



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

DEC 24 2001

The Honorable Joanne M. S. Brown
Legislative Secretary
I Mina'Bente Sais na Liheslaturan Guåhan
Twenty-Sixth Guam Legislature
Suite 200
130 Aspinal Street
Hagåtña, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY	
ACKNOWLEDGMENT RECEIPT	
Received By	
Time	1:49 pm
Date	12/24/01

Dear Legislative Secretary Brown:

Enclosed please find Substitute Bill No. 157 (COR) "AN ACT TO ADD ARTICLE 13 TO TITLE 5 OF THE GUAM CODE ANNOTATED AND TO AMEND § 4 OF P.L. NO. 24-36, RELATIVE TO PROVIDING SPECIAL RULES AND REGULATIONS FOR THE GUAM TELEPHONE AUTHORITY PRIVATIZATION PROCESS AND THE PUBLIC DISCLOSURE OF INFORMATION RELATING TO SUCH PROCESS" which was I have signed into law as **Public Law No. 26-70**.

I am very happy to sign this legislation into law, to further the privatization of the Guam Telephone Authority, a process long overdue. After a year of legislative lobbying, this legislation is finally passed and now enacted. Hopefully, the long delay will not adversely affect the final resolution of the needed privatization. In 1996, federal law made government ownership of our utility no longer viable. The competitive environment for the communications field established by federal law required Guam to step up to the plate and respond to this new situation.

As we move forward in the required privatization process, I wish all the employees of the Guam Telephone Authority the best of a new future, entering into the new communications environment of the new Millennium.

Very truly yours,

Carl T. C. Gutierrez
I Maga'Lahen Guåhan
Governor of Guam

Attachments: original bill for vetoed legislation or
copy of bill for signed or overridden legislation
and legislation enacted without signature

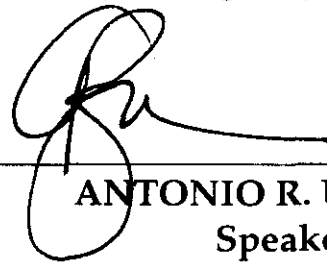
0625

cc: The Honorable Antonio R. Unpingco
Speaker

MINA'BENTE SAIS NA LIHESLATURAN GUÅHAN
2001 (FIRST) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

This is to certify that Substitute Bill No. 157 (COR) "AN ACT TO ADD ARTICLE 13 TO TITLE 5 OF THE GUAM CODE ANNOTATED AND TO AMEND § 4 OF P.L. NO. 24-36, RELATIVE TO PROVIDING SPECIAL RULES AND REGULATIONS FOR THE GUAM TELEPHONE AUTHORITY PRIVATIZATION PROCESS AND THE PUBLIC DISCLOSURE OF INFORMATION RELATING TO SUCH PROCESS," was on the 14th day of December, 2001, duly and regularly passed.



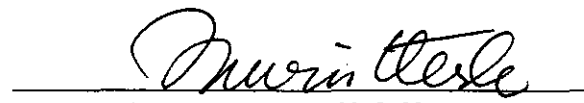
ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by *I Maga'lahen Guåhan* this 21st day of December 2001,
at 2:35 o'clock P.M.



Assistant Staff Officer
Maga'lahi's Office

APPROVED:



CARL T. C. GUTIERREZ
I Maga'lahen Guåhan

Date: 12-24-01

Public Law No. 26-70

MINA'BENTE SAIS NA LIHESLATURAN GUAHAN
2001 (FIRST) Regular Session

Bill No. 157 (COR)

As substituted by the Committee on Rules, General Governmental Operations, Reorganization and Reform and Federal, Foreign and General Affairs and amended in the Committee of the Whole.

Introduced by:

Chairman, Committee on Rules, General Governmental Operations, Reorganization and Reform and Federal, Foreign and General Affairs by request of *I Maga'lahen Guåhan*, in accordance with the Organic Act of Guam.

Mark Forbes

J. F. Ada

T. C. Ada

F. B. Aguon, Jr.

J. M.S. Brown

E. B. Calvo

F. P. Camacho

M. C. Charfauros

L. F. Kasperbauer

L. A. Leon Guerrero

K. S. Moylan

V. C. Pangelinan

A. L. G. Santos

A. R. Unpingco

J. T. Won Pat

**AN ACT TO ADD ARTICLE 13 TO TITLE 5 OF THE
GUAM CODE ANNOTATED AND TO AMEND § 4 OF
P.L. NO. 24-36, RELATIVE TO PROVIDING SPECIAL
RULES AND REGULATIONS FOR THE GUAM
TELEPHONE AUTHORITY PRIVATIZATION**

. . .

**PROCESS AND THE PUBLIC DISCLOSURE OF
INFORMATION RELATING TO SUCH PROCESS.**

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

2 **Section 1. Legislative Findings and Intent.**

3 (a) **Special Rules and Regulations for the GTA Privatization**
4 **Process.** Public Law Number 25-126 and the Plan of Action approved
5 under such law mandate that the privatization of the Guam Telephone
6 Authority ('GTA') be the subject of a specially legislated Invitation for
7 Bid ('IFB') or Request for Proposal ('RFP') process. This requirement
8 was based upon findings made by the GTA Privatization Task Force
9 that the current procurement laws of Guam do *not* provide appropriate
10 language to legally effectuate any strategic partnering or sale of GTA.
11 Accordingly, special rules and regulations need to be adopted by *I*
12 *Liheslaturan Guåhan* to effectuate this privatization transaction and
13 govern the underlying RFP process.

14 (b) **Specific Rules and Regulations for the GTA Privatization**
15 **Process.**

16 (1) **RFP Preparation and Issuance.** Since the
17 privatization of GTA cannot follow an ordinary procurement
18 process, a different procedure, unique to transactions of this type,
19 should be employed. First, GTA will be the sole point of contact
20 between the government and potential acquirers during the bid
21 and negotiation process. This is necessary to eliminate 'mixed
22 signals' which may create misunderstandings among offerors,
23 ensure the integrity of the RFP process, provide fair treatment for

1 all offerors, facilitate efficient and effective negotiations and
2 protect the confidentiality of trade secrets. It is anticipated that
3 the RFP will be prepared by GTA and will contain, at a minimum,
4 the following information: (i) a summary of the privatization
5 opportunity; (ii) a profile of Guam; (iii) a description of GTA's
6 business, assets, employees and capabilities; (iv) the specification
7 of offeror qualification requirements, evaluation criteria and
8 transaction terms and conditions; *and* (v) a proposed draft of each
9 of the principal transaction agreements ('Privatization
10 Agreements'). GTA has submitted the RFP to the Employee
11 Financial Advisor ('EFA') and Employee Coordinating Committee
12 ('ECC') for their approval, and such approval was provided on
13 July 19, 2001. After approval of the RFP by *I Liheslaturan Guåhan*,
14 the RFP will be issued to the public.

15 (2) **Transaction Management.** GTA will manage the
16 RFP process, from promotion of the privatization opportunity and
17 conduct of offerors' conferences, as needed, through final
18 negotiations and execution of the Privatization Agreements with
19 the party selected as having offered the proposal representing the
20 'best value' for the People of Guam. The essential elements for
21 determining 'best value' for the People of Guam are those criteria
22 in (i) Public Law Number 25-126 and the Plan of Action approved
23 under such law; (ii) the RFP approved by *I Liheslaturan Guåhan*;
24 and (iii) the public interest.

1 The EFA shall have the opportunity to observe the
2 evaluation process, will prepare an independent appraisal of the
3 best value offer to the employees of GTA, advise and consult with
4 the ECC regarding the proposed transaction as it relates to the
5 employment interests of GTA employees, and submit its
6 recommendations to GTA. Upon completion of negotiations and
7 execution of the Privatization Agreements, GTA will submit these
8 agreements, together with a report on the evaluation, negotiation
9 and basis for the approval recommendation, to *I Liheslaturan*
10 *Guåhan* for their approval. At such time *I Liheslaturan Guåhan* will
11 also receive, in summary form, the EFA's appraisal and the EFA's
12 recommendations made in consultation with the ECC. After final
13 approvals and the closing of the transaction, the assets of GTA
14 will be transferred to the buyer, outstanding transaction costs and
15 any remaining GTA obligations will be paid and the remaining
16 consideration will be received by the government.

17 **(3) Special Disclosure Rules for the GTA Privatization**
18 **Process.** Disclosure of information to the public is crucial to
19 ensuring a fair and transparent privatization process. *However,*
20 care must be taken with respect to both the timing and content of
21 any disclosures so as *not* to jeopardize the privatization process.
22 Effective negotiation practice dictates that premature disclosure of
23 any proposal details would undercut GTA's ability to get the best
24 value for the People of Guam. In addition, information submitted

1 by offerors which is of a truly confidential and proprietary nature
2 should *not* be subject to public disclosure and should be protected.
3 The lack of such protection may discourage qualified businesses
4 from participating in the RFP process. Also, the lack of public
5 disclosure protection would, in all probability, encourage
6 potential acquirers to minimize the information they provide to
7 GTA, leading to 'thin offers' which will be difficult, if not
8 impossible, to adequately evaluate. To address the concerns for
9 timing of disclosures and the protection of confidential
10 information, special disclosure rules, encompassing all phases of
11 the privatization process, from proposal submission to closing of
12 the privatization transaction, are necessary.

13 **Section 2. Provision of GTA Privatization Rules and Regulations.**

14 Pursuant to Section 2(a) of Public Law Number 25-126, the following rules
15 and regulations are approved for the privatization of the Guam Telephone
16 Authority ("GTA"):

17 **"Guam Telephone Authority Privatization Rules and Regulations.**

18 The development and issuance of the request for proposals ('RFP')
19 to implement the privatization of the Guam Telephone Authority
20 ('GTA') pursuant to Public Law Numbers 24-36 and 25-126 and the
21 conduct of such privatization shall be carried out based upon the
22 following rules and principles:

- 23 **1. Preparation and Issuance of RFP.** The
24 preparation of the RFP will be the responsibility of GTA, with the
25 participation of the Employee Financial Advisor appointed

1 pursuant to § 7 of Public Law Number 24-36, to ensure that the
2 interests of the GTA employees are addressed fairly, and to enable
3 the Employee Financial Advisor ('EFA') to render an informed
4 opinion as to the fairness of the RFP to the GTA employees. GTA
5 may *not* submit the RFP to *I Liheslaturan Guåhan* for its approval
6 until the RFP has been approved by the EFA and the ECC. No
7 RFP may be issued to the public until approved by *I Liheslaturan*
8 *Guåhan*.

9 **2. Public Announcement and Form of RFP.** Public
10 notice of the RFP shall be given promptly, but *no later than* thirty
11 (30) calendar days after *I Liheslaturan Guåhan* approves the
12 issuance of the RFP. Such notice shall include publication of the
13 notice in *at least* three (3) major financial publications, such as the
14 Wall Street Journal, including its Asia edition; the Financial Times;
15 and the Economist; one (1) major trade magazine or journal, and
16 one (1) local Guam publication *prior to* the due date for submission
17 of proposals. Proposals must be submitted to GTA *no later than*
18 one hundred (100) calendar days *after* publication of notice. GTA
19 may in its reasonable discretion extend this deadline upon
20 publication of such extension in any of the above publications.

21 The RFP, at a minimum, shall: explain the privatization
22 opportunity; present a profile of Guam; describe GTA's business,
23 assets, employees and capabilities; and specify the privatization
24 objectives, offeror qualification requirements, evaluation criteria

1 and transaction terms and conditions. The RFP will also include
2 drafts of the principal transaction agreements for the sale of the
3 assets of GTA ('Privatization Agreements').

4 **3. After Issuance of the RFP, the Process is to be**
5 **Conducted and Managed by GTA.** After issuance of the RFP,
6 and subject to the requirements of the process and disclosure rules
7 adopted herein, GTA will be solely responsible for the conduct
8 and management of the privatization process, including, but *not*
9 limited to: the marketing of the GTA privatization opportunity,
10 administration of due diligence and any offerors' conferences,
11 preliminary negotiations with offerors, evaluation of proposals,
12 determination of best value offer, final negotiations and
13 preparation and execution of the final Privatization Agreements.
14 During this process, GTA shall be the sole point of contact
15 between the government of Guam and those offerors interested in
16 acquiring GTA.

17 **4. Criteria for Evaluation of Offers.** The primary
18 criteria for evaluation of offers shall be: (a) the objectives set out
19 in the Privatization Task Force Plan of Action, including objectives
20 relating to employee concerns, adopted by *I Liheslaturan Guåhan*
21 by Public Law Number 25-126; (b) the criteria set forth in the RFP
22 approved by *I Liheslaturan Guåhan*; (c) the public interest; and (d)
23 any criteria established by any other Guam law.

1 **5. Manner of Process.** Subject to and within the
2 context of § 4 of these GTA privatization rules and regulations, the
3 privatization process shall be conducted as follows. GTA shall
4 solicit offers for the acquisition of the assets and business of GTA
5 through the issuance of an RFP. After receipt and evaluation of
6 proposals there will be selected a 'short list' comprised of one (1)
7 or more offers that GTA determines have complied with all the
8 requirements of the RFP and have sufficiently demonstrated to
9 GTA their ability to carry out their plans. The sale, privatization
10 or other disposition of substantially all of the assets of GTA shall
11 *not* be subject to the requirements of Chapter 5 of Division 1 of
12 Title 5 of the Guam Code Annotated, or its companion rules and
13 regulations. Upon execution of the Privatization Agreements, the
14 offeror will be required to make an up-front payment or deposit in
15 an amount equal to ten percent (10%) of the purchase price. The
16 up-front payment or deposit (and accrued interest) shall be put
17 into escrow and held by an independent escrow agent ('Escrow
18 Agent'). The Escrow Agent shall be a depository institution or
19 trust company which is insured by the Federal Deposit Insurance
20 Corporation and whose long term unsecured debt obligations of
21 which are rated *at least* 'A' by S&P, Fitch, Duff, or 'A2' by
22 Moody's. The selection of the Escrow Agent shall be subject to a
23 competitive bid process administered by GTA and all
24 compensation payable to the Escrow Agent for holding the
25 deposit or up-front payment shall be paid by the successful

1 offeror. The executed Privatization Agreements shall, by their
2 express terms, be subject to approval by *I Liheslaturan Guåhan* and
3 other applicable regulatory authorities, and these agreements will
4 be submitted by GTA to *I Liheslaturan Guåhan* as part of a
5 recommendation for legislative approval.

6 **6. Role of the ECC and the EFA.** The GTA Employee
7 Coordinating Committee ('ECC'), acting solely through the
8 Employee Financial Advisor ('EFA'), will participate in the GTA
9 Privatization Process as follows:

10 (a) No RFP shall be issued to the public, *unless*
11 approved by the EFA.

12 (b) The EFA shall monitor GTA's evaluation process
13 and shall be subject to the same confidentiality constraints as
14 GTA.

15 (c) The EFA shall conduct an independent
16 evaluation of each of the offers to ensure that the interest of
17 GTA's employees are represented.

18 (d) *Prior* to execution of the Privatization
19 Agreements and subject to confidentiality constraints, the
20 EFA shall: (i) prepare such written summaries of all
21 proposals received, assessments of the proposals for
22 compliance with the employees' interests, and descriptions
23 of concerns as are deemed necessary ('EFA Report'); (ii)
24 advise and consult with the ECC as to what proposals

1 achieve the best value offer for the employees of GTA ('EFA
2 Recommendations'); and (iii) submit the EFA
3 recommendations and the EFA Report to GTA.

4 (e) GTA shall notify the EFA and the ECC of the
5 submission of the executed Privatization Agreements to *I*
6 *Liheslaturan Guðhan* and, upon receipt of such notice, the
7 EFA and the ECC shall forward to *I Liheslaturan Guðhan* a
8 copy of the EFA Report and the EFA Recommendations.

9 (f) In carrying out the requirements of this § 6, the
10 EFA and members of the ECC shall be subject to the same
11 disclosure criteria and confidentiality rules set forth in § 7,
12 below.

13 7. **Specific Disclosure Rules.** The following rules shall
14 govern the public disclosure of information received by GTA, the EFA
15 and the ECC in connection with the privatization process.

16 (a) **Initial Disclosure.** At time of proposal
17 submission, an offeror must submit to GTA a certified disclosure
18 statement containing the following information:

19 (i) full legal name and identity of offeror, including
20 address;

21 (ii) for companies whose securities are *not* traded on
22 a national market in the U.S., or comparable market
23 exchange outside of the U.S., the names of persons owning

1 or controlling any percentage of the outstanding beneficial
2 interest and/or voting securities in the offeror;

3 (iii) all conflict of interest information, including, but
4 *not* limited to, information that indicates any material
5 relationship (family, financial or otherwise) between the
6 owners, management, subentities or affiliates of the offeror
7 and officials of the government of Guam, GTA, members of *I*
8 *Liheslaturan Guåhan*, or any consultants or advisors retained
9 by GTA in connection with the privatization process; *and*

10 (iv) any current strategic relationships with GTA,
11 such as joint ventures, alliances and partnerships.

12 The information supplied in this disclosure statement shall
13 be made available for *immediate* public disclosure upon receipt by
14 GTA. An offeror who fails to make a complete and accurate
15 disclosure of the information set forth above shall be ineligible to
16 acquire the assets of GTA and may be punished for perjury.

17 **(b) Proposal Review, Evaluation and Contract**
18 **Negotiation.** During the RFP process it is anticipated that
19 offerors will provide GTA with a wide range of information,
20 including financial statements, other financial resource
21 qualifications, detailed terms of prospective financial and business
22 plans, agreements and proposals, employment plans, rate and
23 service plans, infrastructure enhancement plans and a mark-up of
24 draft Privatization Agreements. This information will be

1 reviewed and analyzed by GTA, who will prepare summaries of
2 the content and their evaluation conclusions ('Evaluation
3 Summaries'). The identity of the offerors on the short list, as
4 contemplated under § 5, above, shall be disclosed to the public
5 within five (5) calendar days *after* that decision has been made.
6 *However*, the details of each proposal and the Evaluation
7 Summaries shall *not*, at such time, be disclosed to the public.

8 (c) **Final Offers Review and Presentation to I**
9 ***Liheslaturan Guåhan***. After final offers are received and
10 contract negotiations completed, the General Manager of GTA will
11 make a final recommendation to the Board of GTA for their
12 approval of the negotiated privatization transaction. Included in
13 the information submitted will be an explanation of the basis for
14 the recommendation, the Evaluation Summaries for all candidates,
15 and of the final offer recommended and the fully-negotiated and
16 signed Privatization Agreements ('Recommendation Package').

17 The Board of GTA shall base its approval upon the
18 Recommendation Package and the evaluation criteria set forth in
19 the RFP. The Board shall transmit its approval to *I Liheslaturan*
20 *Guåhan* for their approval of the privatization transaction. Included
21 with this submission shall be the Recommendation Package and the
22 Board's basis for its approval. Should the Board approve an offer
23 *other* than that detailed in the Recommendation Package, the Board
24 must explain, in detail, its reason(s) for its action to *I Liheslaturan*

1 *Guåhan*, in writing, including a point by point explanation of their
2 divergence from the evaluation criteria mandated in the RFP.

3 The Recommendation Package submitted to *I Liheslaturan*
4 *Guåhan* will *not* include information which constitutes a 'trade
5 secret,' as such term is defined below, although this information
6 shall be available on a confidential basis to any investment banker
7 or similar advisor retained by *I Liheslaturan Guåhan* to make an
8 independent fairness review of the proposed privatization
9 transaction. The information included in the Recommendation
10 Package submitted to *I Liheslaturan Guåhan* shall be subject to
11 public disclosure under the Guam Sunshine Act, § 10108 of Article
12 1, Chapter 10 of Title 5 of the Guam Code Annotated ('Sunshine
13 Reform Act of 1999') at the time it is received by *I Liheslaturan*
14 *Guåhan*.

15 **(d) Post Privatization.** After *I Liheslaturan Guåhan's*
16 approval of the privatization transaction, information relating to
17 the evaluation of proposals, including prices offered for GTA and
18 the Evaluation Summaries, will be subject to the disclosure
19 requirements of the Sunshine Act. Trade secret information,
20 *however*, will remain protected and exempted from the disclosure
21 requirements of the Sunshine Act. All information required to be
22 initially disclosed pursuant to Provision 7(a) of § 2 shall be subject
23 to renewed disclosure at the time of privatization and for five (5)
24 years thereafter, and shall additionally include, relative to the

1 GTA project, information on subcontractors of a successful offeror
2 and their relationship with the government of Guam, GTA,
3 members of *I Liheslaturan Guåhan*, or any consultants or advisors
4 retained by GTA in connection with the privatization process.

5 **(e) Protection of Trade Secret Information.** As used
6 in this Section, the term '*trade secret*' means all forms and types of
7 scientific, technical, economic or engineering information,
8 including patterns, plans, compilations, program devices,
9 formulas, designs, prototypes, methods, techniques, processes,
10 procedures, programs or codes, whether tangible or intangible,
11 and whether or how stored, compiled or memorialized physically,
12 electronically, graphically, photographically or in writing *if*:

13 (i) the owner thereof has taken reasonable measures
14 to keep such information secret; *and*

15 (ii) the information derives independent economic
16 value, actual or potential, from *not* being generally known
17 to, and *not* being readily ascertainable through proper
18 means by the public. The term '*owner*' in this Section means
19 the person or entity in whom, or in which rightful legal or
20 equitable title to, or license in, the trade secret is reposed.
21 Any information submitted by an offeror which constitutes a
22 trade secret under the above definition shall *not* be subject to
23 public disclosure under the disclosure rules set forth in this
24 § 2, or pursuant to the Sunshine Reform Act of 1999.

1 Nothing in this Section or Act shall prevent the disclosure of
2 any information required to be disclosed under § VII.A.1. of
3 the RFP; nor shall that information be considered a trade
4 secret.

5 **8. Conflicts of Interest.**

6 (a) **Ineligible Offerors.** No Covered Person, as such
7 term is defined below, shall be eligible to acquire, in whole or in
8 any part, the assets of GTA. For the purpose of this Section, the
9 term '*Covered Person*' shall mean any:

10 (i) elected or appointed officials of the government
11 of Guam, directors or unclassified managers of GTA and
12 members of *I Liheslaturan Guåhan* who hold office at the time
13 of approval of the Privatization Agreements, or who held
14 office at any time during the period from February 27, 1997
15 (the date the GTA Privatization Task Force was established
16 pursuant to Executive Order Number 97-09) to the date of
17 approval of the Privatization Agreements;

18 (ii) advisors or consultants of GTA who are advising
19 or working with GTA with respect to the privatization of
20 GTA, either at the time of approval of the Privatization
21 Agreements or any time during the period from February
22 27, 1997 to the date of approval of the Privatization
23 Agreements;

1 (iii) advisors, consultants or employees of I
2 *Liheslaturan Guåhan* who are advising or working with I
3 *Liheslaturan Guåhan* with respect to the privatization of GTA,
4 either at the time of approval of the Privatization
5 Agreements or any time during the period from February
6 27, 1997 to the date of approval of the Privatization
7 Agreements ;

8 (iv) the Escrow Agent, or any of its directors, officers
9 or, *if* the Escrow Agent is *not* a publicly traded company,
10 owners of any percentage of its outstanding beneficial
11 interests; *and*

12 (v) offerors or any entity comprising an offeror
13 which has a director, officer or, *if* not a publicly traded
14 company, owners of any percentage of its outstanding
15 beneficial interests who is:

16 (1) related by consanguinity of the third
17 degree, which, for the purposes of this Act, shall
18 include all children, parents, grandchildren, siblings,
19 grandparents, great-grandchildren, nieces, nephews,
20 uncles, aunts, and great-grandparents of a person, to
21 any person described in §§ 8(a)(i), (a)(ii), (a)(iii) or
22 (a)(iv), above;

1 (2) related by consanguinity of the third
2 degree to the spouse of any person described in §§
3 8(a)(i), (a)(ii), (a)(iii) or (a)(iv), above;

4 (3) the spouse of a person related by
5 consanguinity of the third degree to any person
6 described in §§ 8(a)(i), (a)(ii), (a)(iii) or (a)(iv), above; or

7 (4) the spouse of any person described in §§
8 8(a)(i), (a)(ii), (a)(iii) or (a)(iv), above;

9 (vi) offerors or any entity comprising an offeror or
10 affiliated with an offeror, who has paid or agreed to pay any
11 person described in §§ 8(a)(i), (a)(ii) or (a)(iii), above, for the
12 purpose of advising, consulting, representing, brokering or
13 otherwise assisting such entity in its efforts to acquire GTA.

14 In addition, the successful offeror shall *not* solicit for
15 employment or employ any person described in §§ 8(a)(i) or
16 (a)(ii), above, for the period *prior* to and five (5) years *after*
17 the date of approval of the Privatization Agreements, nor
18 shall any subcontract or business arrangement be entered
19 into between the successful offeror and any firm in which a
20 covered person has any financial interest, for the period *prior*
21 to and five (5) years *after* the date of approval of the
22 Privatization Agreements; *provided*, however, that such
23 offeror may retain any unclassified manager of GTA for a
24 period *not to exceed* one (1) year *after* the date of approval of

1 the Privatization Agreements for the sole purpose of
2 providing post-closing transition assistance.

3 Also for the purpose of this Act, the term '*official of the*
4 *government of Guam*' means any person holding any elected
5 office in Guam or any appointed member of the government
6 of Guam, including members of boards, commissions and
7 task forces, as well as any person working directly for the
8 office of *I Maga'lahaen Guåhan* or otherwise under contract to
9 the office of *I Maga'lahaen Guåhan* with the exception of the
10 Board of Education member.

11 (b) In connection with the GTA Privatization, no Covered
12 Person, as defined in Subsection (a) of this Section, shall receive
13 any economic benefit from any offeror or entity comprising an
14 offeror.

15 (c) This Section shall *not* preclude any GTA employee,
16 including members of the ECC, from purchasing shares in the new
17 privatized GTA or its parent company, subsidiaries or affiliates,
18 either as individual shares or as part of any employee stock
19 purchase program.

20 (d) For the purposes of this Section, '*publicly traded*
21 *company*' shall mean any entity whose securities are traded on a
22 recognized national market in the U.S. or comparable market
23 exchange outside of the U.S.

24 **9. Protest Provisions.**

1 **(a) Standing.** Only parties who have met the
2 qualifications requirements set forth in the RFP (by, for example,
3 having demonstrated adequacy of financial resources, submitting
4 a proposal in response to the RFP that meets the mandatory RFP
5 requirements and paying the required evaluation fees) shall have
6 standing to protest GTA's recommendation to *I Liheslaturan*
7 *Guâhan* for approval of the Privatization Agreement(s) ('Approval
8 Recommendation').

9 **(b) Timing of Protests.** Protests must be received
10 within ten (10) calendar days of the submission of the Approval
11 Recommendation, including the Recommendation Package, to *I*
12 *Liheslaturan Guâhan*.

13 **(c) Form and Content of Protests.** Protests shall be in
14 writing and set forth the factual and legal basis(es) in support
15 thereof. Protests shall be addressed to the Public Utilities
16 Commission ('PUC') and one (1) original, five (5) copies and one
17 (1) electronic copy shall be included in the protest package.

18 **(d) PUC Review.** PUC shall review each protest and
19 make a written finding ('PUC's Findings') based upon such
20 review as to whether the Approval Recommendation was
21 'arbitrary' or 'capricious,' or whether there existed fraud in the
22 evaluation process that had a material and demonstrable effect
23 upon the Approval Recommendation. In conducting such review,
24 the PUC may request and consider additional information

1 submitted by the protesting offeror and shall request and consider
2 the Recommendation Package and comments of GTA on the
3 protest. The protest and the PUC's Findings shall be submitted to
4 *I Liheslaturan Guåhan* within thirty (30) calendar days of receipt of
5 protest. The PUC's Findings may be considered by *I Liheslaturan*
6 *Guåhan*, but shall *not* be binding upon *I Liheslaturan Guåhan*, and
7 the decisions of *I Liheslaturan Guåhan* with respect to the Approval
8 Recommendation shall be final and *not* subject to review or
9 appeal.

10 **10. Retention of Title to Land by the Government of Guam**
11 **and Permitted Use of Properties.** The government of Guam shall
12 retain title to all land owned by the government of Guam or GTA which
13 is used by GTA for ongoing operations of a telephone authority and
14 ancillary services, and which is identified in **Exhibit A** hereto.
15 Such land shall be leased for an initial ten (10) year term at nominal
16 value to the party acquiring GTA's business, with an option to renew
17 for *up to* two (2) consecutive ten (10) year terms at fair market value.
18 The party acquiring GTA's business shall be authorized and
19 empowered to occupy and use, on the basis of an easement, for so long
20 as the term of the lease referred to in this Paragraph, and subject to the
21 restrictions that may now or hereafter be imposed by law, public
22 buildings, bridges and other public property, as well as streets,
23 sidewalks, alleys and public roads, making excavations therein and
24 restoring the same, for the purpose of erecting, attaching, maintaining

1 and using poles, pole lines, underground conduits, manholes, cables,
2 wires and other facilities necessary to provide telecommunications and
3 related services.

