(ii) So long as the Indenture has not been discharged, the Revenues and any other property pledged under the Indenture and held by any Trustee or Depository thereunder or by the Government of Guam;

(iii) all interest, profits or other income derived from the investment of any property subject to the Pledge.

2. Such Pledge is subordinate to the Indenture above described ("the Indenture") and extends to all property in your possession and control pursuant to the Indenture, subject to the provisions and requirements of the Indenture.

3. Under Section 5.05 of the Indenture all amounts in the Surplus Fund, as defined in the Indenture, on the fifth day of each month after certain deposits, as required in the Indenture, have been made are to be paid by you to the Government for any lawful purpose of the Government free and clear of the Pledge and lien of the Indenture.

4. Notice is hereby given to you of the rights of Bank of Guam as Lender under the Pledge. The Government hereby instructs you to pay any amounts otherwise payable by you to the Government under the above referenced provisions of the Indenture, or which otherwise become payable by you to the Government by provision of law or upon discharge of the Indenture to the Bank of Guam as Lender under the Pledge instead of to the Government. These instructions shall be binding and irrevocable, until a certificate of release and discharge of the Pledge has been executed by the Bank of Guam in its capacity as Lender under the Loan.

4. The instructions and notice hereunder given shall be binding upon the Bank of Guam as Trustee and Depository under the Indenture, and upon any successor to the Bank of Guam in either of such capacities.

Executed: \_\_\_\_\_.

**GOVERNMENT OF GUAM**

By: \_\_\_\_\_  
**Governor of Guam**

We acknowledge receipt of this Notice and a copy of the Pledge.

BANK OF GUAM as Trustee and Depository under the Government of Guam Limited Obligation (Section 30) Bonds, including the \$76,895,000 Government of Guam Limited Obligation (Section 30) Bonds Series 2001A, issued under Indenture dated as of December 1, 2001, made between the Government of Guam and Bank of Guam as Trustee and Depository, and U.S. Bank Trust National Association as Co-Trustee

By: \_\_\_\_\_



Secretary of Treasury

Reference is made to the amounts payable annually to the Government of Guam, by the United States of America pursuant to Section 30 of the Organic Act 48 U.S. Code §1421h.

You are hereby notified and advised that the Government of Guam has entered into a Pledge and Assignment of such revenues to the Bank of Guam as security for a loan extended by the Bank of Guam to the Government of Guam. The loan and such Pledge were duly authorized by Public Law 26-84, as amended by Public Law 26-122.

Such Pledge is subordinate to a prior pledge of such revenues pursuant to an Indenture dated as of December 1, 2001, made between the Government of Guam and Bank of Guam as Trustee and Depository and U.S. Bank Trust National Association as Co-Trustee (“the Indenture”).

You have previously been instructed to make payment of §30 Revenues to the Trustee and Depository under the Indenture and should continue to do so, until such instructions are revoked. At such time as the Indenture is discharged and §30 Revenues no longer payable to a Trustee or Depository under the Indenture and prior instructions revoked, such revenues shall become payable to the Bank of Guam pursuant to the Pledge above-referred to.

**Governor of Guam**

Receipt Acknowledged

Secretary of the Interior

Reference is made to the amounts payable annually to the Government of Guam, by the United States of America pursuant to Section 30 of the Organic Act 48 U.S. Code §1421h.

You are hereby notified and advised that the Government of Guam has entered into a Pledge and Assignment of such revenues to the Bank of Guam as security for a loan extended by the Bank of Guam to the Government of Guam. The loan and such Pledge were duly authorized by Public Law 26-84, as amended by Public Law 26-122.

Such Pledge is subordinate to a prior pledge of such revenues pursuant to an Indenture dated as of December 1, 2001, made between the Government of Guam and Bank of Guam as Trustee and Depository and U.S. Bank Trust National Association as Co-Trustee ("the Indenture").

You have previously been instructed to make payment of §30 Revenues to the Trustee and Depository under the Indenture and should continue to do so, until such instructions are revoked. At such time as the Indenture is discharged and §30 Revenues no longer payable to a Trustee or Depository under the Indenture and prior instructions revoked, such revenues shall become payable to the Bank of Guam pursuant to the Pledge above-referred to.

**Governor of Guam**

Receipt Acknowledged

Ladies and Gentlemen:

Hafa Adai!

This opinion is furnished in connection with a loan from the Bank of Guam as Lender to the Government of Guam ("the Government") in the amount of \$10,000,000.00 for principal ("the Loan"). In connection with this opinion and in reference to the Loan, we have examined the following documents and instruments: a Loan Agreement dated \_\_\_\_\_; a Promissory Note dated \_\_\_\_\_; a Pledge and Assignment dated \_\_\_\_\_; and Indenture dated as of December 1, 2001, between the Government of Guam and the Bank of Guam as trustee and depository and U.S. Bank Trust National Association ("the Indenture"). I have additionally reviewed the laws of Guam and as they relate to the Loan, the United States. In giving the opinion expressed below, I do not purport to be experts in or generally familiarity with or qualified to express legal opinion based on the laws of any jurisdiction other than the foregoing:

Based on the foregoing examination and review, we are of the opinion that:

- (i) The Government has full legal right, power and authority to enter into the Loan Agreement and to make, execute and deliver and to perform the Loan Agreement, the Promissory Note and the Pledge and Assignment, and to borrow in accordance with law and to perform the obligations of the Government under the foregoing documents.
- (ii) The Loan Agreement and the Note are valid, binding and enforceable upon the Government.
- (iii) The Loan Agreement and the Promissory Note are valid, binding and enforceable upon the Government. The Pledge is valid, binding and enforceable, subject only to the rights of any trustee or depository or co-trustee or of the bond holders under the Indenture, upon the Government of Guam, and upon the property subject thereto, and as to other parties who may claim interests in the property subject thereto, and is effective to create and perfect the lien it purports to create upon the property subject thereto. The Pledge is effective to grant a pledge in accordance with the terms of the Pledge upon the revenues and property described therein including but not limited to the revenues payable to the Government of Guam pursuant to Section 30 of the Organic Act of Guam from time to time, and is valid and enforceable subject to the prior pledge of such revenues pursuant to the Indenture.
- (iv) The Note, the Loan Agreement and the Pledge and Assignment have been duly and validly executed and delivered by the Governor of Guam on behalf of the Government of Guam.
- (v) The making of the Loan and performance thereof will not constitute or result in any violation of any applicable law or regulation.
- (vi) All consents, authorizations and approvals requisite for the execution, delivery and performance of the Loan Agreement, the Note and the Pledge have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice or filing with, any governmental authority, regulatory body

or any other entity is required for such execution, delivery or performance.

(vii) All representations contained in the Loan Agreement, the Pledge and the Note and other documents required to be made to the Bank on the part of Government are true and correct.

(viii) The Government is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (a) suit, (b) jurisdiction from any court, c) relief by way of injunction, order for specific performance or for recovery of property, (d) attachment of its assets (whether before or after judgment, or (e) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject to in any suit, action or proceeding relating to the Note, the Loan Agreement or the Pledge, in the courts of any jurisdiction, and no such immunity (whether or not claimed) may be attributed to the Issuer or its revenues or assets.

(ix) There are no actions, suits or proceedings pending or, to my knowledge threatened against or affecting the Government or any of its property, at law or in equity, which, if adversely determined, would substantially impair the ability of the Government to pay when due any amount which may become payable under the Loan.

(x) The obligations of the Government of Guam under the Note and with respect to the Loan are general and not special obligations of the Government of Guam, and are subject to an benefit from the full faith and credit of the Government of Guam.

Dankolo Na Agradesimiento - Thank You Very Much!