4 The party acquiring GTA's business shall also be empowered to
5 occupy, use and maintain any GTA properties acquired or leased for
6 any purpose relating to the provision and operation of
7 telecommunications, wireless, information technology and related and
8 ancillary services.

9 **11. Indemnification.** The government of Guam shall be
10 authorized to provide reasonable indemnification to the buyer of GTA
11 for any liability associated with pre-privatization environmental
12 contamination of government of Guam or GTA sites leased to the party.

13 **12. Approval of Recommendation to Approve Offer Within**
14 **Ninety (90) Calendar Days.** *I Liheslaturan Guåhan* shall review
15 and approve or reject the Approval Recommendation within ninety (90)
16 calendar days, *after* submission of the recommendation to *I Liheslaturan*
17 *Guåhan*. If no action has been taken by *I Liheslaturan Guåhan* by the end
18 of such review period, then the Approval Recommendation shall be
19 deemed rejected. *I Liheslaturan Guåhan* has the right to reject any
20 proposal or bid submitted in accordance with the Request for Proposals.

21 **13. Disposition of Funds Received.**

22 (a) The funds received from the successful offeror as
23 compensation for the purchase of GTA, net of privatization
24 transaction expenses to consultants and advisors retained by GTA

1 in connection with the privatization and any liabilities of GTA
2 retained by GTA pursuant to the Privatization Agreement(s),
3 which shall be paid as directed by GTA, shall be credited first, to
4 pay that portion of GTA's Defined Benefit Plan which remains
5 unfunded and second, all remaining funds will be credited to the
6 Guam Telephone Authority Privatization Proceeds Fund, as
7 defined in Subsection (b) of this Section; *except* that, to the extent
8 GTA is unable to secure sufficient funds from the Cost
9 Reimbursement Fund referred to in Section 6(a) of the Task Force
10 Action Plan to compensate the *I Liheslaturan Guåhan's* fairness
11 advisor retained as contemplated in § 5 of Public Law Number 24-
12 36, as amended by § 3 of Public Law Number 25-126, the balance
13 owed to *I Liheslaturan Guåhan's* fairness advisor shall be deemed
14 transaction expenses owed by GTA. To the extent the Cost
15 Reimbursement Fund *exceeds* the amount payable to *I Liheslaturan*
16 *Guåhan's* fairness advisor *prior* to closing, such excess amounts
17 shall be credited to GTA for payment of GTA privatization
18 transaction expenses.

19 **(b) GTA Privatization Proceeds Fund.** There is
20 created a Guam Telephone Authority Privatization Proceeds Fund
21 ('GTA Privatization Proceeds Fund'). Notwithstanding any other
22 provision of law, no funds received from a bidder as cost
23 reimbursement or evaluation fee, or from the successful offeror as
24 up front payment or compensation for the purchase of GTA, or

1 otherwise received from any entity relative to the sale,
2 privatization or other disposition of the assets of GTA, shall be
3 deposited into the General Fund or any other fund other than the
4 GTA Privatization Proceeds Fund.

5 Notwithstanding any other provision of law, *no less than*
6 fifty percent (50%) of the funds deposited into the GTA
7 Privatization Proceeds Fund shall be invested or reinvested by the
8 Guam Economic and Development Authority ('GEDA') in bonds
9 or in securities that are approved for the Retirement Fund, or
10 according to modern investment practices of similar funds.
11 Ninety percent (90%) of the interest earned from the investment
12 shall be expended, *subject* to legislative appropriation, for
13 infrastructure or capital improvement projects, including but *not*
14 limited to schools and educational facilities. The GTA
15 Privatization Proceeds Fund shall be subject to appropriation by *I*
16 *Liheslaturan Guåhan*, and no funds therein may be expended
17 without direct appropriation by *I Liheslaturan Guåhan* against such
18 fund.

19 **14. Audit Provisions.** For a period not to exceed five (5)
20 years following the closing of the privatization transaction, the
21 government of Guam shall be entitled to audit the books and records of
22 the purchaser of GTA to the extent that such books and records relate to
23 the performance of the Privatization Agreements.

1 **15. Enforcement of Privatization Agreements.** *Except* for
2 such oversight powers that *I Liheslaturan Guåhan* may grant to the PUC,
3 the power and authority to enforce the Privatization Agreements shall
4 rest with the Attorney General of Guam.”

5 **Section 3.** Section 4 of Public Law Number 25-126 is hereby *repealed*.

6 **Section 4. Amendment to Negotiations Observer Requirement.**

7 Section 4 of Public Law Number 24-36 is hereby *repealed and reenacted* to read
8 as follows:

9 “**Section 4.** In order to facilitate legislative review of the
10 proposed agreement, the Negotiations Observer appointed by *I*
11 *Liheslaturan Guåhan* shall monitor GTA’s evaluation of the privatization
12 proposals and GTA’s privatization negotiations. GTA shall ensure that
13 the Negotiations Observer has access to communications, meetings and
14 documents that are material to determining *if* the evaluation and
15 negotiations are being conducted in a reasonable manner, consistent
16 with *I Liheslaturan Guåhan’s* and the RFP’s stated privatization
17 objectives.

18 During this process, the Negotiations Observer shall act only as an
19 observer, and shall agree to the same confidentiality constraints and
20 disclosure restrictions applicable to GTA, its advisors, the ECC and the
21 Employee Financial Advisor. The Negotiations Observer shall *not*
22 disclose any information obtained in connection with this process to *I*
23 *Liheslaturan Guåhan* until the privatization transaction is presented to *I*
24 *Liheslaturan Guåhan* for its approval. Furthermore, any information of

1 an offeror which constitutes a trade secret, as such term is defined under
2 the privatization process rules approved by *I Liheslaturan Guåhan*, will
3 *not* be disclosed at any time, but may be reviewed by the Negotiations
4 Observer and considered in its fairness analysis *if* such information was
5 pertinent to the evaluation process.

6 Notwithstanding the foregoing restrictions, the Negotiations
7 Observer shall have the right and obligation during the evaluation and
8 negotiations process to *immediately* report to *I Liheslaturan Guåhan* any
9 activities it believes constitutes fraud in the process or the commission
10 of a felony, or any action that the Negotiations Observer believes
11 constitutes a violation of local or Federal laws of any sort.”

12 **Section 5.** Sections 2(c) and (d) of Public Law Number 25-126 are
13 hereby *repealed*.

14 **Section 6.** Section 6 of Public Law Number 24-36 is hereby *repealed*.

15 **Section 7.** Notwithstanding anything to the contrary, the RFP,
16 identified as the attached **Exhibit B**, is hereby approved and the General
17 Manager of the Guam Telephone Authority shall make such changes
18 necessary to:

19 (a) update and correct financial and technical information in the
20 Request for Proposal, *and*

21 (b) conform the terms of the Request For Proposal with the
22 terms and provisions of this Act. The Request For Proposal shall be
23 subordinate to and governed by the terms of this Act, and in the event

1 of any inconsistency between the Request For Proposal and this Act, the
2 provisions of this Act shall control.

3 **Section 8.** Section 5 of Public Law Number 24-36 is hereby *repealed and*
4 *reenacted* to read as follows:

5 **“Section 5.** *Prior to approval of any agreements submitted to*
6 *I Liheslaturan Guåhan for the sale, privatization or other disposition of*
7 *the assets of the Guam Telephone Authority (‘GTA’), a second opinion*
8 *as to the price and terms and conditions by a nationally recognized*
9 *professional services firm shall be obtained.*

10 A nationally recognized professional services firm with proven
11 expertise in the mergers, acquisitions and sale of telecommunications
12 industry shall be retained by *I Liheslaturan Guåhan* as advisor to do the
13 following:

14 (a) review all documents and agreements being submitted
15 to *I Liheslaturan Guåhan* relating to the sale, privatization or other
16 disposition of the assets of the Guam Telephone Authority,
17 including any other documents relating to the sale, privatization
18 or other disposition of the assets of the Guam Telephone
19 Authority, which in the opinion of the advisor is required to
20 properly review the submitted documents and agreements;

21 (b) review and advise *I Liheslaturan Guåhan* as to the
22 fairness of the price offered for the sale, privatization or other
23 disposition of the assets of the Guam Telephone Authority based
24 upon current market conditions; *and*

1 (c) review and advise *I Liheslaturan Guåhan* as to the
2 fairness of the terms and conditions offered for the sale,
3 privatization or other disposition of the assets of the Guam
4 Telephone Authority based upon current market conditions.

5 The cost to retain a nationally recognized professional services firm as
6 an advisor and perform the above actions shall be paid out of the GTA
7 Privatization Proceeds Fund.

8 **Section 9.** From the date of enactment of this Act until the date of
9 privatization, GTA employment of full-time employees shall be capped at *not*
10 *more than* four hundred two (402) classified and seven (7) unclassified
11 employees. Nothing in this Section shall prevent GTA from filling pre-
12 existing employment positions vacated during the privatization process by
13 termination, retirement, transfer, death or other circumstances, *except* for
14 unclassified employee positions *not* including the GTA General Manager and
15 Deputy General Manager, which may be filled upon vacancy.

16 **Section 10.** Section 7113(b) of Article 1, Chapter 7 of Title 12 of the
17 Guam Code Annotated is hereby *amended* to read as follows:

18 "(b) Employees of the Authority, excluding the Directors, shall
19 be members of the Government of Guam Retirement Fund, *subject* to the
20 provisions of 4 GCA § 8105, *except* that for the purposes of Subsection
21 (a) of said Section, the employees of the Authority shall *not* be
22 considered employees of a public corporation whereby their
23 membership in the Fund is optional and membership therein must be
24 specifically requested. The Authority shall contribute to the

1 Government of Guam Retirement Fund on the basis of annual billings,
2 as determined by the Board of Trustees, Government of Guam
3 Retirement Fund, for the government share of the cost of the retirement
4 benefits applicable to the Authority's employees and their beneficiaries.
5 The Authority shall also contribute to the Workmen's Compensation
6 Fund, on the basis of annual billings as determined by the Workmen's
7 Compensation Commissioner, for the benefit payments made from such
8 Fund on account of the Authority's employees.

9 Without in any way limiting the Authority's sole responsibility to
10 pay the annual allocation of the unfunded Retirement Fund
11 contribution payable relating to the Authority's employees, as
12 determined by an independent auditor, this allocation shall *not* be
13 reported on the Authority's financial statements. Instead, this
14 allocation, including allocations for previous years, shall be accounted
15 for in the General Long Term Debt Account Group. The Authority and
16 the General Long Term Debt Account Group are directed to effect
17 compliance with this Section on their September 30, 2001 financial
18 statements."

Exhibit A
Identity of GTA Land

GTA Land Owned

AGANA

Owned

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Agana	Agana	Agana Host	14,799	3,655	#1-1
Agana	Agana	Agana Operator's Office		4,223	

AGAT

Owned

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Agat	Agat	Agat RSC	10,000	1,126	#477-1
Agat	Agat	Agat Business Office		936	
Agat	Agat	Agat Containerized Office	320	320	
Agat	Navy Station	Orote RSC	1032	1032	
Agat	Nimitz Hill	Mount Alutom Cellular Site	10,000	336	#98-2G

Barrigada

Owned

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Barrigada	Barrigada Heights	Barrigada Cell Site	8,361	336	#9-1

Mangilao

Owned

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
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Mangilao	Mangilao	Mangilao RSC	10,400	2,685	
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**Dededo
Owned**

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Dededo	Astumbo	Astumbo RSC	10,000	1032	#10129-3-New
Dededo	Dededo	Astumbo Cellular Site		408	
Dededo	Dededo	Dededo Host	30,751	6,347	#10063-New
Dededo	Dededo	Force Account (Dededo)		1,200	
Dededo	Dededo	Northern District Engineering		4,517	
Dededo	Dededo	Dededo District Motorpool (Parking)	21,078		

**Tamuning
Owned**

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Tamuning	Tamuning	Gibson RSC	5,000	1318	#2139-New-2
Tamuning	Tamuning	Tamuning LBJ RSC	10,000	1,233	#5173-New-2-2- New

**Tumon
Owned**

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Tumon	Upper Tumon	Tumon Host	243,306	7,285	#5120-4-New/R1- New
Tumon	Upper Tumon	Administration/ Executive		9,500	
Tumon	Upper Tumon	Central District (Modular) Plant		1,052	
Tumon	Upper Tumon	Administration Office		3,600	
Tumon	Upper Tumon	Warehouse Supply Building 22A		2,591	
Tumon	Upper Tumon	Warehouse Supply Building 22		7,200	
Tumon	Upper Tumon	Maintenance Building			

**Merizo
Owned**

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Merizo	Merizo	Merizo RSC	16,060	900	24-1

**Piti
Owned**

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)

Piti	Piti	Piti/Asan RSC	10,000	1,032	5-R1-New
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Yigo

Owned

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Yigo	A.A.F.B.	Anderson RSC		1,032	AAFB AJJY, Guam, M.I.
Yigo	Yigo	Yigo RSC	17,000	2,020	7004-6-1

Talofof

Owned

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Talofof	Talofof	Talofof RSC	17,553	2,020	91-1A-1-1

Ordot

Owned

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Ordot	Ordot	Ordot RSC	10,000	1,400	

Inarajan

Owned

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Inarajan	Inarajan	Inarajan RSC	20,115	1,400	#381-R2/381-3

Malojloj

Owned

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Malojloj	Malojloj	Malojloj Cell Site		720	

Tiyan

Owned

Municipality	Village/Vicinity	Description	Land Area (Sq. Ft.)	Building Area (Sq. Ft.)	Lot Number(s)
Tiyan	Naval Air Station	Tiyan RSC	15,00	550	

Exhibit B



**REQUEST FOR PROPOSALS
FOR THE PRIVATIZATION OF THE
GUAM TELEPHONE AUTHORITY**

August 18, 2001



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NOTICE TO RECIPIENTS

This Request for Proposals (the "RFP") for the privatization of the Guam Telephone Authority ("GTA") has been prepared for informational purposes only by Government Intelligence and Proposal Resources, Inc. ("GIPR"), acting with Patton Boggs LLP and Pricewaterhouse Coopers LLP (collectively, the "Privatization Advisor" to GTA), solely for use by potential offerors in considering the acquisition of the assets and business of GTA. The Privatization Advisor has not independently verified any of the information and data contained herein and the same are enclosed for information purposes only.

The information contained herein has been prepared to assist interested parties in making their own evaluation of GTA and does not purport to be all-inclusive or to contain all of the information that a prospective participant may desire. Each recipient of the information and data contained herein should perform its own independent investigation and analysis of the transaction and the value of the assets and business of GTA. The information and data contained herein are not a substitute for the recipient's independent evaluation and analysis.

OFFERORS ARE RESPONSIBLE FOR CONDUCTING SUCH INVESTIGATION AND DUE DILIGENCE AS THEY MAY DEEM APPROPRIATE IN CONNECTION WITH PARTICIPATION IN THE GTA PRIVATIZATION PROCESS. BY SUBMISSION OF AN OFFER FOR GTA, EACH OFFEROR ACKNOWLEDGES AND AGREES THAT NEITHER THE GOVERNMENT OF GUAM (INCLUDING GTA) NOR THE PRIVATIZATION ADVISOR MAKES ANY REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION SET FORTH HEREIN, OR PROVIDED IN CONNECTION WITH DUE DILIGENCE, AND NEITHER SHALL HAVE ANY LIABILITY FOR ANY REPRESENTATIONS (EXPRESSED OR IMPLIED) CONTAINED HEREIN, OR FOR ANY OMISSIONS FROM THIS RFP, OR ANY OTHER WRITTEN OR ORAL COMMUNICATIONS TRANSMITTED TO THE RECIPIENT BY THE PRIVATIZATION ADVISOR OR GTA IN THE COURSE OF THE RECIPIENT'S EVALUATION OF THE PROPOSED GTA TRANSACTION. GTA RESERVES THE RIGHT TO REJECT ANY AND ALL PROPOSALS AND OFFERS AND THE GUAM LEGISLATURE RESERVES THE RIGHT TO CANCEL THIS PRIVATIZATION PROCESS AT ANY TIME.

This RFP includes certain statements, estimates and results provided by GTA's management with respect to the anticipated future performance of GTA. Such statements, estimates and projections reflect various assumptions by GTA's management and which have been included solely for illustrative purposes. No representations are made as to the accuracy of such statements, estimates or results with respect to any other materials herein. Statements contained in this RFP describing documents and agreements are provided in summary form only and such summaries are qualified in their entirety by reference to such documents and agreements.

SECTION I.

Summary of Opportunity.

The Government of Guam is seeking a strategic partner to purchase the assets and business of the Guam Telephone Authority. This is a unique opportunity to own, operate and maintain a modern local telephone exchange in a U.S. territory and island strategically located in the Western Pacific and which is evolving as a commercial hub between the U.S. and Asia.

Since its initial designation as an autonomous agency in 1973, the Guam Telephone Authority ("GTA") has grown to become the fifteenth (15th) largest local telephone company in the United States providing quality and state-of-the-art telecommunications services to over eighty thousand (80,000) active subscriber lines. A key to GTA's growth is its experienced workforce of over four hundred (400) employees whose loyalty, dedication and commitment to service have allowed GTA to keep pace with the rapid technological and market changes in the telecommunications industry.

GTA's infrastructure features all-digital switching, all-fiber inter-office facilities, island wide deployment of DSL and comprehensive wireless services. Over the years, GTA has invested in numerous capital equipment projects to upgrade its fixed line and wireless services and accommodate new telecommunications services and technology to provide for the increasing population growth and economic activity on Guam. Such expansion continues today as GTA is poised to offer its customers new broadband and advanced digital wireless services.

This is GTA today, but as a privatized entity, GTA has the potential to be much more. As a government entity it is limited from a wide range of commercial activities, including restrictions on marketing efforts, long distance, cable TV, and the retail provision of internet services and other data and information technology services. Privatization will free GTA from these restrictions, allowing GTA not only to offer and market new services to its existing customers but to increase its customer base by aggressively marketing to new customers.

Moreover, a privatized GTA would be free to pursue additional business opportunities not only on Guam, but in Asia as well. Guam is well known in major Asian markets as a popular tourist destination and an air hub has developed on the island to support this market. In addition, Guam has become a major telecommunications connection center in the Pacific Rim with nine major international fiber optic cables passing through its facilities, and three cable stations (Agat, Tumon and Tanguisson). A privatized GTA would have the ability to take advantage of this position and offer a host of value added, Asia-targeted services around this vital link.

GTA is an important part of Guam's infrastructure and the Legislature of Guam has articulated in the legislation enabling privatization (P.L. 25-126) that offerors for GTA must in good faith address in their proposals the following privatization objectives:

1. Address GTA employee issues
2. Contain rates and improve services
3. Retain local identification
4. Assure GTA's future viability
5. Sustain telecommunications growth
6. Minimize the financial exposure of the Government of Guam
7. Receive fair value for GTA's assets and business

These objectives are described in greater detail in Sections V through VII of this RFP and form the basis upon which proposals will be reviewed and evaluated. Ultimately, one qualified offeror will be selected with which the Government of Guam will enter into final contracts for the acquisition of GTA.

It is contemplated that the privatization transaction will be in the form of the purchase of GTA's assets (excluding land), with the buyer assuming GTA's principal contractual rights and obligations, including outstanding GTA debt. Rights to land will be transferred through long-term leases, or, in the case of U.S. government leases, novation. Title to buildings and fixtures will be transferred to the purchaser.

SECTION II. Profile of Guam.

- A. Location.** Guam is the largest and southernmost island in the Marianas Archipelago. It lies in a strategic location in the Western Pacific at thirteen (13) degrees north latitude and one hundred forty-four (144) degrees longitude. Neighboring countries include Japan, one thousand five hundred fifty (1,550) miles to the north, and the Philippines, about one thousand five hundred (1500) miles to the west. Hawaii lies about three thousand eight hundred (3,800) miles to the east. Guam is approximately thirty (30) miles long and four (4) to nine (9) miles wide, totaling two hundred twelve (212) square miles. The northern end is a raised limestone plateau with intermittent steep cliffs. High volcanic hills, waterfalls, rivers and bays abound throughout Guam's southern areas. Apra Harbor, one of the largest protected harbors in the Pacific, is located on the central western side of the island.
- B. Climate.** Guam has a tropical marine climate, moderated by northeast trade winds. There is a dry and a rainy season. The temperature is steady, rarely below seventy (70) degrees Fahrenheit/ twenty-one (21) degrees Celsius or above ninety (90) degrees Fahrenheit/ thirty-two (32) degrees Celsius. December, January and February are the most favored months with warm, pleasant dry trade winds. March through August are warm months. September through November brings the heaviest rainfall. Guam lies in the path of strong tropical storms and occasional typhoons. Earthquakes are rare but not unexpected.
- C. People.** Total population is estimated at one hundred fifty five thousand (155,000). **Ethnic groups:** Chamorro forty-seven percent (47%), Filipino twenty-five percent (25%), Caucasian ten percent (10%), Chinese, Japanese, Korean and others constitute eighteen percent (18%). **Religion:** ninety-eight percent (98%) Roman Catholic. **Languages:** English, Chamorro, Filipino (Tagalog), and Japanese.
- D. Government.** Guam is an unincorporated territory of the United States; its capital is Hagåtña (also known as Agaña). Guam was administered by the Spanish for four hundred (400) years, until 1898 then by the U.S., by Japan during World War II and then by the U.S. Navy up until 1950. In 1950, the U.S. Congress passed the Organic Act of Guam, granting U.S. Citizenship to the inhabitants of Guam (Chamorros) and establishing a civilian government. A bill of rights for the people was enacted and a local legislature was created with full legislative powers. Guam has an elected governor and lieutenant governor, a unicameral legislature with fifteen (15) senators representing the island at large and a non-voting delegate in the U.S. Congress. The Superior Court has jurisdiction over local legal matters and the U.S. District Court has jurisdiction over federal matters and constitutional issues. The island has nineteen (19) villages, each with an elected mayor.
- E. Economy.** Guam's economy is based on two (2) main sources of revenue – tourism and military expenditures. Economic growth slowed after extraordinary growth

through 1992. Military downsizing in the 1990s coincided with the Japanese recession and the Asian economic crisis of the late 1990s. Currently about eight percent (8%) of the population consists of U.S. military personnel and their dependents. Visitor arrivals continued to increase to a peak of one million three hundred eighty thousand (1,380,000) in 1997, declined in 1998, but began to increase in 1999 and 2000. Hotel construction has continued throughout the 1990s, resulting in reduced occupancy rates and hotel revenues, but placing the tourist industry in a good position to benefit from expected increases in Asian travel over the next ten (10) years. There are currently more than nine thousand (9,000) hotel rooms, with more under construction. In recent years, there have been concerted efforts to diversify the economy and significant investments have been made in the trade, textile, mariculture, food processing and light industry sectors. Also, the U.S. military has begun to augment its presence on the island. U.S. submarines will be based at Apra Harbor and increased carrier visits are contemplated. The closing of U.S. military bases in the Philippines, tension between the U.S. and China, unrest in Indonesia and other parts of the Pacific rim, and issues with the U.S. presence in Okinawa, all point to Guam's growth potential as a U.S. military outpost in the region.

Key Indicators are as follows:

Gross Island Product (GIP) - In 1999, the estimated GIP was U.S. Three Billion Six Hundred Thousand Dollars (\$3.06B).

Per Capita GIP - In 1999, GIP per capita was Eighteen Thousand Seven Hundred Sixty-Six Thousand Dollars (\$18,766).

Per Capita Personal Income - In 1999, per capita personal income was Fourteen Thousand Five Hundred Twenty-Six Thousand Dollars (\$14,526).

Inflation Rate (consumer prices) - In 1998, the inflation rate was one hundred twenty-eight percent (1.28%).

Labor - In March 2001, the total labor force was sixty-nine thousand five hundred sixty (69,560), with sixty thousand five hundred twenty (60,520) employed, for an unemployment rate of thirteen percent (13%). The unemployment rate in 2000 was fifteen percent (15%) and nine hundred two percent (9.2%) in 1997. The public sector employs approximately twenty-five percent (25%) of the total labor force.

Government Revenues and Spending - The Guam Government reported FY99 General Fund revenues of Four Million Seventy Thousand Dollars (\$470M), a decrease from 1998 and previous years. Expenditures of Five Million Six Hundred Dollars (\$506M) resulted in an operating deficit of Thirty-Six Million (\$36M).

Sources: Guam Departments of Commerce, Labor and Revenue and Taxation, Guam Economic Development Authority and Guam Visitors Bureau.

F. Infrastructure.

Power. Production: 800 million kWh (1998) Source: fossil fuel one hundred percent (100%) Consumption: 744 million kWh (1998) Guam uses 120/220 VAC, 60 cycle electricity.

Communications. There is one local wireline exchange provider, GTA, and several other telecommunications providers serving the island (See Section III of the RFP for more information on GTA and the competitive environment). Guam is a major connection for Pacific Rim communications. Submarine cables link the island with Hawaii, Japan, the Philippines, Hong Kong and Australia. The U.S. Postal Service handles mail delivery. Commercial mail delivery also is available through Federal Express, TNT and DHL. Guam has one daily newspaper, another newspaper published five (5) times a week, several weekly and monthly commercial publications, and military journals. There are three (3) AM and seven (7) FM radio stations, one (1) broadcast commercial television station, one (1) commercial cable television station, and one (1) public broadcasting station. Guam is included in the North American domestic numbering system, with an area code of 671.

Transportation. The A.B. Won Pat International Airport is a world class airport serving six (6) air carriers and providing more than one (1) hundred flights a week to Hawaii, the U.S. mainland, East Asia, the Philippines, Indonesia, and Australia. Continental Airlines operates a hub in Guam through its subsidiary, Continental Micronesia. The airport was expanded in 1996 to support these operations. Flying time to Guam is about seven (7) hours from Honolulu and Sydney, three (3) hours from Tokyo and Manila and over four (4) hours from Taipei and Hong Kong. Guam serves as a transshipment hub for the region, with three (3) U.S. commercial shipping lines and several foreign shippers providing regularly scheduled service. The Port Authority of Guam (PAG) can handle containerized as well as break bulk cargo at its modern terminal. There is also a shipyard located across from the Port. The PAG is the largest and safest deep-water port between Hawaii and Asia.

Education. Guam has an extensive public and private education system. The public education system includes the University of Guam, a land grant college; the Guam Community College; five (5) public high schools; six (6) middle schools; and twenty-four (24) elementary schools. The private system includes five (5) high schools and several elementary schools. Most of these are affiliated with Roman Catholic and Protestant religious denominations. Literacy rates are at ninety six percent (96%). The University of Guam has Master's degree programs in education and public administration; operates a marine research laboratory; and has an extensive collection of Pacific and Micronesian historical

documents and materials at the Micronesian Area Research Center. The University of Guam is accredited by the Western Association of Schools and Colleges.

Guam Community College offers technical training including two (2) , forty (40) hour courses: Fiber Optics – Splicing and Termination; and Category 5 – Wiring, Testing, and Troubleshooting without TDR. The Electronics Technicians Association certifies the student’s skills upon successful completion of each course. The College also sponsors CISCO Networking Academies at all four (4) of Guam’s public high schools. Upon completion of the academy, a CISCO exam is administered and students become CISCO Networking Associates. The Guam Community College will launch this CISCO program at the college level this fall. A new program, Visual Communications, will begin this summer and will teach the development and design of Internet web pages.

Health Services. The Guam Memorial Hospital, with one hundred ninety two (192) beds, including one hundred fifty nine (159) acute care beds, is government-owned and the major health facility on Guam and Micronesia. The U.S. Naval Hospital serves military personnel and dependents as well as eligible veterans. Guam's Department of Public Health operates a number of medical and dental clinics. There are also extensive private clinics for both medical and dental needs on the island.

G. Laws and Regulations. Guam uses the U.S. dollar and follows U.S. laws and regulations, with certain exceptions. The Guam Telephone Authority is subject to the jurisdiction of a variety of federal and local regulatory entities. A brief overview of Guam’s laws and the principal areas of GTA regulatory oversight are set out below. This overview is provided for information purposes only and the application of the laws and regulations referenced below can vary depending on the circumstances of the offeror and how they might elect to manage and develop GTA. Offerors are therefore cautioned that they should seek independent expert advice as to the applicability of these and other laws to the particular offeror.

1. Overview of Guam laws:

Customs Duties. Guam is a duty free port and U.S. import tariffs do not apply. If one is importing for resale, a four percent (4%) gross receipts tax is assessed when the sale is to the end user. If one imports for personal use a four percent (4%) importation or use tax is assessed. This does not apply to property that had substantial use before importation or to individuals with property whose total imported value equals One Thousand Dollars (\$1,000) or less in one (1) calendar month. There are also excise duties on alcohol, tobacco and liquid fuels.