Very Truly Yours,

ROBERT H. KONO

**MINA' BENTE SAIS NA LIHESLATURAN GUÅHAN**

**RESOLUTION**

WHEREAS, the Legislature by Public Law 26-84, as amended by Public Law 26-122, authorize the Government of Guam to borrow a sum not to exceed Ten Million Dollars (\$10,000,000.00), upon conditions therein provided;

WHEREAS, 5 GCA §50103(k) requires that borrowing by agencies and instrumentalities of the Government of Guam be through the agency of the Guam Economic Development and Commerce Authority; and

WHEREAS, the Governor of Guam through the agency of the Guam Economic Development and Commerce Authority has negotiated in the terms and conditions of a loan with the Bank of Guam pursuant to authority granted under Public Law 26-84 and Public Law 26-122; and

WHEREAS, the terms and conditions of such loan have been duly approved by the Board of Directors of the Guam Economic Development and Commerce Authority by resolution adopted August 29, 2002; and

WHEREAS, 12 GCA §50103(k) requires the terms and conditions of the indebtedness be approved by the Legislature; and

WHEREAS, the terms and conditions of the loan as negotiated by the Governor and approved by the Guam Economic Development and Commerce Authority have been reported to this Legislature and are consistent with authority granted by Public Law 26-84 and Public Law 26-122.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the terms and conditions of the Loan negotiated between the Governor of Guam through the agency of the Guam Economic Development and Commerce Authority and the Bank of Guam in the amount of Ten Million Dollars (\$10,000,000.00), ARE HEREBY APPROVED.

*MINA 'BENTE SAIS NA LIHESLATURAN GUAHAN*  
2002 (SECOND) Regular Session

Bill No. 368 (COR)

Introduced by:

A. R. Unpingco *6*  
E. B. Calvo *EC*

---

**AN ACT TO ADD A NEW SUBSECTION (k) TO  
§1203 OF ARTICLE 1 OF CHAPTER 1 OF TITLE  
12, GUAM CODE ANNOTATED, RELATIVE TO  
AUTHORIZING THE GUAM INTERNATIONAL  
AIRPORT AUTHORITY TO ENTER INTO  
INTEREST RATE SWAP AGREEMENTS.**

**BE IT ENACTED BY THE PEOPLE OF GUAM:**

**Section 1. Legislative Statement.** When market forces are prone to wild fluctuations, the ability to enter into financing arrangements that allow a borrower to "lock in" preferable rates is viewed as advantageous. Due to tax restrictions, the bonds issued by the Guam International Airport Authority in 1993 cannot be refunded, nor refinanced, until the year 2003. However, the addition of the proposed subsection (k) will allow the Authority to put in place a "forward" swap structure that can lock in today's current low fixed rate. If this proposal becomes law now, the Authority can receive more than \$15 million in upfront refunding proceeds.

**Section 2. A new subsection (k) is added to §1203 of Article 1 of Chapter 1 of Title 12, Guam Code Annotated.** A new subsection (k) is hereby added to §1203 of Article 1 of Chapter 1 of Title 12,

1 Guam Code Annotated to read as follows:

2           “(k) enter into any contracts in connection with, or incidental to,  
3 the issuance of bonds, or the carrying of any investment or program of  
4 investment or entering into or maintaining any agreement which secures  
5 bonds, which the Authority determines to be necessary or appropriate to  
6 place the obligation or investment of the Authority, as represented by  
7 the bonds, investment, program of investment or agreement and the  
8 contract or contracts, in whole or in part, on the interest rate, currency,  
9 cash-flow, or other basis desired by the Authority in furtherance of the  
10 purposes of this Chapter, including, without limitation, contracts  
11 commonly known as interest rate swap agreements, currency swap  
12 agreements, forward payment conversion agreements, futures, or  
13 contracts providing for payments based on levels of, or changes in,  
14 interest rates, currency exchange rates, or contracts to exchange cash  
15 flows or a series of payments, or contracts, including, without limitation,  
16 interest rate floors or caps, options, put or call to hedge payment,  
17 currency, rate, spread, or similar exposure with the parties, selected by  
18 the means, and containing the payment, security, default, remedy, and  
19 other terms and conditions, determined by the Authority, after giving  
20 due consideration for the creditworthiness of the counterparties, where  
21 applicable, including any rating by a nationally recognized rating agency  
22 or any other criteria as may be appropriate; provided that any obligation  
23 of the Authority under any such contract shall be payable solely from,  
24 and secured solely by a pledge of, Revenues; and provided further that  
25 for purposes of Section 1206 of this Chapter, such obligations shall

1 constitute costs relating to the ownership use and operation of the  
2 airports.”