Labor laws. Guam labor laws are patterned after those of the U.S. and regulated by the Guam Department of Labor. All U.S. labor laws, including the U.S. Fair Labor Standards Act apply on Guam. Special rules, however, authorize the

Governor of Guam to issue temporary labor certifications on Guam if, after testing the local labor market, it is found that: qualified U.S. Citizens or permanent residents are no longer available to perform the required services and that employment of a non-immigrant alien will not adversely affect the wages and working conditions of U.S. resident workers who are similarly employed on Guam. Minimum wage is set at the U.S. rates. Additional wage information is available on the privatization web site www.privatize.gtaguam.com.

Land regulation. In Guam, there are three categories of land ownership: private, Government of Guam, and the U.S. Government. The U.S. Government holds about thirty percent (30%) of the total land area; the Government of Guam approximately twenty-five percent (25%); and the remaining forty-five percent (45%) is privately owned. Some Federal military land has recently been turned back for the Government of Guam's determination as to future use. All Government of Guam land which is not dedicated to a specific public use by law is designated as Chamorro homelands and is under the control of the Chamorro Land Trust Commission. There are significant restrictions on the use and/or transfer of Chamorro homelands. Specific waivers of some of these restrictions are available if approved by the Guam Legislature. For more details on the applicable restrictions and available waivers see Chapter 75 of Title 21 of the Guam Code Annotated.

Tax Structure. Although Guam's tax structure "mirrors" the U.S. Federal government's, federal income tax collected on Guam is paid directly to the local government. Additionally, U.S. Government employees living on Guam contribute annual income taxes to the local government. There currently is no state, territorial or local income tax on Guam. There is, however, a gross receipts tax requiring all persons (individuals, professions, corporations) doing business or performing services in Guam, unless exempt by law, to pay a four percent (4%) monthly privilege tax on their gross receipts or gross income. With respect to other taxes, Guam has the usual range of local taxes found in the U.S. states, including taxes on gasoline, real property, admissions, hotel occupancy, etc. The U.S. Tax Reform Act of 1986 provided Guam with the flexibility to develop its own income tax code. This process is ongoing.

The Government of Guam, through the Guam Economic Development Authority, is authorized by law to allow tax rebates to qualified investors. Qualified firms may be granted up to one hundred percent (100%) tax rebates for up to twenty (20) years, up to one hundred percent (100%) abatement on real property tax for up to ten (10) years, and up to seventy-five percent (75%) abatement on corporate dividend tax up to five (5) years. Qualifying Certificates for tax incentives are granted on the basis of investment commitment as well as the potential for creating new employment and expanding the island's industry.

2. Regulation of GTA:

a. Communications Act of 1934, as amended (FCC).

As a U.S. territory, Guam is generally governed by U.S. federal law. The U.S. Federal Communications Commission ("FCC") expressly decided that the Communications Act of 1934, as amended (the "Act"), applies to Guam and the services provided by the Guam Telephone Authority ("GTA"). The FCC has exclusive jurisdiction over interstate and foreign common carrier communications that originate or terminate on Guam.

GTA participates in the National Exchange Carrier Association ("NECA") and provides interstate access services through participation in tariffs filed by NECA. GTA has implemented Feature Group D in order to facilitate equal access arrangements and promote competition in the long distance market. The FCC has determined that Guam is a "study area" as defined in the FCC's rules. Guam has also been admitted to the North American Numbering Plan.

GTA is an incumbent local exchange carrier (ILEC) and rural telephone company pursuant to the Communications Act. The Guam Public Utilities Commission has found that GTA should be temporarily relieved of some of its interconnection obligations pursuant to Section 251 of the Act. The suspension will terminate on January 1, 2002, with interconnection requests permitted to be filed after February 1, 2001. GTA has not received any interconnection requests since that date.

FCC rules govern GTA's wireless telephone operations. Pursuant to Section 332 of the Act, states (including, as defined in the Act, territories of the United States) are prohibited from regulating the rates or entry of wireless carriers, although they may regulate "other terms and conditions" of wireless carriers. Thus, GTA's cellular system operations, and its PCS operation (once begun), will be governed by FCC wireless rules. The FCC has decided that GTA is not required to structurally separate its LEC and commercial mobile radio service ("CMRS") operations.

The Act also provides limitations on foreign ownership of GTA's licenses. Section 310(b)(3) of the Act limits direct foreign ownership of radio FCC licenses to twenty percent (20%). Section 310(b)(4), states that indirect ownership in FCC licenses of twenty-five percent (25%) or more is permitted, but must be shown to be in the public interest. The FCC has ruled that WTO-member countries can apply for authority to exceed the twenty-five percent (25%) indirect ownership level and a grant is presumptively in the public interest. The Act includes beneficial ownership. In the context of Section 214 and non-controlling interests in radio licenses, including cellular and PCS licenses, such requests are processed on a streamlined basis. However, applications requesting authority for a foreign owner to acquire a controlling interest (i.e., 50% or greater) in radio licenses (including cellular and PCS) would be subject to the FCC's assignment or transfer of control rules, which requires a thirty (30) day public notice period during which time interested parties may petition to deny the transfer of control.

b. Guam Public Utilities Commission.

The Public Utilities Commission of the Territory of Guam (the "PUC") has jurisdiction over intra-territorial communications provided by GTA, comparable to State commissions that have jurisdiction over intrastate communications. In accordance with the Act, the PUC has the regulatory authority to approve interconnection agreements. To date, the PUC has approved only one interconnection agreement.

GTA's tariffs must be set by the PUC at a level sufficient to cover GTA's bond covenants (see section on Rural Utilities Service below). After privatization, the PUC will serve as the oversight authority for rates and service standards. Enforcement of the privatization contracts will vest with the Attorney General of Guam.

c. Rural Utilities Service.

GTA's primary source of new capital in recent years has been loans from the Rural Utilities Service, ("RUS"), the Rural Telephone Bank, ("RTB"), and the Federal Finance Bank ("FFB"). RUS and RTB are agencies within the United States Department of Agriculture. The FFB is an instrumentality of the United States Government, which manages debt issued by a number of federal agencies, including RUS. RUS and RTB loans are intended to create public-private partnerships to finance construction of the telecommunications infrastructure in rural America.

The principal amount of GTA's outstanding RUS, RTB and FFB loan obligations (collectively hereafter the "RUS Debt" or "RUS Loans") as of June 1, 2001 is approximately One Hundred Seventeen Million Dollars (\$117,000,000.00). (A statement of outstanding loans, including maturity dates and interest rates, is available for reading in the Privatization Data Room).

Sections VI and VII of the RFP require, *inter alia*, that an offeror's proposal demonstrate that the offeror will assume all of GTA's debt and liabilities (including the RUS Debt) and/or provide sufficient cash (or a combination of cash and assumption of liabilities) as part of its offer which at least equals or exceeds a certain minimum cash amount (as defined in Section VI of the RFP) by the value of the debt and or liabilities not assumed.

RUS will negotiate with GTA and any prospective purchaser the terms under which any sale or assumptions will be approved. Upon approval by RUS, the purchaser will be required to execute various legal documents (such as assumption notes, loan contracts, security agreements, etc.).

Any assumption of the RUS Debt shall be subject to approval by RUS. Without knowing the precise identity of the purchaser and the terms of their proposal,

GTA and RUS cannot precisely set forth the terms under which assumption of the RUS Debt will take place. However, any purchaser wishing to assume the RUS Debt should expect to be required to agree to the standard terms contained in RUS loan agreements, contracts, security documents, etc. Variances in the terms of those documents may be imposed to reflect the particular qualifications and characteristics of the purchaser. The purchaser may also be required to provide additional security or other compensating benefits to RUS to offset any added credit risk the prospective purchaser may present.

The RUS Loans to GTA include terms and covenants intended to provide security to RUS and to meet the policies and purposes of RUS mission. The RUS policy objectives, include, but are not limited to, the following:

- i. Borrowers must provide adequate security for the loans;
- ii. Borrowers must at all times maintain their network in good repair to provide subscribers with adequate telephone service;
- iii. Borrowers must maintain books of account in accordance with the rules of the FCC and RUS, and furnish certain financial and statistical reports to RUS on an annual basis;
- iv. Borrowers must maintain net income coverage sufficiently above their fixed charges;
- v. Borrowers must provide service to rural users, which is the essence of the RUS program; and borrowers must demonstrate that the favorable terms provided by RUS Loans benefit local, rural subscribers through lower rates and/or enhanced service; and
- vi. Borrowers may use loan proceeds to purchase only end products which have been manufactured domestically or in certain countries which have been deemed exempt from the Buy America requirements by RUS. To date those exempt countries are Canada, Mexico and Israel.

SECTION III.

Overview of the Guam Telephone Authority.

A. Profile of GTA.

GTA is an established local telephone company owned and operated by the Government of Guam. GTA was created as an autonomous agency in 1973. Currently, GTA provides local, long distance access and wireless telephone services on the 835.020–844.980, 846.510-848.970, 880.020-889.980, and 891.510-893.970 MHz (Frequency Block B) frequencies. GTA's island-wide underground fiber optic ring provides access to over eighty thousand (80,000) subscribers. GTA provides one party telephone service throughout its service area in the Territory of Guam in eighteen (18) exchanges. Customers in each exchange have toll free calling to all other exchanges. Since 1991, GTA has operated a robust cellular operation providing digital (TDMA) and analog services to approximately seven thousand five hundred (7,500) GTA and reseller subscribers. GTA has invested over Two Million Dollars (\$200M) in the development of its landline and wireless infrastructure.

GTA provides its customers a complete line of services including Meridian Digital Centrex, voice mail and many custom calling features for both land and wireless subscribers. In addition, GTA has begun to build out a number of high speed data services including DSL, Frame Relay/ATM, SONET and Hi-Cap circuits.

GTA's system has been tested under the most extreme conditions. In 1997, Guam was hit by Typhoon Paka, one of the most powerful typhoons in modern history. GTA, with its hardened system was able to operate during and after the disaster. In fact, records indicate that only about two percent (2%) of GTA's subscribers experienced service interruption caused by Paka's heavy rains and one hundred ninety (190) mile an hour winds.

The Federal Telecommunications Act of 1996 has brought changes to GTA. Because of restrictions inherent in GTA's charter, these changes have highlighted GTA's inability to effectively compete with the private sector. Because of political and legal restrictions which limit GTA's ability to offer new services and market its capabilities, GTA has not been able to effectively develop, or even take advantage of, income opportunities from new high value service sectors (such as high speed DSL access to the Internet). After numerous studies and evaluations performed in conjunction with the GTA's Privatization Task Force, it has been concluded that privatization through strategic partnering is the best solution to protect the interests of the GTA and ensure continued high quality telecommunications services to the people of Guam.

B. GTA's Lines of Business.

Although structured as a single legal entity, GTA maintains two separate accounting and operating divisions: GTA Landlines and GTA Cellular. A third (3rd) potential Line of Business is GTA Internet. GTA is an authorized ISP. However, a Guam Superior Court ruling has placed this Line of Business on hold on grounds that GTA is not authorized to provide such services. GTA Landlines and GTA Cellular are managed and operated as separate lines of business, and the relationship between them is similar to the customer/supplier relationship between GTA and other carriers.

GTA Landlines provides retail and wholesale services to end user subscribers and to other carriers, including GTA Cellular. It also provides management, general support services and administrative support to GTA Cellular. For example, it provides executive, engineering, finance, legal and human resources. Regulated services provided by GTA Landlines to GTA Cellular, including transmission services between cell sites, are billed at tariffed rates. The costs of non-tariffed services are assigned or allocated to GTA Cellular following the FCC's cost allocation rules. The financial statements in Section IV below reflect this cost allocation.

GTA Cellular offers retail services directly to subscribers and also provides its services through resellers. GTA Cellular has dedicated staff assigned to customer services and operation of its switch and obtains all other support from GTA Landlines.

C. Summary of Products and Services.

Both GTA Landlines and GTA Cellular offer a variety of regulated and nonregulated products and services. The following are typical examples:

1. Landlines Regulated.

- Basic residential and business local service including Key Lines, Rotary Hunt Lines, PBX Trunks and DID/DOD Trunks
- Public Pay Telephone Lines
- Directory Assistance and Operator Services
- Switch and network based enhanced calling features such as CLASS services
- E911 Service
- Meridian Digital Centrex Service, including switch based features
- Voice Grade Private Lines
- Digital Data Service
- High Capacity Private Line circuits
- SONET
- OC3 through OC-48 transport
- xDSL Services (ADSL and SDSL)
- Frame Relay/Public Packet Data Service
- ISDN
- Interstate Switched Access Service
- Interstate Special Access Service

2. Landlines Nonregulated.

- Inside wire installation
- Inside wire maintenance
- Public Pay Telephone Services
- Dark Fiber
- PBX Maintenance
- Voice mail

3. Cellular.

- Basic local service
- Features and Functions

D. National Exchange Carrier Association.

GTA has been a member of the National Exchange Carrier Association (NECA) since 1997 and is a participating carrier in NECA's Carrier Common Line and Traffic Sensitive Switched and Special Access cost pools. It is also a concurring carrier in the NECA interstate switched and special access tariffs. GTA receives approximately One Million dollars (\$1M) a year from the NECA high cost funds and participates in the "Link Up" and "Life Line" programs. GTA also participates in the "Schools and Libraries" and "Rural Health Care" programs with local institutions.

E. Local Tariffs.

GTA has requested a general increase for local services totaling an estimated Three Million Five Hundred Thousand Dollars (\$3.5M) on annually. In addition, GTA plans to introduce estimated annual rate increases totaling Seven Hundred Thousand Dollars (\$700,000) for various nonregulated and other services. Listed below are the planned monthly charges for some widely subscribed services:

Residence basic service	\$16.50
Business single line basic service	\$41.00
PBX and DID/DOD trunks	\$55.00
Public telephone line service (COCOT lines)	\$44.00
Residence inside wire maintenance plan	\$2.00
Enhanced feature packages - Residence	\$3.50 to \$8.00 depending on number of features
Enhanced feature packages - Business	\$5.50 to \$12.00 depending on number of features

F. Capabilities.

GTA operates a robust wireline network featuring a fiber ring topology for interoffice connectivity, buried outside plant that has been conditioned for xDSL service and modern digital switches. In addition, GTA operates an ATM switching network used to interconnect xDSL lines with each other and/or with Internet Service Providers.

The interoffice fiber ring in combination with GTA's current SONET equipment supports high speed transport services up to OC- 48. In addition, spare dark fibers are available between most serving wire centers. These fiber strands can be connected to high speed transmission equipment as needed to provide even more capacity.

Virtually all of GTA's loop plant (approximately ninety-three percent (93%) is installed in underground conduit or directly buried. As a result, it is fully hardened and resists most adverse weather conditions. During Super-Typhoon Paka, one of the worst storms in recorded history, the network sustained relatively little damage. This infrastructure will support all applications demanding high reliability.

As part of GTA's launch of its xDSL service, all load coils and unnecessary bridge taps were removed from the loop plant. More than ninety percent (90%) of the population of Guam resides in areas that qualify for xDSL services.

GTA recently installed ATM switching capabilities to support the Wide Area Network for the Government of Guam and subscriber connectivity to Internet Service Providers. This equipment will support high speed packet switched data applications in the future.

A recent Guam Superior Court decision prevented GTA from developing its Internet service. However, GTA continues to own the servers and other equipment and the Internet service can be easily redeployed. GTA has already developed the service ordering, repair, and billing processes needed to start up quickly after privatization.

GTA provides island wide digital and analog wireless service. This is accomplished through eleven (11) cell sites and one (1) mobile switching center. The majority of GTA's cellular customers are served by resellers, which are given a discounted price for airtime usage based on total volume. Active resellers include AAA, TNI, Startec PCI and Futuristic Systems.

G. Competitive Environment.

GTA is the largest provider of local wireline services on Guam, serving all civilian telephone subscribers and the residences of military personnel. (The U.S. military operates its own lines). As a rural telephone company, GTA has been granted a temporary exemption from the Telecommunications Act requirements for provision of interconnection and access to unbundled network elements to competitors. This exemption will be in effect until the PUC determines that a bona fide request for interconnection has been received and the PUC determines that such request is not

unduly burdensome, is technically feasible, and is consistent with the universal provisions (Section 254) of the Act. To date, no bona fide request has been received.

GTA faces competition in the wireless market from GuamCell Communications, HafaTel (PCS GSM), Iconnect (E SMRS "Nextel"), and IT&E. GuamCell Communications operates a cellular network and IT&E recently initiated its PCS services. In addition, GTA cellular services are marketed by several resellers.

GTA also faces competition from independent coin operated telephone service providers (COCOTs). Currently, one competitor has the majority of competing pay telephones. There are also more than one hundred (100) small businesses operating COCOT equipment.

GTA is not currently offering Internet access services. The principal ISPs on Guam are IT&E, Startec PCI, GuamCell Communications, Verizon Pacifica and Kuentos. All of these ISPs offer dial-up access and several offer high speed access.

GTA does not offer long distance services. However, Guam is served by nine long distance carriers: IT&E, Worldcom, Startec PCI, GuamCell Communications, Verizon, World Exchange, Access Telecom, Sprint, and TNI. GTA bills in excess of eighteen million (18M) access minutes per month.

GTA does not publish a White Pages or Yellow Pages telephone directory. Instead, there are two (2) independent directories printed by publishers who obtain telephone number information from GTA.

H. Network Specifications.

1. Fiber Optic Network.

GTA's fiber network extends throughout the island connecting all of GTA's switching facilities (fixed and wireless) and direct fiber connections to customers who require fast dedicated lines of 155MBPS or higher. The network is also connected to the transpacific cable station and ComSat earth station.

Fiber Network	Total Length in Feet - 702,525
	Total Length in Miles - 129
GTA Copper Facilities	Total Length in Miles - 507.4

The network is configured in a ring system as follows:

Fiber Optic Trunk Cables

Originating Point	Terminating Point	Cable Size	# of Vacant Strands
Hagåtña CO	Ordot Splice Point	24	14

Hagåtña CO	Leo Palace	8	4
Hagåtña CO	Pulantat (MCI Earth Station)	8	4
Hagåtña CO	MCI	8	4
Hagåtña CO	MCI	8	4
Hagåtña CO	Mangilao	40	20
Hagåtña CO	Anigua Splice Point	16	8
Hagåtña CO	Tumon CO	24	3
UOG	Pago Bay Splice Point	8	4
Ordot Remote	Ordot Splice Point	24	20
Talofof Remote	Ordot Splice Point	24	20
Talofof Remote	Inarajan Splice Point	24	20
Inarajan Remote	Inarajan Splice Point	12	8
Merizo Remote	Inarajan Splice Point	24	20
Merizo Remote	Agat Remote	24	20
Merizo Remote	Pigua Cell Site	8	4
Agat Remote	Orote Remote	8	4
Agat Remote	Piti Splice Point	16	12
Piti Remote	Piti Splice Point	24	16
Alutom Cell Site	Piti Splice Point	8	4
Piti Remote	Anigua Splice Point	24	16
First Hawaiian Bank	Maite Splice Point	8	4
Tiyan Remote	Barrigada Splice Point	24	20
Mangilao Remote	Hagåtña CO	40	10
Mangilao Remote	UOG	16	14
Tumon CO	Route 30/Route 14A Splice Point	64	58
Tumon CO	Dededo CO	24	6
LBJ Remote	Route 30/Route 14A Splice Point	8	4
Gibson Remote	Route 30/Route 14A Splice Point	8	2
Gibson Remote	Route 1/Route 10A Splice Point	24	18
GuamCell	Route 1/Route 10A Splice Point	8	4
Airport Remote	Route 1/Route 10A Splice Point	28	26
Airport Remote	Route 16/Route 10A Splice Point	8	6
Tumon CO	TPC POP	16	4
Tumon CO	GST POP	8	4
Tumon CO	IT&E POP	8	0
Dededo CO	Mangilao Remote	40	26
Dededo CO	Yigo Remote	16	6
Dededo CO	Astumbo Remote	24	14
Astumbo Remote	Route 3/Route 9 Splice Point	16	6
Astumbo Remote	NCTAMS	16	4
Ritidian Cell Site	Route 3/Route 9 Splice Point	8	4
Andersen Remote	Class A Switch	8	0
Andersen Remote	Yigo Remote	16	4
Andersen Remote	Route 3/Route 9 Splice Point	16	6
OPAC	Route 16 Splice Point	8	4

Barrigada Cell Site	Route 16 Splice Point	8	8
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A detailed description of Wireline Assets is attached as Appendix B and Appendix C contains a description of principal Wireless Assets.

2. Digital Switches.

GTA's central offices were converted to Nortel Digital Multiplex Systems (DMS) one hundred (100) switches in 1988. The Digital Host Offices are Hagåtña, Dededo and Tumon which are interconnected to one another in an OC-48 SONET Bi-directional Line Switched Ring Configuration. The Hagåtña Digital Host Office is a DMS 100/200 Tandem/End Office and the Dededo and Tumon Hosts are DMS 100. All calls leaving or entering Guam pass through the Hagåtña Tandem Digital Host Office.

The Digital Host Offices are linked to Remote Switching Centers (RSC) providing voice and data communications to the entire island. The following are the RSC's supported by the Hosts.

Hagåtña Digital Switch Host Office RSC's:

Agat
First Hawaiian Bank OPM
Piti
Inarajan
Mangilao
Merizo
Leo Palace OPM
Ordot
Orote
Talofofu
Tiyan
University of Guam Access Node

Tumon Digital Switch Host Office RSC's:

GIAA(Guam International Airport)
Gibson
LBJ (Lyndon B. Johnson)

Dededo Digital Switch Host Office RSC's:

Yigo
Andersen

3. Wireless.

GTA Cellular operates through a DMS/MTX Wireless Switch. The Cellular/MTX has the basic custom calling features (CFD-CWT, etc.), Caller ID-Sleep Mode-Group Ringing and is currently capable of supporting up to forty thousand (40,000) subscribers.

Mobile Equipment

- One Mobile Switching Center (MSC) DMS-MTX
- Eleven Cell Sites (800 MVz-AMPS/TDMA)

Cell Sites

- Three sites: 120° Sectorized Arrays (DB874H120) (Pacific Islands Club-Pia Marine-Barrigada)
- Eight sites: 360° OMNI-Directional (DB810K) (Ritidian-Astumbo-Mt. Santa Rosa- Hagåtña Heights-Alutum-Orote-Malojloj-Pigua)

Cell Site Structure

- Two (2) Building Installed (Pacific Islands Club-Pia Marine)
 - Three (3) Monopoles (Santa Rosa- Hagåtña Heights-Astumbo)
- Four (4) self supporting towers (Andrews 3ST)-100' (Ritidian-Alutum-Pigua-Barrigada)
- Two (2) self supporting towers (Andrews 3ST)-200" (Malojloj-Orote)

4. Recent Upgrades.

Over the last ten (10) years:

- GTA has completed the construction of an underground Fiber Optic Ring network.
- Military Class B residential subscribers became GTA's subscribers through a Memorandum of Understanding (MOU) between GTA, the United States Navy and the United States Air Force.
- GTA provided both AMPs and TDMA (digital) Cellular service to the island of Guam.

- GTA installed the Traffic Operator Position System at the GTA's Directory Assistance Office.
- GTA installed island-wide enhanced 911 service.
- GTA installed equipment to enable an ISP service.
- GTA achieved full Meridian Digital Centrex deployment and SS7 class service island-wide.
- GTA linked the local long distance carriers to the Trans-Pacific Cable III and V with the installation of fiber optics.
- GTA entered into the North American Numbering Plan by implementing Feature Group D-Equal Access which enabled U.S. mainland style of dialing to the people and businesses of Guam.
- GTA's Data processing hardware and software was upgraded for Y2K compliance.
- GTA's Directory Assistance Service (411) was upgraded for Y2K compliance.
- GTA continued to make capital improvements to its facilities such as additional Smart Channel Bank Equipment to support special circuit services for Analog and Digital Circuits, Voice Circuits, Integrated Services Digital Network (ISDN) BRI Services and Digital Subscriber Line (DSL).
- Pairgain HDSL T-1 equipment was installed in all Host/Remote Central Offices to meet T-1 deployment demands.
- Emergency T-1 Networks were installed for Guam Power Authority, Continental Airlines and Federal Emergency Management Agency.
- GTA installed the J.D. Edwards ERP.

I. Other Assets.

1. Licenses. GTA is authorized under FCC Section 214 rules to provide wireline interstate access telecommunications services in Guam. Section 214 of the Telecommunications Act grants authority to construct, acquire or operate any line or extension of line. GTA's authority to offer telephone services within Guam was granted by the enabling legislation that established GTA as an autonomous agency of the Government of Guam. Consequently, no local license was required to operate the local wireline network.

GTA has a license to provide cellular services using the 835.020–844.980, 846.510-848.970, 880.020-889.980, and 891.510-893.970 MHz (Frequency Block B) band. In addition, it holds a PCS license in the 1885-1890 and 1965-1970 MHz (Block E) band for both Guam and Saipan. The PCS license requires a buildout capable of supporting twenty-five percent (25%) of the population by April, 2002. The license expires in 2007, but can be renewed if the licensee can show that it provided substantial service and complied with the Communications Act during its license term.

2. Other Intangible Property.

GTA owns the common law rights to the name GTA and the GTA logo.

GTA has registered the domain name and logo of GuamTel.net, its former Internet Service Provider division, with the federal government through the Secretary and Commissioner of Patents and Trademarks and with the Government of Guam. GTA also has various rights with respect to standard software licenses.

J. Organizational Structure, Profile of Employees.

1. GTA Organization.

GTA is an autonomous agency of the government and reports to a Board of Directors. It has an Executive Office, which manages the day to day operations of GTA and the following departments responsible for operations, support and customer service functions:

- Administration
- Finance Department
- Customer Service Department
- Engineering and Construction Department
- Plant Department

a. Board of Directors.

The Board of Directors of the Guam Telephone Authority establishes and maintains the policies of the Authority. The Board is appointed by the Governor and confirmed by the Legislature. All powers vested in the Authority are pursuant to the Guam Telephone Authority Act of 1973 (Public Law 12-44, as amended).

b. Executive Office.

The Executive Office is comprised of the General Manager and executive staff. Mr. Vincent Arriola is the General Manager. He is responsible for the operations of GTA. The Executive Office is responsible for GTA's day to day operations, strategic direction, business development, and project oversight.

c. Departments.

Each of GTA departments contain several sections designed to provide service and support of the overall operations of the GTA. This includes installation and maintenance, marketing and customer service, planning and administration, and other related functions.

A detailed organizational chart of GTA is attached as Appendix A.

2. Profile of Employees.

Education and Experience.

As of the date of this RFP, GTA has over four hundred (400) employees. A recent assessment of the GTA workforce by KPMG Consulting demonstrates that GTA's employees are skilled, educated and experienced. Listed below are some of the results of this assessment:

- Ninety- seven percent (97%) of the employees have a high school education (or equivalent) or higher education.
- Eight-six percent (86%) of the employees have over three (3) years of work experience in the telecommunications industry. The average employee has over eight (8) years experience.
- Sixty-three percent (63%) of the employees have over three (3) years of work experience in their current positions.
- Eighty-nine percent (89%) of the employees have received professional training while in their current positions.

KPMG's assessment concluded that the employees exceed the requirements in each experience category. They are experienced, well trained, and dedicated to the GTA.

A copy of this assessment, which provides information related to the Knowledge Skills Assessment for GTA employees is available on the GTA Privatization Web Site - www.privatize.gtaguam.com.

Salary Structure.

GTA has ninety-five (95) positions within six (6) departments. Compensation and job appointments are currently determined by GTA administrative rules, which are subject to the Government of Guam Civil Service Commission's policies and procedures. A list of positions and salary ranges is provided in Appendix E. A copy of all GTA position descriptions is available on the Web Site referenced above.

Annual Leave, Sick Leave and Holidays.

GTA employees accrue annual leave at the following rates:

Employees with less than three (3) years of service – four (4) hours for each full biweekly pay period.

Employees with three (3) to fifteen (15) years of service – six (6) hours for each full biweekly pay period (except that employees accrue ten (10) hours for the last pay period of the year).

Employees with fifteen (15) or more years of service – eight (8) hours for each full biweekly pay period.

Employees may carry over to the next leave year up to four hundred eight (480) hours (or up to seven hundred twenty (720) hours with the approval of the Board of Directors).

Annual leave in excess of four hundred eighty (480) hours is automatically credited, up to one hundred (100) hours, to accumulated sick leave.

GTA employees accrue sick leave at the rate of four (4) hours for each biweekly pay period. Unused sick leave may be accumulated and carried over to succeeding leave years without limitation. Sick leave can be used as credit for years of service for retirement purposes. One thousand (1,000) hours of sick leave equates to one (1) year of service.

Paid holidays include Christmas, New Years, Martin Luther King's Day, Presidents Day, Guam Discovery Day (March 1st), Good Friday, Memorial Day, Independence Day, Liberation Day (July 21st), Labor Day, Columbus Day, All Souls Day, Veterans Day, Thanksgiving Day, Immaculate Conception Day, Election Day (every two (2) years) and any day designated by the Governor of Guam or the President of the United States for a legal holiday.