*3rd Rdy*  
*9/13/02*

*COR*  
*9/13/02*

*Emergency Declaration*  
*9/13/02*

*3rd Rdy*  
*9/13/02*

**MINA 'BENTE SAIS NA LIHESLATURAN GUAHAN  
2002 (SECOND) Regular Session**

**Bill No. 368(COR)**

**Introduced by:  
As Substituted by the Author**

**A. R. Unpingco  
E.B. Calvo**

*VCP*  
*M. Forbes*

**AN ACT TO APPROVE THE ISSUANCE, TERMS AND CONDITIONS OF BONDS BY THE GUAM INTERNATIONAL AIRPORT FOR THE PURPOSE OF REFUNDING PRIOR BONDS AND TO ADD A NEW SUBSECTION (k) TO §1203 OF ARTICLE 1 OF CHAPTER 1 OF TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO AUTHORIZING THE GUAM INTERNATIONAL AIRPORT AUTHORITY TO, AMONG OTHER MATTERS, ENTER INTO INTEREST RATE SWAP AGREEMENTS.**

**BE IT ENACTED BY THE PEOPLE OF GUAM:**

**Section 1. Legislative Statement.** When market forces are

prone to wild fluctuations, the ability to enter into financing arrangements that

allow a borrower to "lock in" preferable rates is viewed as advantageous. Due

to tax restrictions, the bonds (the "1993 Bonds") issued by the <sup>ABWP</sup> ~~Guam~~

International Airport Authority, <sup>Guam</sup> (the "Authority") in 1993 cannot be refunded or

refinanced with tax-exempt bonds until the year 2003. However, by issuing

taxable refunding bonds for such purpose and, when permitted under tax law,

refinancing such bonds through the issuance of tax exempt refunding bonds

and entering into an interest rate swap agreement pursuant to and subject to

the limitations set forth in the proposed subsection (k) added by Section 2

hereof the Authority will be able to lock in today's current low interest rates.

*not  
FA 4  
14*

*for  
of  
FAI*

I MINA'BENTE SAIS NA LIHESLATURAN GUÅHAN

FLOOR AMENDMENTS/CHANGES

Bill No. 368

FBA

Senator Proposing Amendment

(Below for Senator to complete)

Please describe proposed amendment, including where change to occur:

*To have legal counsel make technical corrections  
wherever Guam International Airport Authority  
appears to read: Antonio B. Won Pat International  
Airport Authority, Guam.*

(Below only for Clerk of Legislature's use and processing))

Date 9/3, 2002

Floor Amendment No. 1 of a total of \_\_\_\_\_ changes on above Bill.

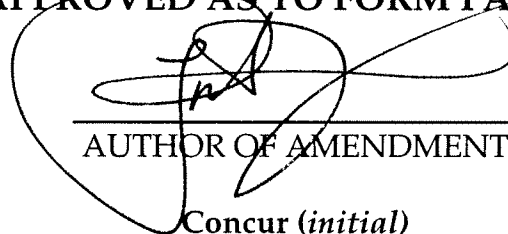
Votes For Amendment: \_\_\_\_\_ Votes Against Amendment: \_\_\_\_\_

AMENDMENT PASSED:       

Amendment Failed: \_\_\_\_\_


Amendment Withdrawn: \_\_\_\_\_

APPROVED AS TO FORM PASSED

  
\_\_\_\_\_  
AUTHOR OF AMENDMENT  
Concur (initial)

  
Clerk of Legislature

\_\_\_\_\_  
Speaker

  
Ass't. Amend. Clerk  
Engrossment Staff

**I MINA'BENTE SAIS NA LIHESLATURAN GUÁHAN**

**FLOOR AMENDMENTS/CHANGES**

5 Bill No. 368

MF

**Senator Proposing Amendment**

*(Below for Senator to complete)*

Please describe proposed amendment, including where change to occur:

add VCP as #3  
Member #4

*(Below only for Clerk of Legislature's use and processing)*

Date 9/3, 2002

Floor Amendment No. 4 of a total of \_\_\_\_\_ changes on above Bill.