Other Leave.

In addition to time off available under the Family Medical Leave Act up to twelve (12) weeks of unpaid leave in any one year period), female employees may use any unused sick leave for maternity purposes. Male employees are entitled to five (5) paid days of paternity leave.

Maternity leave – Female employees are entitled to twenty (20) working days of leave after giving birth.

Bereavement leave – Any GTA employee is entitled to two (2) days for a death in the immediate family.

Parent Involvement leave – Any GTA employee is entitled to two (2) hours per pay period to attend children educational functions.

Physical Fitness leave – Any GTA employee is entitled to three (3) hours per week to participate in physical fitness training.

Military leave – Military reservists and national guard members are entitled to military training leave with pay and without charge to annual leave for up to fifteen (15) work days per fiscal year.

Leave transfer – Employees have the option to transfer other annual or sick leave to other employees.

For more information on the GTA leave policy, Offerors should refer to GTA's Personnel Rules and Regulations Manual, a copy of which is available for review in the Privatization Data Room.

Other Benefits.

Health – Medical, Dental, and Vision coverage is available through Group Health Insurance. The Government of Guam pays for part of this coverage in accordance with the current schedule set forth in Appendix E. Employee contributions are made through salary deductions and are also reflected in the attached schedule.

Group Life – Ten thousand dollars (\$10,000) in coverage for basic group life protection for active employees is paid by the Government of Guam. Up to Sixty Thousand Dollars (\$60,000) of supplemental coverage is available on a voluntary basis through salary deductions. Dependent coverage, at the employee's expense, is also available at the following levels: Eight Thousand Dollars (\$8,000) for spouse, Five Thousand Dollars (\$5,000) for children between six (6) months and nineteen (19) years old, Two Thousand Five Hundred Dollars (\$2,500) for children under six (6) months.

Pension - The Government of Guam Retirement Fund administers a Defined Benefit Plan and a Defined Contribution Plan for employees of the government and its attendant agencies. A majority of the employees of GTA participate in the Defined Benefit Plan, while the remainder participate in the Defined Contribution Plan. GTA employees hired before October 1, 1995 participate in the Defined Benefit Plan. GTA employees hired on or after October 1, 1995 are required to participate in the Defined Contribution Plan. As of August 2000, two hundred eighty-two (282) GTA employees participated in the Defined Benefit Pension Plan and one hundred thirty-nine (139) employees participated in the Defined Contribution Plan.

Highlights of these plans are as follows:

Defined Benefit Plan.

- The Defined Benefit Plan, effective May 1, 1951, is maintained to provide retirement annuities and other benefits (including disability and survivor benefits) for the employees of the Government of Guam and their dependents and beneficiaries.
- The Defined Benefit Plan is authorized and governed pursuant to Title 4, Chapter 8, Article 1 *et seq.* of the Guam Code Annotated.

- The Defined Benefit Plan provides for the payment of definitely determinable benefits based on years of service and annual salary to employees of the Government of Guam over a period of years. This plan is funded by Government of Guam contributions and employee contributions (in the form of payroll deductions).
- The basic annuity formula is set forth in Section 8122 of Chapter 8 of the Guam Code Annotated. The formula is based on average annual salary and credited service and is subject to certain increases.
- Participation in the Defined Benefit Plan is effectively frozen; no new employees of the Government of Guam have been allowed to participate in the Defined Benefit Plan since October 1, 1995.

Defined Contribution Plan.

- Beginning October 1, 1995, the Defined Contribution Plan became the retirement plan for all new employees who began employment on that date with the Government of Guam. The Defined Contribution Plan permits employees who participate in the Defined Benefit Plan to participate in the Defined Contribution Plan. However, participants in the Defined Benefit Plan who decide to participate in the Defined Contribution Plan are required to transfer their employee contributions to the Defined Contribution Plan and are no longer eligible to participate in or receive benefits from the Defined Benefit Plan.
- The Defined Contribution Plan is a plan designed to defer a portion of the employee's compensation into the retirement plan in lieu of receiving cash. It is similar to a 401K plan administered by private companies. The Government of Guam, as the employer, also is permitted to make contributions to an individual employee's retirement account.
- Contributions by the members of the Defined Contribution Plan are mandatory and are equal to five percent (5%) of the employee's base pay. The Government of Guam provides a matching contribution equal to five percent (5%) of the employee's compensation.

Plan documents providing specific guidance for the above referenced Pension Plans are found on the GTA Privatization Web Site - www.privatize.gtaguam.com. Also, for further information on GTA's employment, compensation and benefit policies, offerors should refer to GTA's Personnel Rules and Regulations Manual, a copy of which is available for review in the Privatization Data Room.

K. Environmental Survey.

To support the privatization of GTA, the firm of Daniel, Mann, Johnson, & Mendenhall, Frederic R. Harris (DMJM) performed a Phase I Environmental Survey and Asbestos Containing Material and Lead Based Paint Inspection of each of GTA's owned property. The survey was completed on November 7, 2000 and DMJM reported its findings to GTA on December 11, 2000. In its report DMJM concluded that the environmental conditions investigated and reported should not preclude the sale or transfer of GTA's properties. There were minor deficiencies noted with respect to GTA's inspection and maintenance program for its emergency generators, batteries and associated fuel storage equipment. Only the underground storage tank (UST) located at the Mangilao Switching Station could not be confirmed to meet current EPA requirements. All other USTs were either recently upgraded or installed to meet current EPA requirements. Asbestos was found in certain resilient floor tile and roofing material found in GTA's administrative offices. Evidence of potential friable asbestos material (about 10 linear feet) was found in the generator exhaust system at the Merizo RSC facility. A copy of the DMJM report is available at the GTA Privatization Web Site - www.privatize.gtaguam.com.

SECTION IV. Financial Information.

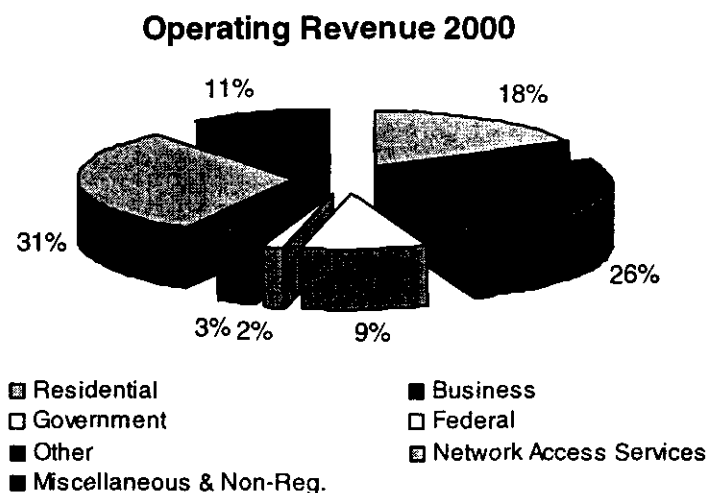
Financial Results.

A. Wireline Revenues.

Over the past five (5) years, GTA's wireline operating revenues have increased by nineteen percent (19%). Network access revenues in fiscal year 2000 increased by Two Million Five Hundred Thousand Dollars (\$2.5M) over 1999 as a result of increased access charges and universal service funds. The decrease in network access revenues between 1996 and 1997 and the offsetting increase in local service revenues were due to a transition from a revenue sharing access charge arrangement to cost-based pricing.

Revenue	Year				
	FY96	FY97	FY98	FY99	FY00
Local Network Services	\$ 21,472,200	\$ 25,458,743	\$ 25,297,959	\$ 26,279,508	\$ 26,491,332
Residential	\$ 7,287,025	\$ 8,050,388	\$ 7,998,621	\$ 8,131,147	\$ 8,085,280
Business	\$ 8,217,608	\$ 11,149,917	\$ 10,988,617	\$ 11,445,104	\$ 11,981,842
Government	\$ 2,565,438	\$ 3,105,433	\$ 3,661,365	\$ 4,173,566	\$ 4,219,080
Federal	\$ 958,138	\$ 785,351	\$ 712,388	\$ 742,152	\$ 723,589
Other	\$ 2,443,991	\$ 2,367,654	\$ 1,936,968	\$ 1,787,539	\$ 1,481,541
Network Access Services	\$ 12,744,291	\$ 9,350,849	\$ 12,471,348	\$ 11,621,016	\$ 14,020,036
Miscellaneous & Non-Reg.	\$ 3,777,404	\$ 4,602,393	\$ 5,114,809	\$ 4,689,646	\$ 4,828,094
Uncollectable Revenues	\$ 454,703	\$ 374,448	\$ 3,488,842	\$ 581,256	\$ 1,684,229
Total Operating Revenue	\$ 37,539,192	\$ 39,037,537	\$ 39,395,274	\$ 42,008,914	\$ 43,655,233

For the past four (4) years the relative distribution of revenues by customer group has remained fairly constant. Business services accounted for approximately twenty-six percent (26%) of total wireline operating revenue and residential wireline services accounted for eighteen percent (18%).



B. Wireline Expenses.

GTA's wireline expenses other than depreciation have remained fairly constant for the last four (4) years. Depreciation expenses were increased starting fiscal year 1998 as a result of the PUC's approved reduction in depreciable life of certain assets.

Wireline Expense	Year				
	FY96	FY97	FY98	FY99	FY00
Plant Specific	\$ 10,422,708	\$ 12,285,568	\$ 13,562,965	\$ 12,601,318	\$ 12,431,966
Plant Non-Specific	\$ 2,720,559	\$ 2,387,033	\$ 2,728,247	\$ 2,694,858	\$ 2,869,351
Depreciation & Amortization	\$ 7,625,750	\$ 9,088,002	\$ 15,967,041	\$ 17,164,247	\$ 15,574,283
Customer	\$ 2,935,403	\$ 3,208,817	\$ 2,699,322	\$ 2,842,602	\$ 3,187,387
Corporate	\$ 5,771,895	\$ 7,375,450	\$ 6,444,468	\$ 5,891,965	\$ 6,916,406
Total Expenses	\$ 29,476,315	\$ 34,344,870	\$ 41,402,043	\$ 41,194,990	\$ 40,979,393

Plant specific expenses are those costs associated with maintenance and repair of network assets. Plant non-specific expenses include the cost of engineering and plant administration. Customer expenses include marketing, customer service representatives and billing expenses. Corporate expenses are general overheads. For fiscal year 2000, plant specific expenses were thirty percent (30%) of the total operating expenses and depreciation was thirty-eight percent (38%).

C. Wireless Revenue and Expenses.

From fiscal year 1996 to fiscal year 1999, net wireless operating revenues averaged Four Million Three Hundred Thousand Dollars (\$4.3M). In fiscal year 2000, revenues dropped significantly, primarily for airtime. Operating expenses have averaged Two Million Three Hundred Thousand Dollars (\$2.3M).

	Year				(Unaudited)
	FY96	FY97	FY98	FY99	FY00
Net Operating Revenues	\$ 4,316,597	\$ 4,349,601	\$ 4,620,641	\$ 4,452,960	\$ 4,205,041
Total Operating Expenses	1,882,385	2,803,589	2,188,334	2,120,082	2,320,292

Summaries of GTA's audited financial statements are contained in Appendix D.

SECTION V. Privatization Objectives.

A. Historical Background.

Shortly after the passage of the Telecommunications Act of 1996, a study was initiated by the Government of Guam to evaluate the considerations surrounding and approaches to the possible privatization of GTA. This study concluded that GTA would have difficulty succeeding as a Government agency in the deregulated environment created by the Telecommunications Act and suggested a path to privatization of GTA. The following year, by Executive Order 97-09, the GTA Privatization Task Force was formed, comprised of thirteen (13) members representing the Legislature, the GTA Board of Directors, management and employees of GTA, the Guam Civil Service Commission, the Government of Guam Retirement Fund, the Governor's Office and the public. The mandate of the Task Force was to review the study and develop a plan for effecting the privatization of GTA.

Later that year, the Guam Legislature passed Public Law 24-36, which endorsed the initiation of the GTA privatization and required the Privatization Task Force to present its plan of action to the Legislature for approval. P.L. 24-36 also emphasized the need for both fair treatment of GTA employees and fair value to be received by the Government in connection with the privatization. To those ends, the Legislature called for the appointment of an Employee Financial Advisor to participate in the privatization process and required that an independent fairness opinion relating to value be provided to the Legislature as part of their deliberations on approval of a privatization transaction.

In February 2000, the Task Force issued its Plan of Action (the "Plan") which recommended objectives and a methodology for the GTA privatization. By Public Law 25-126, the Guam Legislature approved the Plan of Action (with some amendments) and established the requirements for the implementation of the Plan. In ____ 2001, the Guam Legislature adopted a series of special process rules and regulations in support of the Plan and to further the implementation of the GTA privatization.

B. Objectives.

The Plan calls for privatizing GTA through a "strategic partnership" approach that will entail the sale of GTA's assets and business to a private entity or consortium of entities (the "Strategic Partner"). Through this public-private partnership, the Government Of Guam ("GovGuam") seeks to carry out the objectives identified in the Plan, while providing the Strategic Partner with a platform for a successful and diversified business which can be developed to provide new telecommunications-related services to areas well beyond the island's coastline.

The GovGuam objectives identified by the Privatization Task Force are: **(1) address GTA employee issues;** **(2) contain rates and improve services;** **(3) retain local**

identification; (4) assure GTA's future viability; (5) sustain telecommunications growth; and (6) minimize the financial exposure of the Government. These objectives reflect the importance placed on ensuring that the privatized GTA is operated in a manner consistent with the interests of the people of Guam, including the desire for expansion of the GTA local exchange carrier business well beyond traditional voice telephony on Guam. Also critical is the objective of maximization of the financial value received by the people of Guam as a result of the privatization. These objectives are the foundation and context within which were developed the mandatory and other requirements set out in this RFP. As emphasized in the Plan: **The highest price offered to the government for GTA may not be successful if it is determined that an alternative offer would better meet the overall objectives of the government.**

SECTION VI. Transactions Terms, Conditions & Mandatory Requirements.

The privatization of GTA will be implemented through a transfer of the assets and business of GTA to a strategic partner with the vision, resources and expertise needed to make the financial and operating commitment to upgrade and expand the GTA business to that of a world class telecommunications company. The Guam Legislature has articulated certain qualification requirements for any successful offeror. These include the need for an offeror, individually or as an affiliated group, to demonstrate (a) a proven track record of financial success, (b) substantial financial resources, and (c) technical and business expertise and experience needed to upgrade, expand and diversify the GTA telecommunications business. It is acceptable for multiple companies to join on a joint venture basis to submit an offer, and for individual venture partners to acquire title to specific GTA assets as part of a joint undertaking.

A. Form of Transaction.

It is contemplated that the privatization transaction will be as follows:

1. **Lump Sum Payment.** The successful offeror will acquire the assets and business of GTA for a specified fixed price consisting of cash and assumption of substantially all of GTA's liabilities and obligations (as described below).

2. **Assets.** The successful offeror will acquire a fee simple interest in and clear title to all of the assets of GTA (except land) pursuant to an Asset Purchase Agreement (and ancillary agreements referenced therein), the proposed form of which appears in Appendix H.

3. **Contract Rights and Obligations (including debt).** Pursuant to an Assignment and Assumption Agreement, the successful offeror will succeed to GTA's contractual rights and liabilities (including all accounts payable, accounts receivable and prospective pension responsibilities relating to GTA employees who are employed by the offeror), and will assume all of GTA's debt outstanding at the time of closing (including, with the necessary consents, debt owed to the Rural Utilities Service), or provide sufficient cash at closing in excess of the Minimum Cash Consideration to satisfy such debt. The proposed form of Assignment and Assumption Agreement is in Appendix I.

4. **Real Estate Assets.** The successful offeror will acquire the right to use on a long-term basis GTA's real estate assets, including GTA's easements and rights of way. Under such arrangements, title to all land owned by GTA shall remain in the name of the Government of Guam, but the offeror will assume full responsibility for the operation and maintenance of all such properties and any buildings or fixtures thereon. Ground leases for such properties shall be subject to a rent obligation at nominal value for an initial ten (10) year term, with an option to renew for up to two

(2) consecutive ten (10) year terms at fair market value. Rights of way and easements shall be transferred by separate instrument. Existing third (3rd) party leases of GTA with private parties or GovGuam shall be assigned, subject to the approval of the Lessors. Leases held by GTA on U.S. government property will be transferred via a novation agreement (a form of which is attached in Appendix J) in accordance with U.S. government regulations.

5. Approval Process. Upon completion of negotiation of necessary privatization transaction documents (the "Privatization Agreements"), the GTA, the Government of Guam and the successful offeror shall execute the Privatization Agreements, at which time such agreements shall be binding, subject to Guam Legislature approval, other applicable regulatory approvals and satisfaction of customary closing conditions.

B. Payment Terms.

1. Purchase Price. Financial offers must include the following elements of the Purchase Price:

(a) Minimum Cash Consideration: Seventy Million Dollars (\$70M);
plus

(b) Assumption of GTA liabilities, or sufficient additional cash of equal value to liabilities.

Other financial benefits that an offeror might choose to offer for the people of Guam in addition to the foregoing (local telecommunication and information technology investment commitments, terests with will be considered favorably.

2. Evaluation Fee. Each offeror will be required to pay a U.S. Ten Thousand Dollars (\$10,000) non-refundable evaluation fee upon submission of its offer.

3. Up-Front Payment. The successful offeror will be required to make an Up-Front Payment or Deposit in an amount equal to ten percent (10%) of the Purchase Price within five (5) business days of execution of the Privatization Agreements. The Up-Front Payment or Deposit (and accrued interest thereon) shall be put in escrow and held by an independent escrow agent. The proposed form of this escrow agreement is in Appendix K of this RFP.

4. Purchase Price. The Purchase Price shall be paid in full at closing.

5. Newly-formed / Subsidiary Entities. A newly formed entity or other subsidiary or affiliate entity may be used to acquire the assets of GTA provided that if such entity does not have sufficient resources itself to meet the Mandatory Requirements set forth below then the parent(s) and/or affiliate(s) of such entity who have sufficient experience and/or resources to meet these requirements ("Responsible Parent/Affiliate") must, to the satisfaction of GTA, demonstrate the

adequacy of such experience and/or resources and guarantee the performance and/or obligations of such newly formed entity or subsidiary.

C. Mandatory Requirements.

1. Address GTA Employee Issues. Offerors shall take special note that the GTA Privatization Task Force Plan of Action, and the related legislation passed by the Guam Legislature, identify fair treatment of GTA employees in connection with the privatization of GTA as a “major objective”. Accordingly, offerors are required to:

(a) offer each full time classified employee employed by GTA on or before December 31, 2001 and working for GTA at the time of privatization a separate employment agreement (a form of which is attached in Appendix L) with a minimum term of five (5) years (“Employment Agreement”) that provides a comparable or superior total compensation package (salary, benefits and pension considered in the aggregate) to that provided to such employees while employed by GTA immediately prior to privatization. The terms of the Employment Agreement must include but are not limited to the following areas:

- basic salary
- performance-based salary increments/bonuses
- education and training
- annual leave, sick leave, military leave and daycare benefits
- pension and medical disability plans
- health and life insurance plans;

(b) agree not to institute any forced lay-offs of GTA employees, for at least five (5) years after privatization (offerors may, however, institute voluntary early retirement incentive or similar voluntary programs to reduce staffing levels in a phased manner);

(c) demonstrate a proven track record for harmonious management-employee relations over the past five (5) years and exceptional leadership in the management of human resources; and

(d) if applicable, offer incentive programs to induce employees to resign or retire voluntarily as means of reducing staffing and improving efficiency and competitiveness of the privatized GTA in a phased manner.

With respect to pension benefits, the successful offeror must:

(e) offer an attractive new pension plan effective as of the date of the closing of the privatization, and for which the successful offeror will be responsible for employer contributions earned with the new pension plan after the closing date;

(f) provide each GTA employee accepting the offer of employment with full credit for the amount of contributions and/or investment earnings accrued under the existing Government of Guam retirement plans up to the date of commencement of his or her employment with the successful offeror (that is, the employees must be able to roll over 401K contributions); and

(g) provide each GTA employee accepting the offer of employment with full credit (including all allowable service credits) towards vesting in the offeror's pension and other benefit plans for his or her period of employment with GTA.

2. Contain Rates and Improve Service. GTA is the incumbent local exchange carrier and has de facto monopoly status on Guam for local wireline operations. While it is anticipated that, as contemplated in the Telecommunications Act of 1996, competitive local exchange carriers may enter the Guam market, it is important to the people of Guam that the privatization of GTA does not result in an immediate and substantial increase in the costs of local phone service while the GTA monopoly continues. Therefore, offerors will be expected to agree to and demonstrate the viability of their plan to maintain both rate stability for the provision of local service and quality and scope of service at levels at or above service standards generally accepted in the telecommunications industry.

Specifically, the successful offeror shall:

- (a) provide service which meets or exceeds the minimum service standards set forth in Appendix N and such standards that the PUC may promulgate from time to time;
- (b) institute a plan for improving the quality and responsiveness of service in areas such as service response and repair times;
- (c) commit to a capital structure for the owner/operator of the GTA fixed line telephony business that will mitigate upward pressure on rates;
- (d) commit to an infrastructure enhancement plan as described in Section VII.D.
- (e) conform with unbundling and other requirements of the Telecommunications Act of 1996; and
- (f) be subject to oversight by the PUC in terms of conformance with post-closing requirements of the privatization agreements relating to quality and terms of service and rates and commit to the submission to the PUC of an annual audited report on such conformance for at least the first five (5) years following closing.

3. Retain Local Identification. The Guam Legislature has noted the importance to the privatization process that the privatized GTA retain substantial connection with

the island of Guam. It is therefore important that an offer include a demonstrable long-term commitment to Guam, e.g., in a business plan or capital investment plan. It will also be important for offerors to provide employment opportunities for Guam residents and provide an opportunity for local participation in management and ownership of the privatized GTA.

4. Assure GTA's Future Viability and Growth. Offerors must demonstrate, individually or as an affiliated group (a) a proven track record of financial success over the past five (5) years, (b) a minimum gross annual sales of Five Million Dollars (\$500M), and (c) One Million Dollars (\$100M) in net assets.

5. Sustain Telecommunications Growth. An offeror must:

(a) demonstrate through describing its commitment to build GTA's business that it can and will bring to the privatized GTA the financial, manpower, leadership and technical resources and experience that will be needed to assure that GTA will not get left behind technologically, and will expand and be competitive as a 21st century telecommunications company;

(b) commit to retain ownership of and operate GTA for minimum of five (5) years from the date of closing;

(c) demonstrate and provide historical data showing a record of success in similar market situations; and

(d) dedicate to the privatized GTA a strong and experienced management team.

6. Minimal Financial Exposure for the Government of Guam. The Government of Guam expects that the owner of a privatized GTA will assume all financial risk of GTA's success or failure. Offers based on co-investing by the Government of Guam or risk sharing may be rejected summarily without further evaluation.

7. FCC Eligibility. Since Guam is a territory of the U.S., ownership of GTA wireless licenses must be consistent with FCC requirements.

8. Compliance with Transaction Terms and other Requirements. Each offeror must comply with the transaction terms set forth above (including Payment Terms) and all other requirements set forth in Section VI and VII of this RFP.

SECTION VII. Proposal Requirements.

Proposals submitted for the acquisition of all or substantially all of the assets and business of GTA and assumption of substantially all of the liabilities and obligations of GTA shall be prepared in accordance with the terms of this Section.

OFFERS TO ACQUIRE LESS THAN ALL OF THE ASSETS AND BUSINESS OF GTA, OR WHICH DO NOT PROVIDE FOR ASSUMPTION OF ALL GTA LIABILITIES, OR SUFFICIENT CASH CONSIDERATION IN EXCESS OF THE MINIMUM CASH CONSIDERATION TO SATISFY ALL GTA LIABILITIES, WILL BE REJECTED SUMMARILY WITHOUT FURTHER EVALUATION.

Proposals must contain the information described below in order to be considered and evaluated. **It is the responsibility of each offeror to demonstrate through information contained in its proposal that it meets or exceeds the requirements of this RFP and, if successful, will achieve the GovGuam objectives of the GTA privatization.**

A. Offeror Qualifications.

1. Disclosure Statement and Waiver. Each offeror, and in the case of a joint venture (whether or not in corporate form), each venture partner (or member or shareholder, as applicable), any Responsible Parent/Affiliate (as such term is defined in VI.B.5) and, if the offeror is an entity whose securities are not traded on a recognized national market in the U.S., or comparable market exchange outside of the U.S., any person or entity owning any percentage of the outstanding beneficial interests and/or voting securities in such offeror, shall complete and submit a Disclosure Statement and Waiver form appearing at Appendix G. These Disclosure Statements will, upon submission, be subject to disclosure as public information.

2. Business License. Each offeror must obtain prior to submission of its offer a Business License issued by the Guam Department of Revenue and Taxation, as required under Title XVII Government code of Guam. Information concerning business licenses and registration of off island business entities is contained in Appendix F.

3. Other Corporate Information. Proposals should include detailed information describing the offeror (or each member of a joint venture team). This information should include, at a minimum:

(a) recent (last three years) audited financial statements;

(b) a description of the sources and extent of credit resources to be used in support to the offer and operation and expansion of the GTA business;

- (c) a description of the offeror's business, with particular emphasis on business activity and technical qualifications, experience and resources relevant to operating and expanding a telecommunications business on Guam;
- (d) a description of the offeror's employee relations record over the past five (5) years;
- (e) a description of the offeror's qualifications with respect to FCC granted licenses under the Communications Act of 1934, as amended, addressing at a minimum direct and indirect foreign ownership including ownership by foreign governments (Non-US entities may submit evidence of current U.S. common carrier authorizations as prima facie evidence of eligibility). Offeror should indicate if they believe an FCC waiver will be required for transfer of license; and
- (f) any other information about the offeror that the offeror would like GTA to consider, including the corporate structure and ownership of offeror.

GTA RESERVES THE RIGHT TO CONDUCT REASONABLE DUE DILIGENCE ON EACH OFFEROR INCLUDING BUT NOT LIMITED TO DUE DILIGENCE ON EACH OFFEROR'S FINANCIAL AND TECHNICAL RESOURCES, ABILITY TO MEET ALL MANDATORY REQUIREMENTS SET FORTH IN THIS RFP AND ABILITY TO FINANCE ALL PLANS SUBMITTED WITH ITS PROPOSAL. EACH OFFEROR SHALL COOPERATE FULLY WITH GTA IN THIS DUE DILIGENCE PROCESS.

B. Financial Proposal.

The offeror's financial proposal should include, at a minimum:

1. Specification of the Purchase Price as required under Section VI.B.1. Any offer that does not include assumption of all such debt and liability must include an offer of a cash amount which at least equals or exceeds the Minimum Cash Consideration by the value of the debt and/or liabilities not assumed. The Purchase Price must include an amount of cash paid at closing equal to or greater than the Minimum Cash Consideration.
2. Description of the offeror's plan to develop GTA's business and its commitment as a good corporate citizen of Guam, such as new product lines, international expansion, technological innovation and estimated capital expenditure over a five (5) year period. **Offerors should note that it is an important objective of the GTA privatization that the GTA's business not only be maintained, as contemplated under Section VII.D. below, but that it be expanded in terms of range of technologies and services offered, employment opportunities created on Guam and geographic scope of markets served, as described below.**

C. Employment Plans.

Each proposal must include:

1. a detailed description of the local hiring expectations;
2. a description of the organization, salary and benefit structure that the offeror plans to implement in connection with the operation of the GTA business in accordance with the terms of this RFP, including an explanation of how such structure relates to compensation programs provided elsewhere within offeror's affiliated companies;
3. a detailed description of other significant plans and policies affecting employees such as job training, employee enhancement and education;
4. qualifications statements (resumes) of the senior management personnel to be utilized (on a full time basis or otherwise) to manage the existing and expanded GTA business; and
5. if the employment terms offered to the GTA employees differ from those currently provided by GTA and GovGuam, the offer shall include a quantitative and qualitative comparative analysis of the offered employment terms and the current GTA/GovGuam terms.

D. Rate and Service Plans.

Each proposal should contain a description of how the offeror plans, for the first five (5) years after privatization, to: (a) contain or mitigate upward pressure on rates; (b) improve service performance levels and conform to the minimum objective service standards required by the PUC and as set forth in Appendix N ; and (c) otherwise comply with the requirements of this RFP.

Privatization of the GTA could provide the opportunity for new business services resulting in additional revenue. Guam is a gateway to Asia and the Pacific Rim with its large submarine cable capacity, physical location, and U.S. legal system. A GTA VISION presentation outlining this potential is available at www.privatize.gtaguam.com. The expansion and addition of new services provided by the offeror is important to the economy and residents of Guam.

Two (2) new opportunity areas include GTA Infrastructure Enhancements, and Internet Services. The offeror shall provide their plans and commitments to implement expansion of the current GTA in these areas. These plans and commitments will be part of the overall evaluation of the offeror's proposal (See Section VIII) and should be of sufficient detail to provide a clear understanding of the result and the offeror's commitment.

GTA Infrastructure Enhancements.

Offerors are encouraged and expected to expand the GTA service offerings in such telecommunications and information technology areas as Long Distance service, PCS implementation, other wireless services, and Internet. The infrastructure expansion may include other telecommunication and information technology areas and is not limited to the Guam market. Additional areas may include ISP services, call centers, e commerce, data warehousing and any other areas which may benefit the economy of Guam or provide employment opportunities for the people of Guam.

Each offeror shall explain its plans and commitments relating to the establishment of infrastructure enhancements and expanded service offerings. Plans may include using GTA as a platform for establishing a communications hub directed at Asia or Pacific Rim markets. This hub may include, but is not limited to: ISP services, e-commerce, data warehousing, financial centers, travel, call centers, and/or similar types of service.

E. Local Participation.

Each offeror must demonstrate in its proposal the offeror's long term commitment to Guam, how the offeror plans to provide opportunities for local participation in both the management and ownership of the privatized GTA and present such other information as is needed to demonstrate the offeror's compliance with RFP Section VI.C.3.

F. Agreement Mark-Up.

Appendices H, I, J, K, L and M of this RFP include drafts of the principal Privatization Agreements that the Government of Guam proposes to use in connection with the privatization. Proposals should include a mark up of each of these agreements to the extent that the offeror does not accept the agreement provisions as proposed.

G. Non-refundable Evaluation Fee.

Each offeror must provide to GTA with their offer submission an Offer Evaluation Fee in the form of a certified check made payable to Guam Telephone Authority in the amount of Ten Thousand Dollars (\$10,000). No offer will be evaluated if this fee is not paid by the submitting offeror. This fee is non-refundable.

H. Confidentiality Agreement.

The Legislature has recognized the need to maintain the confidentiality of certain information exchanged in connection with the receipt and evaluation of privatization proposals and the negotiation of contracts implementing the privatization. Accordingly, the privatization process is governed by special confidentiality and disclosure rules (See P. L. _____). The Offeror Disclosure Statements submitted in accordance with Section VII.A.1. of this RFP will be public information upon submission. Offers and all communications constituting or related to negotiations will be granted confidential treatment until the closing of the privatization transaction; except, however, the identity

of offerors selected on any short list determined by GTA shall be disclosed to the public when that decision has been made.

After final offers are received and contract negotiations completed, GTA will make a final recommendation to the Legislature for their approval of the negotiated privatization transaction. The recommendation package submitted to the Legislature will not include information which constitutes a "trade secret" (as such term is defined under P.L. _____ (Bill 157)), although this information would be available on a confidential basis to any investment banker or similar advisor retained by the Legislature to make an independent fairness review of the proposed privatization transaction. The information included in the recommendation package submitted to the Legislature shall be subject to public disclosure under the Guam Sunshine Act, §10108 of Article 1 of Chapter 10 of Title 5 of the Guam Code Annotated (the "Sunshine Act") at the time it is received by the Legislature.

After the Legislature's approval of the privatization transaction, information relating to the evaluation of proposals, including prices offered for GTA and non-detailed summaries of evaluations of offers will be subject to the disclosure requirements of the Sunshine Act. Trade secret information, however, will remain protected and exempted from the disclosure requirements of the Sunshine Act.

The offeror's proposal should include two (2) executed original copies of the Confidentiality Agreement included in Appendix M. For joint ventures, both the offering entity and each venture team member (owner) should submit two (2) executed original copies of the Confidentiality Agreement.

SECTION VIII. Proposal Evaluation.

It is the intent of the Government of Guam to sell the assets and business of GTA to the offeror who submits the offer deemed to be the best value in terms of the highest price offered and the advancement of the interests and achievement of the objectives of the people of Guam, as described in this Request for Proposal.

Proposals must comply with the requirements set forth in Sections VI and VII of this RFP. FCC Eligibility (Sec. VI.C.7) will be evaluated as "Acceptable" or "Unacceptable". For other evaluation areas – Employee Issues (Sec. VI.C.1), Rate Containment, Service Improvement and Infrastructure Enhancements (Sec. VI.C.2), Local Identification (Sec. VI.C.3), GTA Future Viability (Sec. VI.C.4), Telecommunications Growth (Sec. VI.C.5), and Government of Guam Financial Considerations (including price) (Sec. VI.C.6 and VI.C.8) - proposals will be assigned a numerical score of 0, 1, 2 or 3 in each evaluation category, each of which will receive equal weighting:

- "0" means the offer does not meet the Mandatory Requirement
- "1" means the offer meets, but does not materially exceed the Mandatory Requirement
- "2" means the offer materially exceeds the Mandatory Requirement
- "3" means the offer significantly exceeds the Mandatory Requirement and/or that of other offerors.

A proposal that scores a "0" in any evaluation category shall be deemed unacceptable. The scoring relating to exceeding these Mandatory Requirements will be made on an absolute and comparative basis; that is, an offer must materially exceed the Mandatory Requirement to receive other than a "1", but rankings of "2" or "3" for those exceeding will be made primarily on a comparative basis (there could be ties at "2" and "3" if the differences between offers are not of material benefit to GTA/GovGuam).

It is anticipated (but not required) that, after review of initial proposals, GTA will undertake discussions with each offeror whose offer, after initial review, meets the Mandatory Requirements for each evaluation category. As part of these discussions, offerors will be expected, upon GTA's request, to meet with GTA and provide presentations as to specific elements of their proposals or their ability to carry out the plans presented therein. GTA also reserves the right, at any stage in the privatization process before execution of definitive agreements, to request additional information or the submission of revised proposals from any offeror or all offerors who have initially met the Mandatory Requirements.

After proposal review and evaluation, GTA may select a limited number of offerors or a single offeror with which to undertake final negotiations. At the conclusion of these final

negotiations, GovGuam and the successful offeror shall enter into definitive agreements based on the forms of agreement attached hereto. The transaction, including the fully executed agreements will then be presented to the Legislature for review and shall be subject to their approval, which approval may be withheld for any reason.

SECTION IX. WEB Site and Data Access.

The GTA Privatization Web Site www.privatize.gtaguam.com was developed to provide interested investors convenient access to data on GTA and the Territory of Guam. Parties interested in viewing this data must register by following the instructions on this Web Site. For additional information relative to Guam, refer to the Guam Links on this Web Site. Information may also be obtained from the following sources:

- Government of Guam Official Web Site
- Guam Economic Development Authority 671-647-4332
- Guam Visitors Bureau 671-646-5278

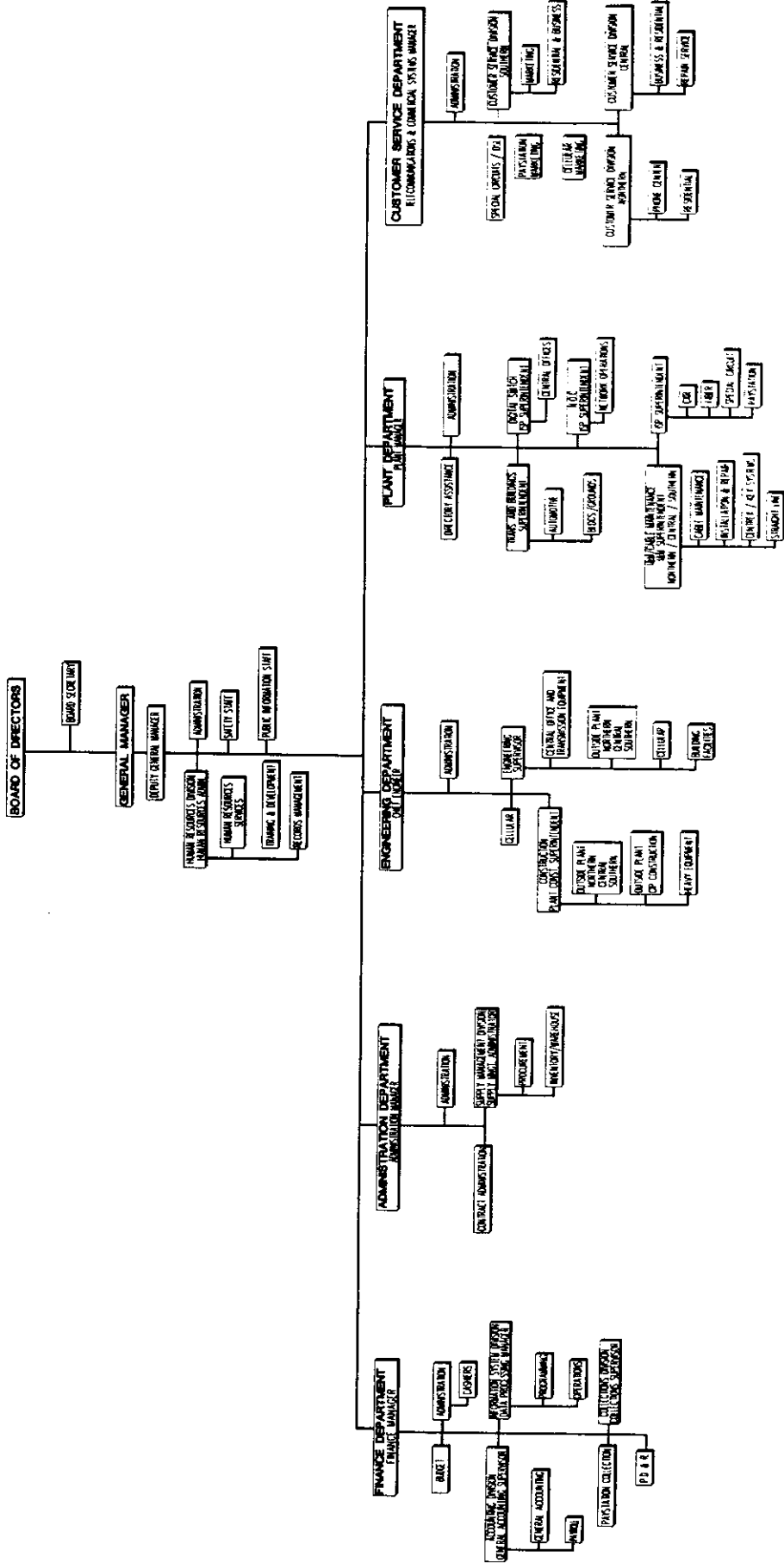
GTA will provide access to their records and data from a secured office facility on Guam. Offerors should call 671-646-1427 to schedule access to this facility.

APPENDICES:

The Appendices listed below can be accessed from the Members Area on the GTA Privatization Web Site: www.privatize.gtaguam.com.

APPENDIX A
GTA Organization

GUAM TELLEPHONE AUTHORITY ORGANIZATIONAL STRUCTURE



APPENDIX B

Wireline Assets

Appendix B - Guam Telephone Authority

Description of Wireline Assets

Vehicles					
Qty	Description	Purchase Price	Acc. Depreciation	Net Book	
78	Trucks	\$1,385,766	\$1,347,698	\$38,068	
83	Vans	\$1,486,372	\$1,471,372	\$15,000	
16	Cars	\$203,858	\$193,855	\$10,003	
4	Trailers	\$90,000	\$17,500	\$72,500	
		\$3,165,996	\$3,030,425	\$135,571	
Other Equipment					
Qty	Description	Purchase Price	Acc. Depreciation	Net Book	
11	Communication Equipment (Hand Held Radios)	\$18,251	\$2,621	\$15,630	
11	Office Equipment (Fax, Ice Cube Machine)	\$29,809	\$8,237	\$21,573	
3	Garage Equipment (Engine Analyzer)	\$6,269	\$4,063	\$2,206	
27	Personal Protective Gear	\$25,110	\$23,603	\$1,507	
31	Construction Equipment (Dumptrucks, Forklift)	\$1,583,874	\$1,583,874	\$0	
42	Furniture and Fixtures (Cabinets)	\$98,428	\$59,471	\$38,957	
38	Warehouse Equipment (Locators, Testers)	\$239,163	\$164,105	\$75,058	
		\$2,000,904	\$1,845,974	\$154,930	
Buildings					
Qty	Description	Purchase Price	Acc. Depreciation	Net Book	
	Switch Locations				
	Dededo	\$1,159,030	\$380,712	\$778,318	
	Agana	\$975,324	\$395,078	\$580,246	
	Tumon	\$1,227,119	\$399,145	\$827,973	
	Remote Switching Centers				
	Talofoto	\$275,067	\$127,087	\$147,980	
	Yigo	\$240,771	\$113,562	\$127,208	
	Merizo	\$87,961	\$87,961	\$0	
	Agat	\$105,853	\$105,853	\$0	
	Orote	\$269,304	\$56,425	\$212,879	
	Gibson	\$268,969	\$56,355	\$212,614	
	LBJ	\$259,235	\$54,316	\$204,920	
	Astumbo	\$243,706	\$51,062	\$192,644	
	Piti-Asan	\$267,795	\$56,109	\$211,686	
	Andersen	\$274,602	\$63,806	\$210,796	
	Mangilao	\$583,491	\$583,491	\$0	
	Inarajan	\$300,410	\$19,757	\$280,653	
	Manenggon	\$292,010	\$19,467	\$272,543	
	Ordot	\$292,010	\$19,467	\$272,543	
	Tiyan	\$266,750	\$16,867	\$249,883	
	Administrative Bldg 26	\$263,746	\$263,746	\$0	
	Northern District/Engineering Bldg	\$1,017,065	\$835,568	\$181,497	
	Central District Modular Bldg	\$75,031	\$27,682	\$47,349	
	Main Office Bldg 25	\$1,739,761	\$504,741	\$1,235,021	
	Agana Operator	\$659,162	\$659,162	\$0	
	Agat Modular	\$81,303	\$33,179	\$48,125	
	Warehouse Bldg 22	\$857,327	\$56,203	\$801,124	
	Maintenance/Mechanic Shop	\$215,623	\$120,986	\$94,637	
	Dededo OSP	\$292,010	\$19,467	\$272,543	
	Pigua	\$864,605	\$28,820	\$835,785	
	Maintenance Bldg 28	\$947,297	\$31,577	\$915,721	
19	Generators	\$1,268,899	\$898,550	\$370,349	
22	Fuel Tanks	\$387,463	\$336,040	\$51,423	
26	Air Conditioners	\$1,641,332	\$1,366,387	\$274,945	
19	Fire Alarms	\$562,332	\$352,345	\$209,988	
		\$18,262,364.29	\$8,140,971.64	\$10,121,392.65	

APPENDIX C

Wireless Assets

Appendix C - Guam Telephone Authority

Principal Wireless Assets

Vehicles		Purchase Price	Acc. Depreciation	Net Book
Qty	Description			
1	Car	\$18,200	\$18,200	\$0
Buildings		Purchase Price	Acc. Depreciation	Net Book
Qty	Description			
	Ritidian Point	\$336,999	\$32,591	\$304,407
	Astumbo	\$247,443	\$1,237	\$246,206
	Mt. Santa Rosa	\$154,566	\$15,000	\$139,566
	Pla Marine			
	P.I.C.	\$78,239	\$3,748	\$74,491
	Barragada	\$456,582	\$78,539	\$378,043
	Agana Heights	\$82,308	\$4,971	\$77,337
	Mt. Alutom	\$532,204	\$51,562	\$480,642
	Orote Point	\$619,869	\$62,922	\$556,947
	Pigua	\$395,780	\$38,463	\$357,316
	Maloljoj	\$631,276	\$51,821	\$579,455
		\$3,535,265	\$340,854	\$3,194,411
Furniture & Fixtures		Purchase Price	Acc. Depreciation	Net Book
		\$7,112	\$3,347	\$3,765
Digital Electric Switch		Purchase Price	Acc. Depreciation	Net Book
		\$3,563,772	\$450,398	\$3,113,373
Cellular Radio Circuit Equipment		Purchase Price	Acc. Depreciation	Net Book
		\$4,988,229	\$1,519,813	\$3,468,416
Wireless Total		Purchase Price	Acc. Depreciation	Net Book
		\$12,112,578	\$2,332,612	\$9,779,966

APPENDIX D

APPENDIX D
FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2000 & 1999

Income Statements for 2000 & 1999

	Consolidated		Wireline		Cellular	
	1999 (Audited)	2000 (Audited)	1999 (Audited)	2000 (Audited)	1999 (Audited)	2000 (Audited)
Operating Revenues						
Local Network Services Revenues						
a. Residential	8,131,147	8,085,280	8,131,147	8,085,280	-	-
b. Business	11,445,104	11,981,842	11,445,104	11,981,842	-	-
c. Government	4,173,566	4,219,080	4,173,566	4,219,080	-	-
d. Federal	742,152	723,589	742,152	723,589	-	-
e. Other (Landline)	1,787,539	1,481,541	1,787,539	1,481,541	-	-
Total Local Network Revenues	26,279,508	26,491,332	26,279,508	26,491,332	-	-
Cellular Revenues						
a. Basic Service Revenue	1,884,455	1,781,592	-	-	1,884,455	1,781,592
b. Airtime Revenues	2,771,101	1,833,243	-	-	2,771,101	1,833,243
c. Service Connection Revenues	112,971	40,549	-	-	112,971	40,549
d. Custom Calling Revenues	63,538	38,781	-	-	63,538	38,781
e. Directory Assistance Revenues	17	1	-	-	17	1
f. Other Incidental Revenues	660	38,472	-	-	660	38,472
g. Instruments	90,811	22,974	-	-	90,811	22,974
Total Cellular Revenues	4,923,553	3,755,612	-	-	4,923,553	3,755,612
Network Access Services Revenues	11,621,016	14,020,036	11,621,016	14,020,036	-	-
Miscellaneous Revenues	873,141	791,692	873,141	791,692	-	-
Nonregulated Revenues (Wireline)	3,816,505	4,036,402	3,816,505	4,036,402	-	-
Less Uncollectible Revenues	989,378	2,627,707	581,256	1,684,229	408,122	943,478
Less Cost of Sales	62,471	11,345	-	-	62,471	11,345
Net Operating Revenues	46,461,874	46,456,022	42,008,914	43,655,233	4,452,960	2,800,789
Operating Expenses						
Plant Specific Operations Expense	13,287,739	13,121,086	12,601,318	12,431,966	686,421	689,120
Plant Nonspecific Operations Expense	2,892,915	3,031,597	2,694,858	2,869,351	198,057	162,246
Depreciation and Amortization Expense	17,164,247	16,377,846	17,164,247	15,574,283	-	803,563
Customer Operations Expense	3,375,350	3,693,028	2,842,602	3,187,387	532,747	505,641
Corporate Operations Expense	6,594,822	7,402,368	5,891,965	6,916,406	702,857	485,962
Total Operating Expenses	43,315,072	43,625,925	41,194,990	40,979,393	2,120,082	2,646,532
Operating Income						
Operating Income or Margins	3,146,802	2,830,097	813,924	2,675,840	2,332,878	154,257
Other Operating Income and Expenses	191,274	143,666	-	-	191,274	143,666
Taxes	-	-	-	-	-	-
Total Operating Taxes	-	-	-	-	-	-
Net Operating Income or Margins	3,338,076	2,973,763	813,924	2,675,840	2,524,152	297,923
Fixed Charges						
Interest on Funded Debt	6,722,697	6,839,290	6,230,814	6,496,203	491,883	343,087
Interest Expense-Capital Leases	-	-	-	-	-	-
Other Interest Expense	-	-	-	-	-	-
Allowance for Funds Used During Construction	-	-	-	-	-	-
Total Fixed Charges	6,722,697	6,839,290	6,230,814	6,496,203	491,883	343,087
Net Income						
Nonoperating Net Income	678,235	3,281,061	678,235	3,326,225	-	(45,164)
Extraordinary Items	-	-	-	-	-	-
Payment in Lieu of Taxes (P I L O T)	291,195	20,365	291,195	20,365	-	-
Total Net Income or Margins	(2,997,580)	(559,667)	(5,029,849)	(514,503)	2,032,269	(45,164)
Retained Earnings or Margins Beginning-of-Year	-	-	-	-	-	-
Miscellaneous Credits Year-to-Date	-	-	-	-	-	-
Other Debits Year-to-Date	-	-	-	-	-	-
Retained Earnings or Margins End-of-Period	-	-	-	-	-	-
Annual Debt Service Payments	-	-	-	-	-	-
Cash Ratio	56.28%	58.65%	57.20%	58.19%	47.61%	65.80%
Operating Accrual Ratio	107.70%	108.63%	112.89%	108.75%	58.66%	106.74%
Times Interest Earned Ratio (TIER)	0.55	0.92	0.19	0.92	5.13	0.87

Guam Telephone Authority Balance Sheet

	1999 (Audited)	2000 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents:	10,894,914	13,493,192
Construction Fund	1,970	2,397
Telecommunications accounts receivable	4,727,396	6,143,888
Other Accounts Receivable	709,223	1,683,063
Materials and Supplies	4,267,745	3,656,903
Prepayments	451,168	450,975
Total Current Assets	21,052,416	25,430,419
Noncurrent Assets		
Rural Telephone Bank (RTB) stock	4,316,830	5,647,736
Property, plant and equipment		
Telecommunications plant in service		
Poles, cables and wire	105,967,734	107,433,951
Central office equipment	72,421,551	73,577,657
Buildings	21,469,049	21,797,629
Customer premise equipment	25,848,795	25,952,128
Cellular radio facilities	4,563,045	4,988,229
Furniture and office equipment	4,576,262	5,848,362
Motor vehicles	3,079,427	3,184,196
Other equipment	2,282,506	1,854,416
Land	830,517	830,517
Total Telecommunications plant in service	241,038,886	245,467,085
Telecommunications plant under construction	7,007,352	15,323,131
Less accumulated depreciation	78,060,769	94,332,419
	169,985,469	166,457,797
Other noncurrent assets, net	425,184	279,912
Total Assets	195,779,899	197,815,864

Guam Telephone Authority Balance Sheet (cont.)

LIABILITIES AND CAPITALIZATION		
Current Liabilities		
Current maturities of long term debt	3,700,032	3,873,077
Accounts Payable	369,452	7,978,951
Customers' deposits and advance billings	3,251,965	3,523,050
Accrued payroll and employee benefits	858,016	1,427,441
Accrued interest	1,190,089	1,261,604
Other current liabilities	3,721,772	1,947,774
Total Current Liabilities	13,091,326	20,011,897
Long-term debt, less current maturities		
RUS mortgage notes	81,109,187	78,416,134
RTB mortgage notes	16,961,398	16,644,654
FFB mortgage notes	20,363,611	19,527,940
	118,434,196	114,588,728
Accrued annual leave, net of current portion	1,163,057	954,196
Retirement fund deferred contributions	12,499,973	12,229,359
Total Liabilities	145,188,552	147,784,180
Capitalization:		
Contribution from Government of Guam	13,557,529	13,557,529
Retained earnings	37,033,819	36,474,154
Total Capitalization	50,591,348	50,031,683
Total Liability and Capitalization	195,779,900	197,815,863

Cash Flow Statement

	1999 (Audited)	2000 (Audited)
Cash flows from operating activities:		
Operating Income	3,146,802	2,830,099
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for uncollectable revenue	989,378	2,627,707
Provision for losses on materials and supplies	24,000	480,558
Depreciation	17,164,247	16,377,846
Income from write-off of PILOT liability		(1,457,373)
Decrease in Retirement Fund deferred contributions	(722,606)	(270,614)
Decrease (increase) in telecommunications accounts receivable	514,758	(2,390,332)
Decrease (increase) in materials and supplies	(35,875)	610,842
Decrease (increase) in prepayments	369,102	193
Decrease in accounts payable	(944,637)	7,609,499
(Decrease) increase in accrued payroll and employee benefits	(595,305)	569,425
(Decrease) increase in accrued interest	(199,562)	71,515
Increase in customers' deposits and advance billings	183,751	271,085
Increase in accrued annual leave	194,666	(208,861)
Increase in other current liabilities	(690,916)	(1,773,997)
Net cash provided by operating activities	19,397,803	25,347,592
Cash flows from investing activities:		
Interest and dividends on investments and bank accounts	309,725	541,485
Net cash used in investing activities	309,725	541,485
Cash flows from capital and related financing activities:		
Additions to telecommunications plant, net	(11,170,335)	(12,850,174)
Proceeds from long-term debt	24,150	-
Payments on long-term debt	(3,491,781)	(3,672,423)
Interest paid on long-term debt	(6,922,259)	(6,767,775)
Other interest paid	-	-
Net cash used for capital and related financing activities	(21,560,225)	(23,290,372)
Net (decrease) increase in cash	(1,852,696)	2,598,705
Cash and cash equivalents at beginning of the year	12,749,580	10,896,884
Cash and cash equivalents at end of the year	10,896,884	13,495,589
Cash payments for interest (net of amount capitalized)	6,922,259	6,767,775

APPENDIX E

Salary Summary and Group Health Insurance Program

GTA Position Description	Number of Employees	High	Low	Mean
Accountant I	1	\$30,825	\$30,825	\$30,825
Accountant II	1	\$37,128	\$37,128	\$37,128
Accounting Technician I	2	\$27,144	\$22,235	\$24,690
Accounting Technician II	2	\$27,144	\$24,065	\$25,605
Accounting Technician III	3	\$34,424	\$33,259	\$33,647
Accounting Technician Supervisor	1	\$33,280	\$33,280	\$33,280
Administration Manager	1	\$47,923	\$47,923	\$47,923
Administration Assistant	3	\$36,899	\$33,259	\$34,861
Administrative Officer	5	\$45,052	\$35,796	\$39,453
Automotive Body Worker	2	\$34,361	\$24,065	\$29,213
Automotive Mechanic I	1	\$24,960	\$24,960	\$24,960
Automotive Mechanic II	2	\$34,361	\$26,728	\$30,545
Automotive Mechanic Supervisor	1	\$37,128	\$37,128	\$37,128
Building and Equipment Maintenance Manager	1	\$33,820	\$33,820	\$33,820
Building Maintenance Leader	1	\$35,797	\$35,797	\$35,797
Buyer II	4	\$30,472	\$23,712	\$27,523
Buyer Supervisor II	1	\$36,899	\$36,899	\$36,899
Cable Splicer	39	\$37,128	\$21,216	\$28,980
Cable Splicer Leader	5	\$35,609	\$28,683	\$33,063
Cable Splicer Supervisor	10	\$38,459	\$34,486	\$37,132
Carrier Technician	3	\$34,424	\$29,827	\$36,636
Cashier I	14	\$19,801	\$15,849	\$18,961
Chief Engineer	1	\$76,148	\$76,148	\$76,148
Clerk II	1	\$18,803	\$18,803	\$18,803
Clerk III	12	\$25,958	\$16,661	\$22,009
Clerk Typist II	2	\$22,734	\$20,820	\$21,777
Clerk Typist III	5	\$27,955	\$23,816	\$31,241
Collection Agent	4	\$27,955	\$23,400	\$26,177
Computer Operator II	3	\$31,012	\$21,382	\$24,592
Computer Operator III	2	\$33,259	\$22,942	\$28,101
Computer Programmer III	1	\$29,286	\$29,286	\$29,286
Computer Systems Analyst II	1	\$38,709	\$38,709	\$38,709
Customer Service Representative	16	\$36,982	\$21,216	\$26,599
Customer Service Supervisor	1	\$33,259	\$33,259	\$33,259
Customer Services Manager	3	\$45,635	\$42,868	\$43,998
Data Processing Manager	1	\$46,072	\$46,072	\$46,072
Deputy General Manager	1	\$74,089	\$74,089	\$74,809
Engineer I	1	\$33,155	\$33,155	\$33,155
Engineer II	2	\$43,493	\$38,708	\$41,101