Votes For Amendment: \_\_\_\_\_ Votes Against Amendment: \_\_\_\_\_

**AMENDMENT PASSED:** \_\_\_\_\_

Amendment Failed: \_\_\_\_\_

Amendment Withdrawn: \_\_\_\_\_

**APPROVED AS TO FORM PASSED**

[Signature]  
AUTHOR OF AMENDMENT

Concur *(initial)*

[Signature]  
Clerk of Legislature

\_\_\_\_\_  
Speaker

\_\_\_\_\_  
Ass't. Amend. Clerk  
\_\_\_\_\_  
Engrossment Staff

1 If this proposal becomes law now, the Authority can achieve more than \$15  
2 million in debt service savings.

3 **Section 2. A new subsection (k) is added to §1203 of**  
4 **Article 1 of Chapter 1 of Title 12, Guam Code Annotated.** A new  
5 subsection (k) is hereby added to §1203 of Article 1 of Chapter 1 of Title 12,  
6 Guam Code Annotated to read as follows:

7 "(k) enter into any contracts in connection with, or incidental to, the  
8 issuance of bonds, or the carrying of any investment or program of  
9 investment or entering into or maintaining any agreement which secures  
10 bonds, which the Authority determines to be necessary or appropriate to place  
11 the obligation or investment of the Authority, as represented by the bonds,  
12 investment, program of investment or agreement and the contract or  
13 contracts, in whole or in part, on the interest rate, currency, cash-flow, or  
14 other basis desired by the Authority in furtherance of the purposes of this  
15 Chapter, including, without limitation, contracts commonly known as interest  
16 rate swap agreements or contracts providing for payments based on levels of,  
17 or changes in, interest rates, or contracts to exchange cash flows or a series  
18 of payments, or contracts, including, without limitation, interest rate floors or  
19 caps, options, put or call to hedge payment, rate, spread, or similar exposure  
20 with the parties, selected by the means, and containing the payment,  
21 security, default, remedy, and other terms and conditions, determined by the  
22 Authority, after giving due consideration for the creditworthiness of the  
23 counterparties, where applicable, including any rating by a nationally  
24 recognized rating agency or any other criteria as may be appropriate;  
25 provided that any obligation of the Authority under any such contract shall be

1 payable solely from, and secured solely by a pledge of, Revenues; and  
2 provided further that for purposes of Section 1206 of this Chapter, such  
3 obligations shall constitute costs relating to the ownership use and operation  
4 of the airports. Such contracts may include contracts pursuant to what the  
5 Authority receives on up-front payment in exchanges for which the Authority  
6 agrees to make payments based upon a fixed rate which is greater than the  
7 fixed rate that the counterparty to such agreement would require in order to  
8 agree to make prepayments based upon a fixed rate which is greater than the  
9 fixed rate that the counterparty to such agreement would require in order to  
10 agree to make payments based upon the variable rate to be used to calculate  
11 the payments at such counterparty pursuant to such agreement."

*ref FA 2*  
*ref* Section 3  
*ref FA 3*  
*ref* Section 4

Passed FA No. 2  
Date: 9/3 Time: \_\_\_\_\_

I MINA'BENTE SAIS NA LIHESLATURAN GUÅHAN

FLOOR AMENDMENTS/CHANGES  
Bill No. 368(COR)

Senator Proposing Amendment: vcp

(Below for Senator to complete)

Please describe proposed amendment, including where change to occur:

A new Section \_\_ is hereby added to Bill 368 to read as follows:

"Section \_\_. The refunding interest rate on the variables rate bonds Series 2003 Refunding Revenue Bonds shall be no greater than a true interest cost of 4.75%."

-----  
(Below only for Clerk of Legislature's use and processing)

Date: September 3, 2002

Floor Amendment No. 2 of a total of \_\_\_\_\_ changes on above Bill.