Engineer III	5	\$51,667	\$36,899	\$44,649
Engineer Supervisor	1	\$55,256	\$55,256	\$55,256
Engineering Aide III	1	\$22,464	\$22,464	\$22,464
Engineering Technician I	4	\$28,870	\$24,065	\$26,421
Engineering Technician II	1	\$34,424	\$34,424	\$34,424
Equipment Operator III	20	\$28,184	\$19,968	\$25,705
Equipment Operator Leader I	1	\$34,424	\$34,424	\$34,424
Finance Manager	1	\$40,352	\$40,352	\$40,352
Frameworker	2	\$33,217	\$24,960	\$29,089
General Manager	1	\$82,035	\$82,035	\$82,035
Heavy Equipment Mechanic I	3	\$29,952	\$25,958	\$27,289
Heavy Equipment Mechanic II	1	\$33,196	\$33,196	\$33,196
Heavy Equipment Mechanic Leader	1	\$28,683	\$28,683	\$28,683
Installation and Maintenance Superintendent	3	\$33,811	\$33,811	\$33,811
Installer Repairer Leader	1	\$35,609	\$35,609	\$35,609
Installer Repairer Supervisor	7	\$42,619	\$38,459	\$39,630
Installer Repairer I	17	\$35,796	\$22,464	\$28,049
Installer Repairer II	18	\$38,147	\$26,728	\$31,559
Laborer	22	\$21,382	\$15,849	\$18,064
Maintenance Specialist	1	\$26,728	\$26,728	\$26,728
Management Analyst I	1	\$36,982	\$36,982	\$36,982
Messenger Clerk	1	\$15,840	\$15,840	\$15,840
PABX Maintenance Technician	3	\$39,436	\$35,568	\$36,857
Payroll Clerk II	1	\$29,952	\$29,952	\$29,952
Payroll Clerk III	1	\$33,259	\$33,259	\$33,259
Payroll Supervisor	1	\$47,694	\$47,694	\$47,694
Paystation Collector	4	\$23,816	\$17,638	\$20,836
Paystation Collector Supervisor	1	\$26,956	\$26,956	\$26,956
Personnel Assistant I	1	\$25,396	\$25,396	\$25,396
Personnel Services Administrator	1	\$51,584	\$51,584	\$51,584
Personnel Specialist I	2	\$33,155	\$29,285	\$31,220
Personnel Specialist III	2	\$46,592	\$38,834	\$42,713
Plant Construction and Maintenance Superintendent	1	\$42,265	\$42,265	\$42,265
Product Development/Rates Administrator	1	\$49,026	\$49,026	\$49,026
Public Affairs and Communications Manager	1	\$46,592	\$46,592	\$46,592
Public Information Officer	1	\$43,014	\$43,014	\$43,014
Records Management Officer	1	\$22,942	\$22,942	\$22,942
Research and Statistics Analyst I	1	\$43,014	\$43,014	\$43,014
Safety Inspector III	1	\$28,683	\$28,683	\$28,682
Special Projects Coordinator	5	\$43,014	\$28,683	\$36,849
Storekeeper I	1	\$22,484	\$22,484	\$22,484
Storekeeper II	2	\$24,689	\$24,336	\$24,513

Supply Expediter	1	\$20,820	\$20,820	\$20,820
Switching Equipment Supervisor	2	\$51,584	\$46,072	\$48,828
Switching Technician I	13	\$22,464	\$19,968	\$21,421
Switching Technician II	19	\$44,096	\$21,382	\$31,501
Telephone Directory Coordinator	2	\$28,953	\$24,960	\$26,957
Telephone Marketing Representative	19	\$34,944	\$27,809	\$31,761
Telephone Operator	34	\$27,144	\$16,661	\$18,599
Telephone Operator Supervisor	2	\$27,144	\$27,144	\$27,144
Telephone Plant Operator Superintendent	1	\$52,540	\$52,540	\$52,540
Telephone Test/Dispatcher	1	\$33,217	\$33,217	\$33,217
Teleprocessing Network Coordinator	3	\$34,486	\$32,115	\$33,287
Trades Helper	5	\$21,216	\$15,489	\$18,982
Word Processing Secretary I	3	\$29,952	\$23,400	\$26,769
Word Processing Secretary II	9	\$29,952	\$21,216	\$27,063
Total	419			

**GROUP HEALTH INSURANCE PROGRAM
FISCAL YEAR 2001 - MEDICAL/DENTAL RATES**

PLAN	MEDICAL 2000			MEDICAL 2001			DENTAL 2001			
	CLASS	GOV	EMP	TOTAL	GOV	EMP	TOTAL	GOV	EMP	TOTAL
PACIFICARE	ACTIVE	1	38.02	55.84	93.86	48.18	55.59	103.77	7.38	13.54
	Bi-Weekly	2	85.88	195.71	108.84	202.47	311.31	11.43	25.13	36.56
		3	109.48	172.11	138.72	172.59	311.31	17.14	19.42	36.56
	RETIREE	1	41.19	60.50	101.69	52.19	60.23	112.42	6.19	8.48
	Semi-Monthly	2	93.04	212.02	305.06	117.91	219.35	337.26	12.38	27.23
		3	118.60	186.46	305.06	150.29	186.97	337.26	18.57	21.04
STAYWELL SILVER										
ACTIVE	1	38.02	41.83	79.85	48.18	41.70	89.88	5.71	6.32	12.03
Bi-Weekly	2	85.88	154.73	240.61	108.84	161.99	270.83	11.43	22.64	34.07
	3	109.48	131.13	240.61	138.72	132.11	270.83	17.14	16.93	34.07
RETIREE	1	41.19	45.32	86.51	52.19	45.18	97.37	6.19	6.85	13.04
Semi-Monthly	2	93.04	167.63	260.67	117.91	175.49	293.40	12.38	24.53	36.91
	3	118.60	142.07	260.67	150.59	143.11	293.40	18.57	18.34	36.91
STAYWELL BRONZE (GUAM HEALTH SHIELD)										
ACTIVE	1	38.02	0.00	38.02	48.18	0.00	48.18	5.71	6.32	12.03
Bi-Weekly	2	85.88	23.60	109.48	108.84	29.88	138.72	11.43	22.64	34.07
	3	109.48	0.00	109.48	138.72	0.00	138.72	17.14	16.93	34.07
RETIREE	1	41.19	0.00	41.19	52.19	0.00	52.19	6.19	6.85	13.04
Semi-Monthly	2	93.04	25.56	118.60	117.91	32.38	150.29	12.38	24.53	36.91
	3	118.60	0.00	118.60	150.59	0.00	150.29	18.57	18.34	36.91
MULTICOVER										
ACTIVE	1	38.02	73.86	111.88	N/A	N/A	N/A	N/A	N/A	N/A
Bi-Weekly	2	85.88	241.91	327.79	N/A	N/A	N/A	N/A	N/A	N/A
	3	109.48	218.31	327.79	N/A	N/A	N/A	N/A	N/A	N/A
RETIREE	1	41.19	80.02	121.21	N/A	N/A	N/A	N/A	N/A	N/A
Semi-Monthly	2	93.04	262.07	355.11	N/A	N/A	N/A	N/A	N/A	N/A
	3	118.60	236.51	355.11	N/A	N/A	N/A	N/A	N/A	N/A

CLASS 1: Employee or Retiree with no dependents.

CLASS 2: One employee or retiree with one or more dependents.

CLASS 3: Government-employed (or retired) husband and wife with or without dependents enrolled in the same plan

APPENDIX F Business License Forms

APPLYING FOR A BUSINESS LICENSE ON GUAM

Individuals who are interested in engaging in any local business activity must first apply for a business license at the One Stop Building Permit/Business License ServCenter located at: 855 West Marine Drive, Route 1, Hagåtña, Guam. The One Stop Center can also be reached at (671) 472-7867 and fax (671) 472-2128.

The One Stop Center allows for most business license applications to be cleared and approved within one building. Exceptions are those who are applying for a professional services license (e.g. engineering, law, cosmetology, CPA, medical, banking, etc.). In these cases, licenses must be approved and issued by their respective professional boards.

To inquire about business license registration through the mail, please send all correspondence to the following:

Department of Revenue and Taxation
General License and Registration Branch
P.O. Box 23607
GMF, Barrigada, Guam 96921

TYPES OF BUSINESS LICENSES

1. Wholesale: Sale of tangible property or items to be resold. Specifically, the sale of tangible property or items to licensed retailers.
2. Retail: Sale of tangible property or items to ultimate consumer or end user.
3. Service: Performing or providing a service for others (e.g. house rental, cleaning service, travel agency, etc.)
4. Other: Banking, Home Industry, Hand Manufacture, Coin Vending, etc.

CLEARANCE FROM GOVERNMENT AGENCIES

Depending on the type of business license being applied for, clearance must be obtained from the respective government departments/agencies indicated on the applications form. All clearing agencies should be represented at the One Stop Center. Three of the most crucial departments in the clearinghouse process are as follows:

Department of Land Management: Approval must be obtained from this agency for all new or relocation licenses. The Department of Land Management must ensure compliance with all applicable zoning and other land use related laws or codes.

Department of Public Works: Approval must be obtained from this agency for all new or relocation licenses. The Department of Land Management must ensure compliance with all applicable building codes for the health, safety and welfare of its occupants.

Business Privilege Tax Branch: The branch of the Department of Revenue and Taxation is responsible for assigning the taxpayer's Gross Receipt account number. Additionally, pursuant to Guam Public Law 19-10, the branch will determine if a business license can be issued based upon the applicant's previous tax records.

Other Agencies: Because of the nature of the activities the applicant is proposing, other agencies may need to provide clearance as required by the Department of Revenue and Taxation. Professional Board Licensing for

professional services licensing, such as engineering, law, cosmetology, etc., please contact any of the relevant boards:

Board of Cosmetology; Board of Medical Examiners; Commission on Licensure to Practice the Healing Art; Guam Board of Allied Examiners; Guam Board of Dental Examiners ; Guam Board of Examiners for Optometry; Guam Board of Examiners for Pharmacy; Guam Board of Nurse Examiners; Health Professional Licensing Office

1304 East Sunset Blvd. Tiyán, Guam 96913
Tel: (671)475-0251/2 / Fax: (671)477-4733

Board of Registration for Professional Engineers, Architects and Land Surveyors Guam Contractors License Board

Department of Public Works PEALS Board
542 North Marine Drive, Tamuning, GU 96911
Tel: (671)646-3115 / Fax: (671)649-9533

Guam Banking Association

c/o First Hawaiian Bank
First Hawaiian Bank Building
400 Route 8 Mongmong, Guam 96927
Tel: (671)475-7856 / Fax: (671)475-7898

Guam Bar Association

c/o Superior Court of Guam
120 West O'Brien Drive
Hagåtña, Guam 96932
Tel: (671)477-9730/33 / Fax: (671)477-9734

Guam Board of Accountancy

Lisa Leon Guerrero
P.O. Box 5753
Hagåtña, Guam 96932
Tel: (671)735-2559 / Fax: (671)734-3461

Guam Board of Realtors

P.O. Box 12158
Tamuning, Guam 96931
Tel: (671)647-8009



REQUIREMENTS FOR REGISTERING AN OFF-ISLAND CORPORATION IN GUAM AS A FOREIGN CORPORATION, TITLE 18, SECTION 7101, GUAM CODE ANNOTATED

1. **STATEMENT OF THE MANAGING AGENT:** This statement or affidavit must of course be duly notarized in the State or Country where it is incorporated. In the case of a Foreign Country, it must be certified or verified by the U.S. CONSUL or EMBASSY, or legalized/authenticated by that country's authorized Corporate Registrar/Bureau or Foreign Ministry.

The Statement of Managing Agent must state/set forth the following:
(PLEASE DO NOT PUT - SEE ATTACHED)

- a. The **NAME** of the Corporation
 - b. The **PURPOSE** for which it was formed or organized, (Business activity to be conducted in Guam)
 - c. The **PRINCIPAL LOCATION** of its home office
 - d. The **CAPITAL STOCK** of the corporation (Common or Preferred) actually paid in the treasury is \$ _____ as of _____ (date)
 - e. The **NET ASSETS** of the corporation over and above all debts, liabilities, obligations and claims outstanding against it is \$ _____ as of _____ (date).
 - f. The name of the **RESIDENT AGENT** in Guam authorized by the corporation to accept Summons and Process in all legal proceedings against the corporation and of all notices affecting the corporation.
2. **CERTIFIED (SEALED) COPIES:** of the Articles of Incorporation, Re-stated or Amended, By-Laws and all other corporate documents on file. In the Continental United States, the certification is usually prepared by the Office of The Secretary of State.
 3. **CERTIFICATE OF GOOD STANDING:** This certificate, again usually prepared by the Secretary of State, Certifies that that Corporation has been established according to the laws of the State or place where incorporated. In the case of a Foreign Corporation, it must be certified or verified by the U.S. CONSUL, or legalized/authenticated by the country's authorized Corporate Registrar/Bureau or Foreign Ministry.
 4. **LETTER ACCEPTANCE:** (Name of the Agent, residing in Guam) this letter is prepared by the Resident Agent in Guam, that he or she has accepted the appointment as Resident Agent to accept, Summons and Process in all legal proceedings the corporation and of all notices affecting the corporation.
 5. An **AUDITED FINANCIAL STATEMENT:** Detailing the assets and liabilities of the corporation as the end of the last reporting period.
 6. A check for **ONE HUNDRED and FIVE DOLLARS (\$105.00)** for the filing fee.
Please make check payable to the **TREASURER OF GUAM**.

GENERAL LICENSING & REGISTRATION BRANCH - Phone #475-1826

Post Office Box 23607, Guam Main Facility, Guam 96921 • Tel. / Tållfon: (671) 475-1801/1785-89 • Fax / Fåks: (671) 472-2643

- CLEARANCE REQUIRED**
- () Land Management
 - () Fire Dept.
 - () Public Works Bldg. Permit
 - () Public Health
 - () Guam Board of Contractors
 - () Attorney General
 - () Parks & Recreation
 - () ISB Division
 - () Dept. of Commerce
 - () Records Section
 - () U.S. Dept. of Interior
 - () Dept. of Education/DOE/GCC
- see attachment



DEPARTMENT OF
REVENUE & TAXATION
 GOVERNMENT OF GUAM, AGANA 96910

- ORIGINAL APPL.
 RENEWAL APPL.

BUSINESS LICENSE APPLICATION
 (AUTHORITY: TITLE XVII, GOVERNMENT CODE OF GUAM)

SSN#

SSN#

EIN #

PHONE NO.:

DATE RECEIVED:

APPLICANT PLEASE NOTE: Every license issued under this Authority shall be deemed to be personal and may not in any circumstances be transferred to any other person. A separate application must be filed for each license. There must be a license for each separate business location. Section 115.1, Penal Code of Guam states: "Whoever, in any matter within the jurisdiction of any department, board, commission or agency of the Government of Guam, knowingly and willfully conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representation, or makes or uses any false writing or documents knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be guilty of misdemeanor."

Please read reverse side for detailed instructions on completing this application.

FULL NAME OF APPLICANT	CORPORATE CHARTER NO.
------------------------	-----------------------

BUSINESS MAILING ADDRESS

BUSINESS LOCATION (Block, Lot No., Municipality)

DESCRIPTION OF BUSINESS ACTIVITY (i.e., Bar, Restaurant, Dept. Store, etc.)

DOING BUSINESS AS (Business, Trade or Fictitious Name)

TYPE OF FIRM

- CORPORATION
 PARTNERSHIP
 SOLE PROPRIETORSHIP
 OTHER

(CHECK ONE ONLY)

- Wholesale
 Retail
 Service
 Service Rental
 Home Industry
 Hand Manufacture
 Coin Vending
 Machine Manufacture
 Temporary

APPLICANT REAL PARTY IN INTEREST?	IF NOT, LIST NAME AND ADDRESS OF REAL PARTY IN INTEREST	NO. OF EMPLOYEES
<input type="checkbox"/> YES <input type="checkbox"/> NO		

FOR COIN VENDING MACHINE LICENSE ONLY

IDENTIFICATION OF MACHINE	LOCATION OF MACHINE	PROPERTY VENDED
NAME OF OWNER OR MACHINE		ADDRESS OF OWNER

I certify that the above statements are true and correct to the best of my knowledge and belief.

_____, 19____
DATE

SIGNATURE OF APPLICANT	TITLE OR CAPACITY
------------------------	-------------------

FOR USE OF LICENSES AND REGISTRATION BRANCH ONLY

APPLICATION	REASON FOR DISAPPROVAL
<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved	
BUSINESS LICENSE NO. ISSUED	DATE
DIRECTOR OF REVENUE AND TAXATION	

DISTRIBUTION WHITE LICENSE AND REGISTRATION BRANCH
 BLUE INCOME TAX ACCOUNTING AND PROCESSING SECTION
 PINK DEPARTMENT OF LAND MANAGEMENT



Dipattamenton Kontribusion yan Adu'ana

DEPARTMENT OF

REVENUE AND TAXATION

GOVERNMENT OF GUAM

Gubetnamenton Guahan

CARL T. C. GUTIERREZ, Governor
MADELEINE Z. BORDALLO, Lt. Governor

JOSEPH T. GUENAS, Deputy
GEORGE V. CRUZ, Deputy

Section 72106, Chapter 70, Guam Code Annotated requires evidence of your good moral character, integrity and general reputation:

It is necessary that you answer the following questions:

1. Have you ever been licensed to operate a business? (YES) (NO)

2. Have you ever had a business license cancelled, suspended or revoked? (YES) (NO)

3. Have you ever been refused a business license for any reason? (YES) (NO)

4. Have you ever been arrested for any violation of the law other than minor traffic violations? (YES) (NO). If Yes, state the violation and results of the court action:

5. Are there any reasons other than the above which may preclude you from being issued a business license? (YES) (NO)

I SWEAR that the following information I have provided herein is true and correct to the best of my knowledge and belief.

APPLICANT'S SIGNATURE: _____ DATE: _____

*****PLEASE NOTE:***** Above questions must be completely answered before issuance or approval of your business application.

Post Office Box 23607, Guam Main Facility, Guam 96921 • Tel. / Telefon. (671) 475-1801/1785-89 • Fax / Faks (671) 472-2643

**APPENDIX G
Disclosure Statement**

**CERTIFICATION AND DISCLOSURE REGARDING
OFFEROR INFORMATION AND CONFLICTS OF INTEREST AND WAIVER OF
CERTAIN LEGAL RIGHTS**

In order to properly assess the identity and qualifications of offerors, and to avoid apparent or actual conflicts of interest, offerors and all other entities or persons specified in Section VII.A.1 of the RFP, which is incorporated by reference herein (collectively "Disclosing Parties") are required to submit and certify to accuracy of information regarding their ownership, organizational structure and affiliations. Disclosing Parties may also be required to provide additional information on the subjects covered herein depending upon the information and certifications made below Failure to provide such information and certifications will render the offeror and any other Disclosing Parties ineligible to acquire the assets of GTA. **The information supplied on this disclosure statement will be made public in accordance with Guam P.L. __ - __.**[Insert citation of new process legislation]

1. Disclosing Party identity and structure.

a. Full name and address of Disclosing Party : _____

b. Organizational structure of Disclosing Party (select one):
 ___ corporation
 ___ limited liability company
 ___ partnership
 ___ proprietorship
 ___ other (specify: _____)

c. Securities exchange on which shares traded (if any): _____

d. Trading symbol _____

2. Ownership and Control.

If the voting securities of Disclosing Party are not traded on a recognized national securities market in the U. S. or comparable market exchange outside of the U. S. list all individuals or entities owning any percentage of beneficial interest in the Disclosing Party:

Name and Address	% Interest

3. Conflicts of Interest.

Identify by listing below any material relationship¹ between the Disclosing Party (or any director, manager, officer or beneficial owner of the Disclosing Party) and any of the following: (a) officials of the Government of Guam²; directors, managers, consultants, or advisors of GTA; or members of the Guam Legislature, *I Liheslaturan Guahan*; (b) advisors or consultants of GTA who are advising or working with GTA with respect to the privatization of GTA either at the time of approval of the Privatization Agreements or any time during the period from February 27, 1997 to the date of approval of the Privatization Agreements; (c) advisors, consultants or employees of the Legislature, *i Liheslatura*, who are advising or working with the Legislature, *i Liheslatura*, with respect to the privatization of GTA either at the time of approval of the Privatization Agreements or any time during the period from February 27, 1997 to the date of approval of the Privatization Agreements; and (d) the Escrow Agent or any of its directors, officers or owners of any percentage of its outstanding beneficial interests.

Parties in Relationship	Nature of Relationship

4. Relationship between the Disclosing Party and GTA.

Identify by listing below any strategic business relationship between Disclosing Party and GTA which has existed at any time in the past five (5) years. Such relationship shall include, but not be limited to, joint ventures, contracts, alliances, partnerships, etc. For each relationship identified, provide a brief description of the nature of the relationship and the key terms thereof.

Nature of Relationship	Key Terms of Relationship

¹ "Material relationship" means (a) a financial or business relationship (whether contractual, equitable or otherwise) within the last five (5) years reasonably valued at US One thousand Dollars (\$1000) or more (b) or a family relationship within the fourth degree of consanguinity or affinity (which shall include all children, parents, grandchildren, siblings, grandparents, great-grandchildren, nieces, nephews, uncles, aunts, great-grandparents, grand nephews and nieces, first cousins, great uncles and aunts, and great-great grandparents, and their spouses, of a person or of that person's spouse).

² "Official of the Government of Guam" means any person holding any elected office in the Territory of Guam or any appointed member of the Government of the Territory of Guam, including members of boards, commissions and task forces, as well as any person working directly for the office of the Governor of Guam or otherwise under contract to the office of the Governor of Guam.

Certification and Waiver:

Disclosing Party, by the signature below of its duly authorized representative, (1) certifies under penalty of perjury that the information provided herein is complete and accurate, (2) agrees to be responsible for all of its proposal and bid preparation costs and (3) agrees to hold the Government of Guam, the Guam Telephone Authority and its officials, legislators, directors, employees, consultants, counsel, contractors, subcontractors and advisors (collectively "Covered Persons") harmless from, and waives any rights at law or equity with respect to any damages, claims, losses, liabilities, costs and expenses (including but not limited to attorneys' fees, accountants', consultants' and financial advisors' fees, travel, and lost wages, lost income, lost profits and other expectancy interests) (collectively "Losses") suffered or incurred in connection with the preparation and submission of its proposal to GTA, the evaluation and negotiation of such proposal and attendant agreements, the selection or rejection of the Disclosing Party's proposal, or the Legislature, *i Liheslatura*, decision to approve or not approve the GTA privatization agreement(s), except if such Losses are due to the willful misconduct, criminal conduct, fraudulent conduct or gross negligence of a Covered Person.

Name

Date

Title

APPENDIX H
Asset Purchase Agreement

ASSET PURCHASE AGREEMENT

By and Among

[GUAM TELEPHONE AUTHORITY]

and

[NAMES]

[DATE]

ASSET PURCHASE AGREEMENT

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ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT is made and entered into as of the [] day of [], 2001, by and among [NAME], a [STATE/COUNTRY] corporation ("the Buyer"), the Guam Telephone Authority, an autonomous agency of the Government of Guam (the "Seller") and, solely with respect to Sections [], the Government of Guam ("GovGuam").

In consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, each of the parties identified above agree as follows.

ARTICLE I DEFINITIONS

"AAA Rules" has the meaning set forth in Section 11.6(a).

"Adjusted Closing Schedule" has the meaning set forth in Section 2.5(a).

"Adjustment Allocation" has the meaning set forth in Section 2.8(a).

"Agreement" means this Asset Purchase Agreement.

"Agreement Date" means [DATE], 2001.

"Applicable Law" means any law, statute, ordinance, rule, regulation, code, franchise, writ, ruling, award, executive order, directive, requirement, injunction (whether temporary, preliminary or permanent), judgment, decree or other order, and the terms and conditions of any license issued by any Governmental Entity or certificate or permit applicable to the Business.

"Assigned Leases and Easements" means the leases, licenses, easements, permits and similar rights (including any amendments, modifications, replacements or restatements of the foregoing) identified in Schedule 2.1(m) providing rights to use, occupy or cross real property pursuant to which, when executed or assigned (as applicable), the Buyer shall have a right to use property owned by another Person.

"Assumed Liabilities" has the meaning set forth in Section 3.2.

"Assumption Agreement" has the meaning set forth in Section 3.2.

"Audited Financial Statements" has the meaning set forth in Section 5.4.

"Balance Sheet Date" has the meaning set forth in Section 5.4.

"Benefit Plans" means the employee welfare benefit pension plans, as defined in Sections 3(1) and 3(2) of ERISA, and other employee benefit agreements or arrangements identified on Schedule 5.12(a).

“Business” means all of the business and operations of the Seller which relate to the telecommunications business conducted by the Seller.

“Business Day” means any day other than Saturday, Sunday or any other day on which banks in Guam are permitted to be closed .

“Business Records” means all records in the possession or control of Seller which relate to, arose from or are used by Seller in connection with the operation of the Business, including, but not limited to, all books, records, files, manuals, subscriber lists, lists of suppliers, price lists, accounting records (including ancillary records, paid invoices, ledgers and work papers related thereto), correspondence, billing files and tapes, network maps and diagrams, legal documents and records, contracts and all other records and other information appearing in writing, drawing or electronic form which relate to, arose from or are used in connection with the Business, except for (i) confidential information relating to the negotiation and execution of this Agreement and correspondence with lenders and financial advisors relating to the sale of substantially all of the Seller's assets, (ii) records that relate exclusively to Excluded Assets or Retained Liabilities and (iii) records that relate exclusively to Governmental matters unrelated to any Assumed Liabilities and not applicable to the operation of the Business as a privatized entity .

“Buyer” has the meaning set forth in the preface above.

“Buyer Benefit Plans” means the employee welfare benefit pension plans (as defined in Section 3(1) and 3(2) of ERISA) currently maintained by the Buyer and in which the Buyer intends that the Seller employees hired by Buyer will participate.

“Buyer Indemnified Parties” has the meaning set forth in Section 11.1.

“Cash Purchase Price” means the Purchase Price, minus the sum of the Assumed Liabilities and any adjustments, prorations and sharing of costs in favor of Buyer pursuant to Section 2.3.

“Closing” has the meaning set forth in Section 2.9.

“Closing Date” has the meaning set forth in Section 2.9.

“Code” means the Internal Revenue Code of 1986, as amended, and all laws promulgated pursuant thereto.

“Contracts” means all (whether written or oral) contracts, agreements, commitments, contracts in process, leases and licenses, including any amendments or modifications thereto, which relate to, arose from, or are used in connection with the operation of the Business, but excluding the foregoing as they relate to the Excluded Assets and Retained Liabilities.

“Current Assets” means all assets that will be realized or converted to cash within one year of the date of the financial statements for the identified accounting period, as determined in accordance with GAAS.

“Current Liabilities” means all indebtedness, encumbrances, obligations and trade accounts payable, whether invoiced or not, which are related to the Transferred Assets or the Business and

which will become due and payable within one year of the date of the financial statements for the identified accounting period, as determined in accordance with GAAS.

“Customer Cash” means all cash of the Seller in an amount equal to (i) all deposits of subscribers or customers of the Business, and (ii) all prepayments of customers or subscribers of the Business.

“Deposit” has the meaning set forth in Section 2.4.

“Disclosure Schedules” has the meaning set forth in the first paragraph of Article V.

“Eligible Assignee” means a Person who is eligible to acquire the assets of the Seller and exercise control over the Seller’s assets under all Applicable Laws (including, without limitation, any FCC regulations regarding foreign ownership eligibility requirements).

“Employee Accruals” means the accrued liability of the Seller for annual leave, - sick leave and other accrued leave; payroll, education, travel and other expense reimbursement obligations; and defined contribution plan matching obligations for pre-closing periods.

“Employees” has the meaning set forth in Section 5.19.

“Environmental Condition” means any condition or circumstance relating to the ownership, construction, use or occupancy by the Seller of any Real Property prior to Closing, including the presence of Hazardous Substances at any site or in connection with the operation of the Business, that may (a) require abatement or correction under an Environmental Law or (b) give rise to any civil or criminal liability under any Environmental Law.

“Environmental Law” means any Applicable Law, including all U.S. Federal and Guam local statutes, regulations and ordinances and all judicial and administrative decrees and decisions, whether now existing or hereinafter enacted, promulgated or issued, with respect to any Hazardous Substances, drinking water, groundwater, wetlands, landfills, open dumps, storage tanks, underground storage tanks, solid waste, waste water, storm water runoff, waste emissions or wells.

“Equipment” means all equipment and all components thereof (including, without limitation, microwave radio frequency equipment and switching equipment, microwave antennas, coaxial, copper twisted pair and fiber cable, transmitters, receivers, voice mail equipment, DC power boards, computer equipment, routers, AC power boards, batteries and battery chargers), machinery, cell site equipment, testing equipment, furniture, fixtures, furnishings, tooling, personal property, shelving, patterns, molds, office equipment, trade fixtures, retail leasehold improvements, tower components, equipment shelters and buildings at tower locations, other improvements, construction work in process, tools, parts and items held for effecting repair and replacement and other tangible personal property, in each case whether complete or in process, owned or leased by the Seller at any location or used by the Seller in the operation of the Business, except any Excluded Assets.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and all laws promulgated thereto.

“Escrow Agent” has the meaning set forth in Section 2.4.

“Escrow Agreement” has the meaning set forth in Section 2.4.

“Excluded Assets” has the meaning set forth in Section 2.2.

“FAA” means the Federal Aviation Administration or any successor thereto.

“FCC” means the Federal Communications Commission or any successor thereto.

“FCC Licenses” means all of the Seller’s FCC licenses or authorizations that relate to the transmission of radio frequencies or the provision of telecommunications services as set forth on Schedule 2.1(g).

“FCC Rules” means the rules and regulations of the FCC, as published in C.F.R. Part 47 and interpreted from time to time in published decisions or notices of the FCC.

“Final Order” has the meaning set forth in Section 9.1(c)(ii).

“Financial Statements” has the meaning set forth in Section 5.4.

“Financing Commitments” has the meaning set forth in Section 6.2.