Votes For Amendment: \_\_\_\_\_ Votes Against Amendment: \_\_\_\_\_

**AMENDMENT PASSED:** ✓

Amendment Failed: \_\_\_\_\_

Amendment Withdrawn: \_\_\_\_\_

**APPROVED AS TO FORM PASSED**

\_\_\_\_\_  
AUTHOR OF AMENDMENT

*see attached*

Concur (initial)

ms  
Clerk of Legislature

\_\_\_\_\_  
Speaker

\_\_\_\_\_  
Ass't. Amend. Clerk

\_\_\_\_\_  
Engrossment Staff

I MINA'BENTE SAIS NA LIHESLATURAN GUÅHAN

FLOOR AMENDMENTS/CHANGES  
Bill No. 368(COR)

Senator Proposing Amendment: vcp

(Below for Senator to complete)

Please describe proposed amendment, including where change to occur:

A new Section \_\_ is hereby added to Bill 368 to read as follows:

"Section \_\_. The refunding interest rate on the variables rate bonds Series 2003 Refunding Revenue Bonds shall be no greater than ~~4.24%~~ 4.75 %"

vcp

a true int cost g

(Below only for Clerk of Legislature's use and processing)

Date: September 3, 2002

Floor Amendment No. 2 of a total of \_\_\_\_\_ changes on above Bill.

Votes For Amendment: \_\_\_\_\_ Votes Against Amendment: \_\_\_\_\_

AMENDMENT PASSED: ✓

Amendment Failed: \_\_\_\_\_

Amendment Withdrawn: \_\_\_\_\_

APPROVED AS TO FORM PASSED

[Signature]  
AUTHOR OF AMENDMENT

Concur (initial)

\_\_\_\_\_  
Clerk of Legislature

\_\_\_\_\_  
Speaker

\_\_\_\_\_  
Ass't. Amend. Clerk  
\_\_\_\_\_  
Engrossment Staff

I MINA'BENTE SAIS NA LIHESLATURAN GUÅHAN

FLOOR AMENDMENTS/CHANGES  
Bill No. 368(COR)

Senator Proposing Amendment: vcp

(Below for Senator to complete)

Please describe proposed amendment, including where change to occur:

A new Section \_\_ is hereby added to Bill 368 to read as follows:

vbf  
vbf

The "swap dealer" selected by GEDA shall provide any insurance and or collateral to ensure payments of its obligation to pay the interest on the bonds due to the Authority. All legal documentation <sup>and collateral</sup> shall conform to ISDA Master Swap Agreement and any amendment to such documents in <sup>effect</sup> ~~support~~ at time of issuance.

(Below only for Clerk of Legislature's use and processing)

Date: September 3, 2002

Floor Amendment No. 3 of a total of \_\_\_\_\_ changes on above Bill.

Votes For Amendment: \_\_\_\_\_ Votes Against Amendment: \_\_\_\_\_

AMENDMENT PASSED: \_\_\_\_\_

Amendment Failed: \_\_\_\_\_

Amendment Withdrawn: \_\_\_\_\_

APPROVED AS TO FORM PASSED

\_\_\_\_\_  
AUTHOR OF AMENDMENT

Concur (initial)

\_\_\_\_\_  
Clerk of Legislature

\_\_\_\_\_  
Speaker

\_\_\_\_ Ass't. Amend. Clerk



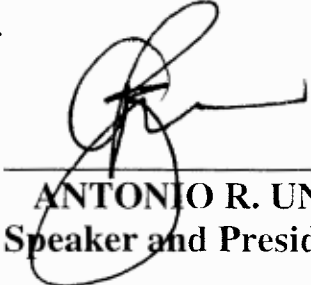


**MINA' BENTE SAIS NA LIHESLATURAN GUÅHAN**  
TWENTY-SIXTH GUAM LEGISLATURE  
155 Hessler Place, Hagåtña, Guam 96910

**2002 (SECOND) Regular Session**

I, Antonio R. Unpingco, Speaker of *I Mina' Bente Sais Na Liheslaturan Guåhan*, hereby certify, in conformance with Title 2 Guam Code Annotated § 2103, *Public Hearings Mandatory*, as amended, that an emergency condition exists involving danger to the public welfare of the People and therefore waive the statutory requirements for a public hearing on Bill Number 368 (COR), "AN ACT TO ADD A NEW SUBSECTION (k) TO § 1203 OF ARTICLE 1 OF CHAPTER 1 OF TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO AUTHORIZING THE GUAM INTERNATIONAL AIRPORT AUTHORITY TO ENTER INTO INTEREST RATE SWAP AGREEMENTS," which was introduced on August 15, 2002, and therefore waive the statutory requirements for a public hearing on Bill Number 368 (COR).

Dated: September 3, 2002

  
\_\_\_\_\_  
**ANTONIO R. UNPINGCO**  
Speaker and Presiding Officer

Guam Airport Authority

Series 2003 Refunding Revenue Bonds  
Cinderella Swap of 1993 Series A & B  
Preliminary Analysis, Subject to Change

Aggregate Summary of Savings

Date	Refunded Debt Service		Refunding Debt Service		Net Savings		
	Debt Service	DSRF Earnings @ 4.046% Net Debt Service	Debt Service	DSRF Earnings @ 4.046% Net Debt Service	Net Savings	Net PV Savings @ 4.046%	Net Annual Savings
11/1/2002							
4/1/2003	7,019,049.38		3,927,740.63		3,091,308.75	3,040,147.76	
10/1/2003	11,969,049.38	11,969,049.38	4,710,888.75	4,710,888.75	7,258,160.63	6,996,513.14	10,349,469.38
4/1/2004	6,861,909.38	6,861,909.38	4,710,888.75	4,710,888.75	2,151,020.63	2,032,368.35	
10/1/2004	12,126,909.38	12,126,909.38	4,710,888.75	4,710,888.75	7,416,020.63	6,868,019.96	9,567,041.25
4/1/2005	6,693,512.50	6,693,512.50	4,710,888.75	4,710,888.75	1,982,623.75	1,799,714.82	
10/1/2005	12,293,512.50	12,293,512.50	4,710,888.75	4,710,888.75	7,582,623.75	6,746,610.95	9,565,247.50
4/1/2006	6,514,401.25	6,514,401.25	4,710,888.75	4,710,888.75	1,803,512.50	1,572,852.83	
10/1/2006	12,474,401.25	12,474,401.25	8,610,888.75	8,610,888.75	3,863,512.50	3,302,585.14	5,667,025.00
4/1/2007	6,318,570.63	6,318,570.63	4,632,986.25	4,632,986.25	1,685,584.38	1,412,293.52	
10/1/2007	12,678,570.63	12,678,570.63	14,362,986.25	14,362,986.25	-1,684,415.63	-1,383,332.25	1,168.75
4/1/2008	6,109,596.25	6,109,596.25	4,438,629.50	4,438,629.50	1,670,966.75	1,345,079.08	
10/1/2008	12,884,596.25	12,884,596.25	14,553,629.50	14,553,629.50	-1,669,033.25	-1,316,884.76	1,933.50
4/1/2009	5,886,983.13	5,886,983.13	4,236,582.38	4,236,582.38	1,650,400.75	1,276,365.23	
10/1/2009	13,111,983.13	13,111,983.13	14,761,582.38	14,761,582.38	-1,649,599.25	-1,250,451.27	801.50
4/1/2010	5,649,581.88	5,649,581.88	4,026,345.50	4,026,345.50	1,623,236.38	1,206,070.96	
10/1/2010	13,344,581.88	13,344,581.88	14,966,345.50	14,966,345.50	-1,621,763.63	-1,181,085.72	1,472.75
4/1/2011	5,396,732.50	5,396,732.50	3,807,819.00	3,807,819.00	1,588,913.50	1,134,218.92	
10/1/2011	13,601,732.50	13,601,732.50	15,187,819.00	15,187,819.00	-1,586,086.50	-1,109,752.86	2,827.00
4/1/2012	5,122,895.00	5,122,895.00	3,580,503.50	3,580,503.50	1,542,391.50	1,057,783.52	
10/1/2012	13,867,895.00	13,867,895.00	15,405,503.50	15,405,503.50	-1,537,608.50	-1,033,595.75	4,783.00
4/1/2013	4,831,032.50	4,831,032.50	3,344,299.13	3,344,299.13	1,486,733.38	979,582.02	
10/1/2013	14,156,032.50	14,156,032.50	15,639,299.13	15,639,299.13	-1,483,266.63	-957,921.03	3,466.75