[“Future Microwave Clearinghouse Debt” means the microwave relocation obligations arising under 47 C.F.R. Section 24.349, et seq., that will not be triggered as of the Closing Date. For purposes of this definition, microwave relocation obligations shall be considered triggered on the date that GTA has incurred a cost-sharing obligation by either (a) initiating commercial service to initiate commercial service at a fixed base station located within the Proximity Threshold (as defined in Section 24.247 of the FCC’s Rules) of a co-channel incumbent microwave licensee that has previously been moved or (b) filing a prior coordination notice to initiate commercial service at a fixed base station located within the Proximity Threshold of a co-channel incumbent microwave licensee that has previously been moved, whichever occurs later, whether or not GTA has received written notice from a microwave relocation clearinghouse of such obligation.]

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“GAAS” shall have the meaning set forth in Section 5.4 hereof.

“Governmental Entity” means (i) any court or arbitrator or any federal, state, territory, county or municipal government or other subdivision thereof, whether domestic or foreign, (ii) any administrative, governmental or regulatory authority, agency, board, court, department, bureau, division, commission, body or other governmental body or instrumentality, whether domestic, foreign or multinational, but excluding Seller and (iii) any Person (other than a Person acting on behalf of Seller) exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government, whether domestic or foreign.

“Government Approvals” shall have the meaning set forth in Section 5.2 hereof.

“Hazardous Substances” means all explosive or radioactive substances or wastes, petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, and any of the following: (i) any ‘hazardous substances,’ as defined under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq.; (ii) any ‘extremely hazardous substance,’ ‘hazardous chemical’ or ‘toxic chemical,’ each as defined under the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. §§ 11001 et seq.; (iii) any ‘hazardous waste,’ as defined under the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq.; (iv) any ‘pollutant,’ as defined under the Clean Water Act, 33 U.S.C. §§ 1251 et seq.; (v) ‘hazardous materials’ as defined in the Hazardous Materials Transportation Act, 49 U.S.C. §1801 et seq., as amended, and regulations promulgated thereunder; (vi) any ‘chemical substance or mixture’ as defined in the Toxic Substances Control Act, 15 U.S.C. §2061 et seq., as amended, and regulations promulgated thereunder and (vii) any regulated substance or waste under any Environmental Law.

“Hired Employees” has the meaning set forth in Section 8.2(a).

“Holdback Period” has the meaning set forth in Section 2.4.

“Indemnified Party” has the meaning set forth in Section 11.4(a).

“Indemnifying Party” has the meaning set forth in Section 11.4(a).

“Initial Allocation” has the meaning set forth in Section 2.8(a).

“Intellectual Property” means all of the Seller's federal, state, territory, foreign and common law intellectual property used in the operation of the Business.

“Interim Financial Statements” has the meaning set forth in Section 5.4.

“Inventory” has the meaning set forth in Section 2.1(k).

“Knowledge” means actual knowledge of a fact, after reasonable investigation, of the Persons listed on Schedule 1.1.

“Leases” has the meaning set forth in Section 5.9.

“Licenses” means all licenses, permits, certificates, registrations, consents, variances, exemptions, authorizations, approvals and similar rights, including the FCC Licenses.

“Liens” means any and all mortgages, deeds of trust, pledges, liens or other, encumbrances.

“Losses” has the meaning set forth in Section 11.1.

“Material Adverse Effect” means an adverse effect on the business, results of operations, financial condition or prospects of the Seller or the Business that, if quantifiable, could reasonably be expected to have an adverse effect the on operating income or net asset value of Seller equal to or greater than Ten Million Dollars (\$10M) over the two (2) year period following the Agreement Date.

“Material Contracts” has the meaning set forth in Section 5.10.

“Microwave Clearing Debt” means the projected microwave relocation obligations resulting from cost-sharing pursuant to 47 CFR 24.239, et seq., triggered as of the Closing Date. For purposes of this definition, microwave relocation obligations shall be considered triggered on the date that GTA has incurred a cost-sharing obligation by either (a) initial commercial service to initiate commercial service at a fixed base station located within the Proximity Threshold (as defined in Section 24.247 of the FCC’s Rules) of a co-channel incumbent microwave licensee that has previously been moved or (b) filing a prior coordination notice to initiate commercial service at a fixed base station located within the Proximity Threshold of a co-channel incumbent microwave licensee that has previously been moved, whichever occurs later, whether or not GTA has received written notice from a microwave relocation clearinghouse of such obligation. The cost-sharing obligations triggered as of the Agreement Date are set forth on Schedule 3.2(f).

“Operating Contracts” means all Contracts other than the Subscriber Contracts[, the Employee Contracts] and the Assigned Leases and Easements.

“Ordinary Course of Business” has the meaning set forth in Section 7.2.

“Parties” has the meaning set forth in the preface above.

“Party” means any of the Parties.

“PCS” means personal communication services as defined in Section 24.5 of the FCC Rules (47 C.F.R. §24.5).

“Permitted Liens” means (i) Liens for current Taxes not yet due and payable, (ii) minor defects of titles, easements, rights of way, restrictions and other similar non-monetary charges or encumbrances that do not affect the marketability or materially detract from the value of any tract or parcel of the Real Property or interfere with the conduct of the Business, (iii) mechanics’, carriers’ workers’, repairmen’s or like Liens, if applicable, arising or incurred in the Ordinary Course of Business, (iv) Liens securing liabilities to be assumed by Buyer, (v) purchase money Liens arising out of the purchase of products or services in the Ordinary Course of Business, (vi) Liens which in the aggregate do not materially and adversely affect the value of the Transferred Assets, as a whole, and (vii) those Liens, if any, listed on Schedule 5.6.

“Person” means an individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or Governmental Entity.

“Promotional Material” means all brochures, displays, models and other marketing and advertising materials, in whatever form and for whatever media, relating to the Business, as well as the camera-ready art, negatives, proofs, magnetic tapes and disks and other reproduction materials for the same.

“Purchase Price” has the meaning set forth in Section 2.3.

“Real Property” means all real property owned, leased, held or used by the Seller in connection with operation of the Business.

“Receivables” means accounts receivable, notes receivable and other rights to the payment of money relating to the Business, whether or not evidenced by a writing or reflected on the balance sheet of the Seller.

“Reserve” has the meaning set forth in Section 2.4.

“Retained Liabilities” has the meaning set forth in Section 3.1.

“RFP” means the Request for Proposals for the Privatization of the Guam Telephone Authority, dated _____, 2001.

“RUS” means the Rural Utility Service, an agency of the U.S. Department of Agriculture.

“RUS Debt Agreements” means the loan agreements listed on Schedule 3.2(e) hereto.

“Scheduled Assets” has the meaning set forth in Section 2.5(a)(i).

“Scheduled Liabilities” has the meaning set forth in Section 2.5(a)(ii).

“SEC” means the Securities and Exchange Commission or any successor.

“Seller Indemnified Parties” has the meaning set forth in Section 11.2.

“Seller Indemnifying Parties” has the meaning set forth in Section 11.1.

“Seller” has the meaning set forth in the preface above.

“Software” means all computer software used by and in the conduct of the Business and all documentation related thereto including, but not limited to, the software listed on Schedule 2.1(r).

“Subscriber Contracts” means all Contracts for provision of services to subscribers of GTA’s wireless services.

“Tax Consideration” has the meaning set forth in Section 2.8(a).

“Taxes” means all federal, state, territory, local, foreign and other taxes, charges, fees, duties, levies, imposts, customs or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, profit share, license, lease, service, service use, value added, withholding, payroll, employment, excise, estimated, severance, stamp, occupation, premium, property, windfall profits, or other taxes, fees, assessments, customs, duties, levies, imposts, or charges of any kind whatsoever (but excluding the costs associated with any leasehold mortgages that are required by lenders to the Buyer), together with any interests, penalties, additions to tax, fines or other additional amounts imposed thereon or related thereto, and the term “Tax” means any one of the foregoing Taxes.

“Threshold Amount” has the meaning set forth in Section 11.5(a).

“Transaction Agreements” means the documents, instruments and agreements to be executed and/or delivered by the Buyer and/or Seller pursuant to this Agreement, including [to be listed].

“Transferred Assets” has the meaning set forth in Section 2.1.

“Trademarks” means all federal, state, foreign and common law trademarks, trademark registrations and applications therefor, service marks, service mark registrations and applications therefor, trade names, assumed names, logos, trade dress and the like, together with the associated goodwill of each.

“USTs” has the meaning set forth in Section 5.15.

ARTICLE II. BASIC TRANSACTION.

SECTION 2.1. Agreement to Purchase and Sell Assets of the Seller.

On the terms and subject to the conditions set forth in this Agreement, the Buyer agrees to purchase from the Seller, and the Seller agrees to sell, assign, transfer, convey and deliver to the Buyer, all assets, properties, contract rights, operations and business of the Seller of every kind, nature and description whatsoever and wherever the same may be located, whether tangible or intangible, and whether or not reflected on the books and records of the Seller, which are owned or held by the Seller or used in the operation of the Business (but excluding all Excluded Assets). The assets, properties, contract rights, operations and business to be purchased by the Buyer and sold by the Seller pursuant to this Agreement (collectively, the “Transferred Assets”) include the following (in each case excluding all Excluded Assets):

- (a) All of the Seller's right, title and interest in and to any and all Intellectual Property, including, without limitation, the Intellectual Property set forth on Schedule 2.1(a);
- (b) All of the Seller's right, title and interest in and to any and all Equipment including, but not limited to, those items described in Schedule 2.1(b), together with any manufacturer, vendor or installer warranties thereon;
- (c) All of the Seller's right, title and interest in and to any and all vehicles used in the Business, including, but not limited to, those vehicles described on Schedule 2.1(c);
- (d) All of the Seller's telephone numbers, telephone directory advertisements, [NXX blocks], e-mail addresses, Web site addresses and domain names, post office boxes and subscriber prospect lists, including but not limited to those items listed on Schedule 2.1(d);
- (e) All of the Seller's Business Records;

- (f) All of the Seller's contract rights and benefits in and to the Contracts, including the Subscriber Contracts and Operating Contracts, in effect on the Closing Date;
- (g) All of the Seller's FCC Licenses, which are described on Schedule 2.1(g), and all other Licenses (subject to FCC approval of the transfer to the Buyer of ownership thereof);
- (h) All of the Seller's prepaid expenses, credit memos and deposits relating to the Business, the categories of which are described in Schedule 2.1(h);
- (i) All of the Seller's office, shop and other supplies relating to the Business;
- (j) All of the Seller's Receivables which remain uncollected on the Closing Date;
- (k) All of the Seller's inventory on hand as of the Closing Date, including all handsets and accessories of whatever type and description and all handsets, accessories and other goods held for resale, the categories of such inventory together with their approximate aggregate value as set forth on the books of the Seller as of the Balance Sheet Date, all of which is described in Schedule 2.1(k) hereto (the "Inventory");
- (l) All of the Seller's right, title and interest in and to the plans, specifications, blueprints, repair and operating manuals, warranties, guaranties, maintenance records, information regarding assessments and/or insurance and other written information relating to any of the Transferred Assets;
- (m) All of the Seller's rights and benefits in and to the Assigned Leases and Easements set forth on Schedule 2.1(m);
- (n) All of the Seller's rights and claims against third parties, other than the Buyer, that relate to the Business, except for claims related to Excluded Assets or Retained Liabilities;
- (o) All of the Seller's Promotional Material;
- (p) All of the Seller's goodwill as a going concern and other intangible personal property relating to the Business, to the extent transferable;
- (q) All Customer Cash;
- (r) All of the Seller's right, title and interest in and to any and all Software, including those items listed on Schedule 2.1(r);
- (s) Those assets listed on Schedule 2.1(s); and
- (t) All accretions and additions to the Transferred Assets that occur prior to the Closing Date, less property disposed of or consumed in the Ordinary Course of Business without breach of the terms of this Agreement prior to the Closing Date.

SECTION 2.2. Excluded Assets.

Notwithstanding anything contained in this Agreement to the contrary, the Buyer will not purchase, and the Seller will not sell, any of the following assets (the "Excluded Assets"):

- (a) any of Seller's interests in the Defined Benefit Plan;
- (b) The originals of: (i) minute books, organizational books and other administrative records of the Seller having exclusively to do with the organization of the Seller as well as the originals of the Seller's nontransferable Contracts; (ii) records that are not Business Records; and (iii) documents related to the Excluded Assets or any Retained Liabilities; provided, however, that at the Closing, the Seller shall provide the Buyer with true, correct and complete copies of the materials listed in clause(i);
- (c) All obligations under contracts regarding all indebtedness of the Seller other than the Assumed Liabilities;
- (d) All Business Records relating to the negotiation and execution of this Agreement and any correspondence with elected or appointed representatives or employees of the Government of Guam regarding the terms or approval of this Agreement or regarding any Governmental matters, lenders, counsel and financial advisors relating to the sale of Seller;
- (e) All cash and cash equivalents of the Seller on hand as of the Closing Date, other than Customer Cash;
- (f) Title to any land owned by Seller in the Territory of Guam;
- (g) Seller's records relating to litigation to which Seller is a party that are subject to attorney-client, work product or other privilege; and
- (h) Those assets listed on Schedule 2.2(h) hereto.

SECTION 2.3. Purchase Price.

In consideration of the transfer to the Buyer of the Transferred Assets, at the Closing the Buyer shall (i) pay to the Seller in cash, in immediately available funds, the sum of \$_____, (the "Cash Purchase Price"), and (ii) assume the payment obligations of the Seller with respect only to the Assumed Liabilities. The Cash Purchase Price which is payable at the Closing, together with the amount of Assumed Liabilities assumed hereby, are herein collectively referred to as the "Purchase Price." The Purchase Price is subject to adjustment as described in Section 2.5.

SECTION 2.4. Deposit into Escrow Account/Reserve.

Within five (5) business days following the Agreement Date, the Buyer shall deposit with [] Bank (the "Escrow Agent") on [Guam], the sum of \$[ten percent (10%) of Purchase Price] (the "Reserve", and with accrued interest, the "Deposit") to be held in escrow pursuant to an escrow

agreement substantially in the form of Exhibit 2.4 attached hereto (the “Escrow Agreement”). The Escrow Agent shall hold and invest the Deposit in accordance with the Escrow Agreement. Upon the Closing, the Deposit, together with all interest accrued thereon, shall be credited against the Cash Purchase Price to be delivered by the Buyer at Closing. The Deposit shall be held for a period after the Closing Date as provided for in the Escrow Agreement (the “Holdback Period”), to protect the Buyer with respect to any reduction in the Purchase Price pursuant to the provisions of Section 2.5. The Deposit, less the amount of any reduction in the Purchase Price pursuant to the provisions of Section 2.5 hereof and any other payments made pursuant to the Escrow Agreement, shall be paid to the Seller (and/or the Buyer, as applicable) as provided in the Escrow Agreement upon the termination of this Agreement prior to Closing or the expiration of the Holdback Period, as the case may be.

SECTION 2.5 Adjustment to Purchase Price.

(a) Within [one hundred twenty (120)] days following the Closing Date and after appropriate consultation with the Seller, the Buyer shall prepare and deliver, or cause to be prepared and delivered, to the Seller a schedule (the “Adjusted Closing Schedule”) of (x) certain of the Current Assets of the Business transferred to the Buyer and certain of the Current Liabilities of the Business assumed by the Buyer, prepared as set forth in Sections 2.5(a)(i)(1)-(4) and Sections 2.5(a)(ii)(1)-(3) below. The Adjusted Closing Schedule shall be prepared as of the close of business on the Closing Date in accordance with [GAAS]. With respect to the matters referenced in Section 2.5(a), the Adjusted Closing Schedule shall include only the following selected Current Assets, Current Liabilities and accruals:

(i) Only the following Current Assets of the Business shall be included in the Adjusted Closing Schedule (the “Scheduled Assets”):

(1) The Inventory, valued in accordance with [GAAS], as indicated on Schedule 2.1(k) hereto, which remains on hand as of the close of business on the Closing Date, together with all other Inventory acquired from and after the Agreement Date to the Closing Date which is on hand as of the Closing Date;

(2) The Receivables reflected on the Seller's books as of the Closing Date which remain uncollected as of the close of business on the Closing Date, but which have been collected by the Buyer within [ninety (90)] days after the Closing Date, provided that the Buyer shall exercise reasonable and diligent efforts to collect such Receivables within such [ninety (90)] day period;

(3) Prepaid expenses which are transferable to and were transferred to the Buyer at the Closing; and

(4) All Customer Cash transferred to the Buyer at the Closing.

(ii) Only the following Current Liabilities of the Business shall be included in the Adjusted Closing Schedule (the “Scheduled Liabilities”):

(1) The trade accounts payable of the Business assumed by the Buyer pursuant to Section 3.2(a);

(2) All accrued liabilities and operating expenses of the Seller (including subscriber or customer deposits, whether or not refundable within one (1) year, [in an amount equal to deferred revenue]), adjusted as applicable pursuant to Section 2.6 hereof, and those described in Section 2.5(a)(iii) hereof; and

(3) All liabilities assumed by the Buyer pursuant to Sections 3.2(b), 3.2(d), 3.2(e), 3.2(f) and 3.2(g) hereof to the extent the same may be reflected on the opening balance sheet of the Buyer in accordance with [GAAP] consistently applied.

(iii) In addition, the Adjusted Closing Schedule shall reflect such adjustments as are necessary to fairly prorate operating expenses between the Seller and the Buyer as of the opening of business on the Closing Date.

(b) The Adjusted Closing Schedule shall not include or reflect any Excluded Assets or any liabilities of the Seller which are not assumed by the Buyer.

(c) After Seller's receipt of the Adjusted Closing Schedule, the Seller shall have sixty [(60) days] within which to review and confirm the accuracy of the Adjusted Closing Schedule. The Buyer shall allow the Seller and its representatives to review such books, records and documents, including work papers, promptly upon the reasonable request of the Seller so that the Seller can analyze and confirm the accuracy of the Adjusted Closing Schedule. In the event the Seller disagrees in good faith with any aspect of the Adjusted Closing Schedule, the Seller shall, within the [sixty (60)] day review period, notify the Buyer in writing of the disagreement, specifying the item or items in question and the nature of the disagreement and the amount of any proposed good faith adjustments thereto. If the Seller fails to give such notice to the Buyer of an objection or the intention of making such an objection within the specified period, then the Seller shall be deemed to have accepted the Adjusted Closing Schedule. If, however, the Seller gives such notice to the Buyer and the Buyer does not accept any of the Seller's proposed adjustments, the Buyer shall notify the Seller in writing of the same within ten (10) days of the Buyer's receipt of the Seller's proposed adjustments. The Buyer's failure to object to the Seller's proposed adjustments within the specified ten (10) day period shall be deemed to constitute acceptance of the Seller's proposed adjustments and such adjustments shall be deemed to be incorporated into the Adjusted Closing Schedule, and the parties shall immediately notify the Escrow Agent of such incorporation, the amount of the adjustment and the amount of the Deposit payable to each party.

(d) In the event that the Buyer does not accept any of the Seller's proposed adjustments, any outstanding issues not resolved through negotiations in good faith within ten (10) business days after the Buyer's notice to the Seller shall be resolved through arbitration as set forth in Section 11.6 hereof. Any party initiating arbitration shall provide a copy of the notice thereof to the Escrow Agent concurrently with notice to the other party. The final decision and order of the arbitrators shall be delivered by the arbitrators to the Escrow Agent.

(e) As soon as the final Adjusted Closing Schedule has been approved by the Parties or prepared at the direction of the arbitrators, as the case may be, the Purchase Price shall be

adjusted as follows: (i) to the extent that the net value of the Scheduled Assets and Assumed Liabilities in the Adjusted Closing Schedule is less than the net value of Scheduled Assets and Scheduled Liabilities specified in Schedule 2.5(e) at the time of the Closing, the Purchase Price shall be adjusted downward dollar for dollar by the amount of any such deficit, and (ii) to the extent that the net value of the Scheduled Assets and Scheduled Liabilities in the Adjusted Closing Schedule is greater than the net value of Scheduled Assets and Scheduled Liabilities specified in Schedule 2.5(e) at the time of the Closing, the Purchase Price shall be adjusted upward dollar for dollar by the amount of any such excess. In the case of an excess, the Buyer shall pay such excess to the Seller in immediately available funds within ten (10) days of the determination of the amount of such excess, together with interest thereon calculated from the Closing Date at the rate of [eight percent (8) %] per annum, or in the case of a deficit, the Buyer and the Seller shall instruct the Escrow Agent to distribute to the Buyer that portion of the Reserve equal to the deficit together with any interest thereon; provided, however, that in the event that the Parties agree on the final Adjusted Closing Schedule or receive the arbitrators' final decision and such agreement or determination indicates that a deficit exists and the then current balance of the Reserve is less than the amount of the deficit, the Seller shall pay to the Buyer an amount (plus interest thereon calculated from the Closing Date to the end of the Holdback Period at the rate earned on the Reserve and from the end of the Holdback Period to the date of payment at the rate of [eight percent (8) %] per annum) equal to the downward adjustment less the then current balance of the Reserve. Such distribution or payment pursuant to this Section 2.5(e) shall be the Buyer's exclusive remedy on account of the deficit.

(f) The Buyer and the Seller shall each pay their own costs and expenses incurred in connection with such Dispute Resolution Procedure; provided, however, that the fees and expenses of the arbitrator shall be borne fifty percent (50%) by the Buyer and fifty percent (50%) by the Seller.

SECTION 2.6. Proration of Expenses.

Except as otherwise provided in this Agreement, all amounts payable with respect to utility charges and other items of expense attributable to the conduct of the Business shall be prorated as of the Closing Date to the extent the charges and expenses cannot be identified as to the Party who received the benefits to which such charges and expenses relate. To the extent such amounts are estimated at Closing and such prorations are inaccurate, the Seller and the Buyer agree to make such payment to the other after such amounts are correctly computed, that is necessary to allocate such charges properly between the Seller and the Buyer as of the Closing Date.

SECTION 2.7. Transfer Taxes; Recording Fees.

(a) The Buyer and the Seller each acknowledges and agrees that the Purchase Price is inclusive of any and all sales or other similar Taxes which might be imposed as a result of the consummation of the transactions contemplated by this Agreement (except any taxes resulting from any leasehold mortgages required by the Buyer's lender).

(b) The Buyer shall pay any and all recording, filing or other fees relating to the conveyance or transfer of the Transferred Assets from the Seller to the Buyer.

SECTION 2.8. Allocation of Purchase Price.

(a) As soon as practicable after the Closing, the Buyer shall prepare or cause to be prepared a written statement setting forth the allocation of the consideration deemed to have been paid for federal income tax purposes by the Buyer to the Seller pursuant to this Agreement (the "Tax Consideration") among the Transferred Assets (the "Initial Allocation") and shall deliver a copy of such written statement to the Seller. If any increase or decrease in the amount of the Tax Consideration occurs after the Initial Allocation has become final and binding on the Seller and the Buyer pursuant to this Section 2.8, the Buyer shall prepare or cause to be prepared a written statement setting forth the allocation of such increase or decrease among the Transferred Assets ("Adjustment Allocation") and shall deliver a copy of such written statement to the Seller. The Initial Allocation and any Adjustment Allocation shall be determined in accordance with Section 1060 of the Code.

(b) For federal income tax purposes (including, without limitation, the Buyer's and the Seller's compliance with the reporting requirements of Section 1060 of the Code), all parties hereto hereby agree to use the Initial Allocation and all Adjustment Allocations prepared by Buyer pursuant to this Section 2.8 and to cooperate in good faith with each other in connection with the preparation and filing of any information required to be furnished to the Internal Revenue Service under Section 1060 of the Code (including, without limitation, Section 1060(b) and (e) of the Code) and any applicable regulations thereunder.

SECTION 2.9. Closing.

Subject to the satisfaction or waiver of the conditions precedent contained in Articles VIII and IX hereof, the closing of the transactions contemplated by this Agreement (the "Closing") shall take place in Guam at [9:00 a.m.] _____ time on the date which is ten (10) days after the receipt of all required consents of the FCC by Final Order (or upon grant of all such consents if Buyer waives the requirement for a Final Order) at the offices of _____ or such other place and date as the Parties may mutually determine in writing (the "Closing Date").

ARTICLE III. ASSUMPTION OF LIABILITIES.

SECTION 3.1. Limitation on Assumption of Liabilities.

Except as specifically set forth in Section 3.2 hereof, and subject to Section 5.6 hereof, the Seller shall transfer the Transferred Assets to the Buyer on the Closing Date free and clear of all Liens other than Permitted Liens. Except for the Scheduled Liabilities, the Seller shall remain responsible for the discharge all of the liabilities, debts and obligations, whether known or unknown, now existing or hereafter arising, contingent or liquidated that affect or otherwise relate to the Business or the Transferred Assets (the "Retained Liabilities"), and the Buyer shall not assume or in any way be liable or responsible for any of such Retained Liabilities by virtue of its purchase of the Transferred Assets or otherwise. Without limiting the generality of the foregoing, the Retained Liabilities shall include the following:

- (a) any liability or obligation of the Seller arising out of or in connection with the negotiation and preparation of this Agreement and the consummation and performance of the transactions contemplated hereby, whether or not such transactions are consummated;
- (b) any liability (other than with respect to the Assumed Liabilities) to which any of the Parties may become subject as a result of the fact that the transactions contemplated by this Agreement are being effected without compliance with the bulk sales provisions of the Uniform Commercial Code as in effect in Guam or any similar statute as enacted in Guam; and
- (c) any liability of the Seller for borrowed money, other than the Assumed Liabilities.

SECTION 3.2. Assumption of Certain Liabilities.

The Buyer covenants and agrees that on the Closing Date it shall execute and deliver to the Seller an Assignment and Assumption Agreement in substantially the form of Exhibit 3.2 hereto (the "Assumption Agreement"), pursuant to which it will assume and agree to perform and discharge the following debts, liabilities and obligations of the Seller (the "Assumed Liabilities"):

- (a) All of the Seller's trade accounts payable (being maintained by Seller consistent with its past practices) arising out of the operation of the Business in the Ordinary Course of Business which (i) are reflected on the Seller's books and records as of the Closing Date and (ii) remain unpaid as of the opening of business on the Closing Date;
- (b) All debts, liabilities and obligations of the Seller arising under the Operating Contracts which are listed on Schedule 5.10;
- (c) The Seller's obligation to provide fixed and/or wireless telephone and related services to its subscribers or to resellers following the Closing Date in accordance with the Subscriber Contracts or arrangements with resellers in effect on and after the Closing Date that were entered into in the Ordinary Course of Business;
- (d) All liabilities and obligations of the Seller for the Assigned Leases and Easements accruing after the Closing Date;
- (e) All liabilities and obligations of the Seller under the RUS Debt Agreements as set forth on Schedule 3.2(e) (subject to RUS approval and RUS' terms and conditions with respect to such assumption);
- (f) The Microwave Clearing Debt, as set forth on Schedule 3.2(f) and the Future Microwave Clearinghouse Debt; and
- (g) The Employee Accruals.

**ARTICLE IV.
TITLE AND RISK OF LOSS.**

SECTION 4.1. Title and Risk of Loss.

(a) The Seller shall bear all costs and expenses and assume and bear all risk of loss, damage or destruction of or to the Transferred Assets until title thereto is passed to the Buyer at the Closing.

(b) If, after the date of this Agreement, but prior to the Closing Date, any material tangible Transferred Assets shall have suffered, sustained or incurred any loss, damage or destruction, and the Seller shall not have elected, at its sole option and expense, to wholly repair or replace, and have not repaired or replaced the Transferred Assets which suffered, sustained or incurred the loss, damage or destruction on or before the Closing Date with assets which are nearly identical as practicable in value, form and function, the Seller shall:

(i) assign and transfer to the Buyer and the Buyer shall be entitled to receive all insurance proceeds (including any business interruption insurance proceeds relating to periods following the Closing) and other compensation collected by reason of such loss, damage or destruction, together with any rights to receive any uncollected insurance proceeds or other compensation relating to such loss, damage or destruction, and the Purchase Price shall be reduced by an amount equal to the sum of the aggregate amount of any applicable deductibles under any insurance policies covering the lost, damaged or destroyed Transferred Assets plus any self-insured retentions; or

(ii) reduce the Purchase Price by an amount equal to the lesser of the cost of repair, or the replacement cost of the Transferred Asset, in which event the right to such insurance proceeds identified in clause (i) above shall be retained by the Seller; or

(iii) utilize alternatives (i) and (ii) concurrently but not with respect to any single Transferred Asset.

If the Seller assigns such insurance proceeds and other compensation and any other rights thereto to the Buyer pursuant to the alternative in clause (i) above, then the Seller shall be released from any and all liability or responsibility with respect to such loss, damage or destruction, but shall reasonably cooperate with the Buyer, at no cost or expense to the Buyer, in collecting all insurance proceeds and other compensation with respect thereto. For purposes of this Section 4.1, a material Asset is an Asset with a book value greater than One Hundred Thousand Dollars (\$100,000.00).