4/1/2014	4,519,810.00	4,519,810.00	3,098,706.50	3,098,706.50	1,421,103.50	899,578.29	
10/1/2014	14,469,810.00	14,469,810.00	15,888,706.50	15,888,706.50	-1,418,896.50	-880,373.06	2,207.00
4/1/2015	4,187,725.00	4,187,725.00	2,843,226.25	2,843,226.25	1,344,498.75	817,672.14	
10/1/2015	14,807,725.00	14,807,725.00	16,148,226.25	16,148,226.25	-1,340,501.25	-799,077.29	3,997.50
4/1/2016	3,833,280.00	3,833,280.00	2,577,458.88	2,577,458.88	1,255,821.13	733,756.77	
10/1/2016	15,163,280.00	15,163,280.00	16,417,458.88	16,417,458.88	-1,254,178.88	-718,268.12	1,642.25
4/1/2017	3,455,135.00	3,455,135.00	2,301,004.88	2,301,004.88	1,154,130.13	647,865.20	
10/1/2017	15,540,135.00	15,540,135.00	16,691,004.88	16,691,004.88	-1,150,869.88	-633,226.19	3,260.25
4/1/2018	3,051,787.50	3,051,787.50	2,013,564.63	2,013,564.63	1,038,222.88	559,920.04	
10/1/2018	15,941,787.50	15,941,787.50	16,978,564.63	16,978,564.63	-1,036,777.13	-548,054.31	1,445.75
4/1/2019	2,621,572.50	2,621,572.50	1,714,638.75	1,714,638.75	906,933.75	469,911.98	
10/1/2019	16,371,572.50	16,371,572.50	17,274,638.75	17,274,638.75	-903,066.25	-458,630.93	3,867.50
4/1/2020	2,162,647.50	2,162,647.50	1,403,827.75	1,403,827.75	758,819.75	377,733.17	
10/1/2020	16,827,647.50	16,827,647.50	17,583,827.75	17,583,827.75	-756,180.25	-368,956.02	2,639.50
4/1/2021	1,673,180.00	1,673,180.00	1,080,632.25	1,080,632.25	592,547.75	283,384.04	
10/1/2021	17,318,180.00	17,318,180.00	17,910,632.25	17,910,632.25	-592,452.25	-277,720.64	95.50
4/1/2022	1,151,002.50	1,151,002.50	744,453.00	744,453.00	406,549.50	186,797.48	
10/1/2022	17,836,002.50	17,836,002.50	18,239,453.00	18,239,453.00	-403,450.50	-181,698.19	3,099.00
4/1/2023	594,110.00	594,110.00	385,610.88	385,610.88	208,499.13	92,038.04	
10/1/2023	18,394,110.00	18,394,110.00	18,600,610.88	18,600,610.88	-206,500.88	-89,348.61	1,998.25

Total 398,834,028.75 398,834,028.75 363,644,539.88 363,644,539.88 35,189,488.88 32,650,486.35 35,189,488.88

Savings as of 11/01/02	
	PV Savings
Debt Service Reduction	32,650,486.35
- Equity Contributor	0.00
- Lost Earnings @ 6.00%	0.00
+ Accrued Interest	0.00
+ Contingency	4,349.05
Savings	32,654,835.40
Savings (% of Refunded Bonds)	15.438%
Savings (% of Refunding Bonds)	13.938%

Savings as of 11/01/02		
	Gross Savings	PV Savings
Debt Service Reduction	35,189,488.88	32,650,486.35
- Equity Contributor	0.00	0.00
- Lost Earnings @ 6.00%	0.00	0.00
+ Accrued Interest	0.00	0.00
+ Contingency	4,349.05	4,349.05
Savings	35,193,837.92	32,654,835.40
Savings (% of Refunded Bonds)	16.638%	15.438%
Savings (% of Refunding Bonds)	15.022%	13.938%