**ARTICLE V.
REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SELLER.**

The Seller represents and warrants to the Buyer that the statements contained in this Article V are true, correct and complete as of the Agreement Date, except with respect to certain representations and warranties set forth below as may be set forth in the disclosure schedules that

specifically qualify such representations and warranties and which have been delivered by the Seller to the Buyer prior to the Agreement Date, true, correct and complete copies of which are attached hereto (the “Disclosure Schedules”).

SECTION 5.1. Organization, Qualification and Corporate Power.

The Seller is an autonomous agency of the Government of Guam and is duly qualified to conduct business under the laws of each territory, state or jurisdiction in which the nature of its activities or the character and location of its properties which it owns, leases or operates requires such qualification and in which the failure to be so qualified would have a Material Adverse Effect. The Seller has all requisite power and authority to conduct the Business as it is now being conducted and to hold the FCC Licenses.

SECTION 5.2. Authorization of Transaction.

The execution, delivery and performance of this Agreement, including the documents, instruments and agreements to be executed and/or delivered by the Seller pursuant to this Agreement, and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized on the part of the Seller; except that, the obligations of Seller hereunder are conditioned upon and subject to receipt of approval by the Guam Legislature of this Agreement and the agreements and transactions contemplated hereby, and receipt of approval of the FCC and the RUS of certain transactions contemplated hereby (such approvals collectively referred to as the “Government Approvals”). Subject to the Government Approvals or any other condition set forth on Schedule 5.2, the obligations of the Seller under this Agreement are, or will be, upon execution or delivery of such approvals or satisfaction of such conditions, valid and legally binding and enforceable against the Seller, in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws presently or hereafter in effect affecting the enforcement of creditors’ rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity), including, among others, limitations on the availability of equitable remedies. Except as provided in Schedule 5.2, the Seller has full power and authority to sell, assign, transfer, convey and deliver to the Buyer the Transferred Assets and to otherwise perform their obligations under this Agreement and the documents, instruments and agreements to be executed and/or delivered by them pursuant hereto.

SECTION 5.3. Noncontravention.

Except as disclosed in Schedule 5.3, neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby and thereby, will (i) violate any Applicable Law issued, enacted, entered or deemed applicable by any Governmental Entity having jurisdiction over the Seller or any of their respective properties or assets; or (ii) conflict with, result in a violation or breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice or consent under any note, bond, mortgage, indenture, franchise, permit, agreement, contract, lease, license, instrument or other instrument or obligation to which any of the Seller is a party or by which they or any of

their respective properties or assets are bound, or (iii) result in the creation or imposition of any Lien (other than a Permitted Lien) upon any of the Transferred Assets, except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation or failure to give notice or creation or imposition of any Lien, individually or in the aggregate, would not have a Material Adverse Effect or prevent or materially delay the Closing. Except for the Government Approvals and as provided in Schedule 5.3, the Seller is not required to give notice to, file with or obtain authorization, consent or approval of any Governmental Entity in order for the Seller to execute and deliver this Agreement (including the documents, instruments and agreements to be executed and delivered by the Seller pursuant to this Agreement), nor to consummate the transactions contemplated hereby or thereby, except where the failure to give such notice, to file or to obtain such authorization, consent or approval would not have a Material Adverse Effect or prevent or materially delay the Closing.

SECTION 5.4. Financial Statements.

The Seller has furnished to the Buyer true, correct and complete copies of (i) the audited financial statements of the Seller for the fiscal years ended September 30, 1998, 1999 and 2000, consisting of the balance sheet at such dates and the related statements of operations, stockholders' equity and cash flow for said periods, audited by Deloitte Touche, LLP, the Seller's independent public accountants (the "Audited Financial Statements"); and (ii) the unaudited financial statements of the Seller for the nine month period ended June 30, 2001; [and (iii) the unaudited financial statement for the quarter ended [September 30, 2001 and the year ended September 30, 2001], (subsections (ii) [and (iii)] referred to as the "Interim Financial Statements") (the Interim Financial Statements and Audited Financial Statements are collectively referred to as the "Financial Statements"). Schedule 5.4 sets forth the documents included in the Financial Statements. All of the Financial Statements, including the notes thereto, present fairly the financial position and condition of the Seller as of the respective dates and the results of operations for the Seller for the respective periods covered and were prepared in accordance with generally accepted auditing standards (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (GAS) issued by Comptroller General of the United States applied on a consistent basis; provided, however, that the Interim Financial Statements do not contain the notes that may be required under GAAS, are condensed, and are subject to year-end audit adjustments which will be of normal size and type and which will not be, individually or in the aggregate, material. Since [September 30, 2001] (the "Balance Sheet Date"), there have been no material adverse changes in the properties, assets, liabilities, revenues, expenses, operations, financial condition or prospects of the Business taken as a whole from that reflected in the Financial Statements. Except for the Retained Liabilities and debts, liabilities and obligations (i) reflected or reserved against in the Seller's balance sheet on the Balance Sheet Date, (ii) incurred in the Ordinary Course of Business since the Balance Sheet Date, or (iii) described on Schedule 5.4, the Business has no debts, liabilities or obligations of any nature, whether secured, unsecured, known, unknown, accrued, absolute, fixed, contingent or otherwise, whether due or to become due which are material, individually or in the aggregate, except for obligations and liabilities resulting from purchase orders executed between the Balance Sheet Date and the Agreement Date which do not exceed \$[] in the aggregate.

SECTION 5.5. Absence of Changes.

Except as otherwise set forth on Schedule 5.5 and except for the transactions contemplated by this Agreement, and except as may be approved in writing by the Buyer from and after the Agreement Date to the Closing Date, since the Balance Sheet Date (i) the Seller has conducted the Business in the Ordinary Course of Business and has not engaged in any transaction that was not in the Ordinary Course of Business; (ii) except for sales of goods and services in the Ordinary Course of Business, there has been no sale, assignment, transfer, mortgage, pledge, encumbrance or lease of any asset or property of the Seller with an individual value in excess of \$[] or an aggregate value in excess of \$[]; (iii) the Seller has not declared, paid or committed to pay any bonus or increase in any salary, wage, compensation or benefit payable or to become payable to any employee, director or agent of the Seller that was not in the Ordinary Course of Business; (iv) except as set forth on Schedule 5.5(iv), there have been no capital expenditures by the Seller in excess of \$[] individually or \$[] in the aggregate; (v) there has been no change in accounting methods or practices (including, without limitation, any change in depreciation, amortization or cost accounting policies or rates) or revaluation of any asset of the Seller; (vi) the Seller has not suffered, sustained or incurred any material damage, destruction or casualty loss to any properties or assets, whether or not covered by insurance, provided, however, that any such damage, destruction or casualty loss occurring after the Agreement Date shall be governed by the provisions of Section 4.1; (vii) the Seller has not received notice from any subscriber, supplier, vendor, Governmental Entity or any other person or entity which could reasonably be expected to have, give rise to, or result in a Material Adverse Effect (other than notices received from the FCC or Guam regulatory bodies which affect the telecommunications industry generally); (viii) there has been no amendment or termination of any of the Licenses, except in the Ordinary Course of Business; (ix) the Seller has not suffered, sustained or incurred any Material Adverse Effect in the properties, assets, revenues, business, operations, financial condition or prospects of the Seller; (x) Seller has received no notice of material default under any of the Assumed Liabilities; and (xi) there has been no agreement or understanding by the Seller to do any of the foregoing.

SECTION 5.6. Clear Title.

On the Closing Date, the Seller will convey to the Buyer good and marketable title to all of the Transferred Assets, free and clear of any and all Liens, except Permitted Liens .

SECTION 5.7. Inventory.

Except as set forth on Schedule 5.7, all of the Inventory being purchased and sold hereunder consists of items which have been purchased in the Ordinary Course of Business and are consistent with the anticipated requirements of the Business in the reasonable judgment of the Seller and consistent with past practices, and the volume of purchases thereof and of orders therefore have not been reduced or increased in anticipation of the consummation of the transactions contemplated hereby, except to the extent requested in writing by the Buyer.

SECTION 5.8. Intellectual Property.

(a) List of Intellectual Property. Schedule 2.1(a) identifies all Intellectual Property which is used in the Business or in which the Seller claims any rights. All of such Intellectual Property will be transferred to the Buyer on the Closing Date.

(b) **Ownership of Intellectual Property.** The Seller is the owner of, or is duly licensed to use, the Intellectual Property, and the Intellectual Property exists and has been maintained in good standing. To the Knowledge of the Seller, the operations of the Business and the possession or use in the Business of any of the Transferred Assets, including the Intellectual Property, does not infringe any Intellectual Property rights of another, and the Seller does not know of any asserted claims of infringement. Except as set forth on Schedule 5.8(b), the Seller has not entered into any agreements, contracts or licenses that would impair its right to transfer its rights in and to the Intellectual Property to the Buyer, and the Seller has, to its knowledge, no reason to believe that any of its rights in and to the Intellectual Property is, or is claimed to be, invalid.

(c) **Software.** Schedule 2.1(r) contains a list of all Software, all of which will be transferred to the Buyer on the Closing Date; provided, however, that with respect to off-the-shelf shrink-wrapped Software, the Seller only represents and warrants that such Software will be transferable to the extent provided in the licenses to such Software. The Sellers currently license, or otherwise have the legal right to use, all of the Software.

SECTION 5.9. Leases / Easements / Real Property.

Schedule 5.9 contains a list of all leases, licenses relating to real property, easements and rights of way pursuant to which the Seller leases, as lessor or lessee, or is otherwise authorized to use real or tangible personal property in operating the Business or otherwise (the "Leases"), true, correct and complete copies of which have previously been provided to the Buyer. All of the Leases are valid, binding and enforceable against the Seller and against the other parties thereto, in accordance with its respective terms, and under any such Lease, there is no existing default by the Seller, or by any other party thereto, or any condition or event that, with notice or lapse of time or both, would constitute a default. The Seller has not received notice that the lessor of any of the Leases intends to cancel, suspend or terminate such Lease or to exercise or not exercise any option thereunder. For purposes of inclusion on Schedule 5.9, a lease shall be deemed material if: (i) it is a lease for, relating to, or in connection with, Real Property, equipment on any transmission tower used by the Seller or equipment used by the Seller for its network operations including, without limitation, all leases for switches; or (ii) it relates to tangible personal property and requires the payment by or to the Seller of \$[] or more during any twelve (12) month period.

SECTION 5.10. Operating Contracts and Subscribers Contracts.

Schedule 5.10 contains a list of (i) all material Operating Contracts to which the Seller is party (in their own names or as a successor in interest), or by which they or any of their properties or assets are otherwise bound, and (ii) all Contracts which require aggregate annual payments by any party thereto in excess of \$[] or expire automatically or with notice more than one year after the Agreement Date (collectively the "Material Contracts"). The Seller has previously made available to Buyer true, correct and complete copies of the Contracts listed on Schedule 5.10 to the Buyer. All of the Material Contracts and Subscriber Contracts were made in the Ordinary Course of Business, are valid and binding and are currently in full force and effect. The Seller is not in default in any material respect under any of the Material Contracts or Subscriber Contracts, and except as set forth in Schedule 5.10, no event has occurred which,

through the passage of time or the giving of notice, or both, would constitute a default or give rise to a right of termination or cancellation under any of the Material Contracts or Subscriber Contracts, or cause the acceleration of an obligation of the Seller, or result in the creation of any Lien (other than a Permitted Lien) upon any of the Transferred Assets. To the Knowledge of the Seller, no other party is in default under any of the Material Contracts nor has any event occurred which, through the passage of time or the giving of notice, or both, would constitute a default or give rise to a right of termination or cancellation under any of the Material Contracts, or cause the acceleration of any obligation owed to the Seller. Except as provided in Schedule 5.10, all of the Material Contracts are assignable to and assumable by the Buyer without the consent or approval of any person or entity. All Subscriber Contracts are assignable to the Buyer without the consent of the subscriber.

SECTION 5.11. Seller Litigation.

Except as set forth on Schedule 5.11, there are no claims, demands, suits, actions, investigations or proceedings at law or in equity which are pending or, to the Knowledge of the Seller, threatened, against or affecting the Seller, the Transferred Assets or the Business, before or by any court, Governmental Entity or other person or entity wherein an unfavorable decision, ruling or finding could, individually or in the aggregate, have a Material Adverse Effect or impair the ability of the Seller to consummate the transactions contemplated hereby, nor is the Seller party to or subject to the provisions of any writ, ruling, award, executive order, directive, requirement, injunction (whether temporary, preliminary or permanent), judgment, decree or other order issued, enacted, entered or deemed applicable by any court or other Governmental Entity which could, individually or in the aggregate, have a Material Adverse Effect or impair the ability of the Seller to consummate the transactions contemplated hereby.

SECTION 5.12. Employee Benefit Plans; Labor Relations.

(a) Schedule 5.12(a) includes a complete and accurate list of all Benefit Plans. The Seller has delivered to the Buyer, as to each Benefit Plan, a complete and accurate copy of (a) each plan, agreement or arrangement listed, (b) the trust, insurance contract group annuity contract or other document which provides the funding for or benefits under the plan, agreement or arrangement, (c) if required by ERISA or the Code to be prepared, the most recent annual Form 5500, 990 and 1041 reports, (d) if required by ERISA to be prepared, the most recent actuarial report or valuation statement, (e) the most current summary plan description, booklet, or other descriptive written materials, and each summary of material modifications prepared after the last summary plan description.

(b) Except as disclosed on Schedule 5.12(b): (i) all Benefit Plans that are subject to ERISA have been administered in accordance with, and are in material compliance with, the applicable provisions of ERISA; (ii) no Benefit Plan is subject to Title IV of ERISA or Section 412 of the Code and (iii) the Seller has not engaged in any nonexempt "prohibited transactions", as such term is defined in Section 4975 of the Code or Section 406 of ERISA, involving the Benefit Plans that would subject the Seller to the penalty or tax imposed under Section 502(i) of ERISA or Section 4975 of the Code. The Seller has not engaged in any transaction described in Section 4069 of ERISA within the last five (5) years. Except as set forth on Schedule 5.12(a), neither the execution and delivery of this Agreement nor the consummation

of the transactions contemplated hereby will (i) result in any payment (including severance, unemployment compensation or golden parachute) becoming due to any director, officer or other employee of the Seller, or (ii) increase any benefit otherwise payable under any Benefit Plan or result in the acceleration of the time of payment or vesting of any such benefit, which would require the Buyer or any of the Buyer's shareholders to make additional contributions to any Benefit Plan. In addition and except as disclosed on Schedule 5.12(b), the Seller makes the following representations as to all employee pension benefit plans of the Seller: (1) the Seller has not become liable under Section 4062, 4063 or 4064 of ERISA under which a Lien could attach to the assets of the Seller under Section 4068 of ERISA; (2) the Seller has not ceased operations at a facility so as to become subject to the provisions of Section 4062(e) of ERISA; and three (3) all group health plans maintained by the Seller has been operated in compliance with Section 4980B of the Code.

(c) No notice of a "reportable event," within the meaning of Section 4043 of ERISA, for which the thirty (30) day reporting requirement has not been waived, has been required to be filed for any Benefit Plan that is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA and that is intended to meet the requirements of Section 401(a) of the Code, or by any entity that is considered one (1) employer with the Seller under Section 4001 of ERISA or Section 414 of the Code, within the twelve (12) month period ending on the Closing Date. The Seller has not incurred any liability to the Pension Benefit Guaranty Corporation in respect of any Benefit Plan that remains unpaid.

(d) There are no pending or, to the Knowledge of the Seller, threatened labor disputes, disturbances, claims, grievances, arbitrations or other proceedings of any character with respect to the Business, the Benefit Plans listed in Schedule 5.12(a) or the employees of the Seller who are listed on Schedule 5.19 (collectively, the "Employees"), which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(e) The Seller is not party to any collective bargaining agreement and is not obligated to contribute, currently or as a result of any withdrawal, with respect to any pension or health or welfare fund pursuant to any collective bargaining agreement or otherwise. No collective bargaining agent has been certified as a representative of any of the employees of the Seller; and no representation campaign or election is now in progress with respect to any employee of the Seller.

(f) In addition, and not as a limitation of the foregoing, the parties agree that with respect to all group health plans maintained by the Seller, the Seller shall be solely responsible for compliance with the continuation coverage requirements (including any required benefit payments, penalties, excise taxes or interest resulting from the failure to provide continuation coverage) of Section 4980B of the Code, Sections 601-608 of ERISA and any Applicable Laws issued by the Government of Guam under these statutes, due to Qualifying Events (within the meaning of Section 4980B(f)(3) of the Code and Section 603 of ERISA) affecting any current or former employee who performed services for the Seller and any qualified beneficiary related to such employee or former employee (as defined in Section 4980B(g)(1) and Section 607(3) of ERISA) which occur on or before Closing Date or which occur in connection with the transactions contemplated in this Agreement. On and after the Closing Date, Seller shall continue to comply with the continuation coverage requirements with respect to all Qualifying

Events affecting any current or former employee of Seller and any qualified beneficiary of such employee or former employee which Qualifying Events occurred prior to or on the Closing Date.

SECTION 5.13. Taxes.

Seller, as an autonomous agency of the Government of Guam, has not been subject to taxation on its income, activities or properties by the Government of Guam, the United States Government or the Government of any State of the United States.

SECTION 5.14. Compliance with Applicable Laws.

(a) Except as set forth in Schedule 5.14(a), the Seller holds all Licenses required by any Governmental Entity in order for the Seller to own, lease or operate all of the assets and properties related to the Business and to carry on the Business as presently conducted. The Business has been operated, and the Seller's assets and properties have been used in compliance with all Applicable Laws except where failure to comply would not have a Material Adverse Effect on the Business.

(b) All of the Seller's FCC Licenses and authorizations are listed on Schedule 2.1(g). Any other Licenses, the failure of which to obtain or maintain would have a Material Adverse Effect on the Business, are listed on Schedule 5.14(a). The Seller has not received any actual notice of, and has no reasonable basis to anticipate that any presently existing circumstances are likely to result in, any violation of any Applicable Laws, except such violations as would not have a Material Adverse Effect.

SECTION 5.15. Environmental Matters.

The Seller hereby warrants and represents to the Buyer that, except as set forth on Schedule 5.15, the Real Property is in compliance with all Environmental Laws and all laws and ordinances relating to occupational health and safety. Except as set forth on Schedule 5.15, to Seller's Knowledge (a) there has not been incorporated into the Real Property, and the Real Property does not contain, any asbestos products, urea-formaldehyde, and other building products which are known to be harmful or injurious to human health or constitute Hazardous Substances; (b) no underground storage tanks ("USTs") exist on the Real Property; and (c) all closure requirements for such former USTs, if any, have been fulfilled.

SECTION 5.16. Insurance.

The Seller has in effect the insurance described in Schedule 5.16, which insurance covers those Transferred Assets which are tangible personal property, whether owned or leased, against loss or damage by fire or other casualty, in amounts equal to or in excess of [one hundred percent (100%)] of the replacement cost thereof, except for vehicles which are not covered for full replacement cost. The Seller has promptly and adequately notified the Seller's insurance carriers of any and all claims known to the Seller with respect to the operations or products of the Seller for which the Seller is insured.

SECTION 5.17. Seller's Brokers' Fees.

Except as set forth in Schedule 5.17 hereto, the Seller has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement. The Seller agrees that they shall hold the Buyer harmless for any such fees and commissions after Closing.

SECTION 5.18. Books and Records.

All of the books of account and other financial and business records of the Seller relating to the Business have been made available to the Buyer and its representatives. To Seller's Knowledge, such books of account and records are current, complete, true and correct in all material respects and reflect in all material respects all items of income and expense with respect to the Business and all assets, liabilities and accruals with respect to the Business in accordance with GAAS, consistently applied.

SECTION 5.19. Employees.

Schedule 5.19 contains a list of the names, positions, dates of hire, annual salaries or hourly wage rates and severance benefits as of the date hereof of all the classified employees of Seller ("Employees") (including those on extended or other sick leave, furlough or leave of any kind) together with a statement of their respective annual salaries or hourly wage rates for the current calendar year. Schedule 5.19 also sets forth a description of any written agreement with respect to the conditions of employment of any of the Employees, including all Employee Contracts, but not including the Benefit Plans described on Schedule 5.12(a) hereto. At Closing, Schedules 5.19 and 5.12(a) will be updated to include all such information as of the Closing Date.

SECTION 5.20. Licenses.

(a) Except as set forth in Schedule 5.20, the ownership of the Transferred Assets and the operation of the Business by the Seller are not subject to regulation or supervision by any applicable state public utilities commission or other similar state governmental instrumentality. All of the FCC Licenses are valid and in full force and effect. "Full force and effect" as used in this Section 5.20 with respect to the FCC Licenses means (i) the order or orders issuing the FCC License have become effective under FCC Rules; (ii) the FCC Licenses contain no conditions that would have a Material Adverse Effect on the Business' operations other than those appearing on the face of the FCC Licenses themselves and those imposed by the FCC on the wireless telecommunications industry generally; (iii) no stay of effectiveness of any orders granting the FCC License has been issued; and (iv) the FCC Licenses have not expired by their own terms and have not been invalidated by any subsequent action of the FCC.

(b) Except as set forth in Schedule 5.20, the Seller is not party to or bound by any agreement relating in any manner to any of the Licenses. Except for proceedings affecting the communications services industry generally, there is not pending, nor to the Knowledge of the Seller threatened, against any of the Seller or against the FCC Licenses, any application, action, petition, objection or other pleading, or any proceeding with the FCC which would reasonably be expected to adversely affect the Buyer's ability to employ the FCC Licenses after the Closing. The Seller has complied with the terms of each of the Licenses and except as set forth in

Schedule 5.20, there are no pending modifications, amendments or actions to return, dismiss or revoke any of the FCC Licenses. All fees of the Seller due and payable to Governmental Entities pursuant to or by reason of the FCC Licenses have been paid, and all reports required of the Seller to be filed with any Governmental Entities in connection with the FCC Licenses and the operation of the Business have been filed and are accurate and complete except where the failure to pay such fees or file such reports would not have a Material Adverse Effect on the Business.

SECTION 5.21. Absence of Other Warranties.

The representations and warranties made by the Seller in this Agreement are in lieu of all other representations and warranties, including without limitation any implied warranties. Notwithstanding the foregoing, all representations and warranties set forth in any other agreement, document or certificate executed in connection with this Agreement shall be fully effective and unaffected by the preceding sentence.

ARTICLE VI. REPRESENTATIONS AND WARRANTIES OF THE BUYER.

The Buyer represents and warrants to the Seller that the statements contained in this Article VI are true, correct and complete as of the Agreement Date.

SECTION 6.1. Organization, Qualification and Corporate Power.

The Buyer is a corporation duly organized, validly existing and in good standing under the laws of []. The Buyer has full corporate power and authority to own, operate and lease its properties and assets and to carry on its business as presently conducted. The Buyer is duly qualified to do business and is in good standing as required on Guam and in each jurisdiction in which it conducts of its business and in which its property is located.

SECTION 6.2. Financing.

The Buyer has furnished to the Seller true, correct and complete copies of (i) the audited financial statements of the Buyer for the fiscal years ended _____, 1998, 1999 and 2000, consisting of the balance sheet at such dates and the related statements of operations, stockholders' equity and cash flow for said periods, audited by [] the Buyer's independent public accountants (the "Buyer's Audited Financial Statements"); (ii) the unaudited financial statements of the Buyer for the ___ month period ended [September 30, 2001]; and (iii) the unaudited financial statement for the quarter ended [September 30, 2001], (subsections (ii) and (iii) referred to as the "Buyer's Interim Financial Statements") (the Interim Financial Statements and Audited Financial Statements are collectively referred to as the "Buyer's Financial Statements"). Schedule 6.2 sets forth the documents included in the Buyer's Financial Statements. All of the Buyer's Financial Statements, including the notes thereto, present fairly the financial position and condition of the Buyer as of the respective dates and the results of

operations for the Buyer for the respective periods covered and were prepared in accordance with GAAP applied on a consistent basis; provided, however, that the Buyer's Interim Financial Statements do not contain the footnotes required by GAAP, are condensed and are subject to year-end audit adjustments which will be of normal size and type and which will not be, individually or in the aggregate, material. The Buyer possesses, and has furnished to the Seller, true and complete copies of [certification from a financial institution of the Buyer's financial resources available for this transaction] [binding written commitments (which do not include the economic terms of such commitments) from financially responsible lenders] [and/or] [subscription agreements from equity investors] (the "Financing Commitments"), reasonably satisfactory in form and substance to the Seller, to provide the Buyer with the financial resources that will be required in order to perform its obligations under this Agreement and to perform and consummate the transactions contemplated hereby.

SECTION 6.3. Authorization of Transaction.

The execution, delivery and performance of this Agreement and the other Transaction Agreements by Buyer, and the consummation of the transactions contemplated hereby and thereby have been duly authorized and approved by the Buyer's board of directors [or managers if LLC]. The Buyer has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement and the documents, instruments and agreements to be executed and delivered by the Buyer pursuant to this Agreement are, or upon such execution and delivery will be, valid and legally binding obligations of the Buyer, enforceable in accordance with their respective terms and conditions, except as such enforcement may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws presently or hereafter in effect affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity), including, among others, limitations on the availability of equitable remedies.

SECTION 6.4. Noncontravention.

Neither the execution and the delivery of this Agreement or any other of the Transaction Agreements, nor the consummation of the transactions contemplated hereby and thereby, will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge or other restriction of any Governmental Entity to which the Buyer is subject or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice or consent under any agreement, contract, lease, license, instrument or other arrangement to which the Buyer is a party or by which it is or will be bound or to which any of its assets are or will be subject (or result in the imposition of any Lien upon any of its assets), except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice or Lien would not have a materially negative impact on the Buyer. Without limiting the foregoing, the Buyer represents that it is an Eligible Assignee of the FCC Licenses and will maintain such status at the Closing. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any provision of the charter or bylaws of the Buyer. Except for the approval of the Guam Legislature to the Transaction Agreements, the approval of the FCC to the assignment of the FCC Licenses,

the approval of RUS to the assignment of the RUS Debt, and the approval of the Public Utilities Commission of Guam, the Buyer is not required to give any notice to, file with or obtain authorization, consent or approval of any Governmental Entity in order for the Buyer to perform its obligations under this Agreement, except where the failure to give such notice, to file or to obtain such authorization, consent or approval would not have a materially negative impact on the Buyer or would not prevent or delay the Closing.

SECTION 6.5. Full Disclosure.

No representation or warranty made by the Buyer in this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein and therein not misleading. All written materials provided by or on behalf of the Buyer to the Seller or their agents or employees in connection with the subject matter of this Agreement, including information concerning Buyer's telecommunications expertise and experience, financial resources and labor relations history, have in each case been true, correct and complete in all material respects.

SECTION 6.6. Buyer's Brokers' Fees.

Except as set forth in Schedule 6.6 hereto, The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

SECTION 6.7. Evaluation of Business.

The Buyer has made its own independent evaluation of the Business, the Transferred Assets and the Assumed Liabilities and, except as expressly set forth in this Agreement, Buyer, is not relying on any oral or written representations or disclosures by Seller, including representations as to the value of the Transferred Assets, the projected operating or other financial results from, and the legal and regulatory environment relating to the operation of the Business or the Assumed Liabilities or any representation or disclosure set forth in the RFP.

SECTION 6.8. Buyer Litigation.

Except as set forth on Schedule 6.8, there are no claims, demands, suits, actions, investigations or proceedings at law or in equity which are pending or, to the Knowledge of the Buyer, threatened, against or affecting the Buyer, the Transferred Assets, the Assumed Liabilities or the Business, before or by any court, Governmental Entity or other person or entity wherein an unfavorable decision, ruling or finding could, individually or in the aggregate, have a Material Adverse Effect or impair the ability of the Buyer to consummate the transactions contemplated hereby, nor is the Buyer party to or subject to the provisions of any writ, ruling, award, executive order, directive, requirement, injunction (whether temporary, preliminary or permanent), judgment, decree or other order issued, enacted, entered or deemed applicable by any court or other Governmental Entity which could, individually or in the aggregate, have a Material Adverse Effect or impair the ability of the Buyer to consummate the transactions contemplated hereby.

SECTION 6.9. Employee Benefit Plans; Labor Relations.

(a) Schedule 6.9(a) includes a complete and accurate list of all Buyer Benefit Plans for which the Hired Employees (as defined below) will be eligible. The Buyer has delivered to the Seller, as to each Buyer Benefit Plan, a complete and accurate copy of (a) each plan, agreement or arrangement listed, (b) the trust, insurance contract group annuity contract or other document which provides the funding for or benefits under the plan, agreement or arrangement, (c) if required by ERISA or the Code to be prepared, the most recent annual Form 5500, 990 and 1041 reports, (d) if required by ERISA to be prepared, the most recent actuarial report or valuation statement, (e) the most current summary plan description, booklet, or other descriptive written materials, and each summary of material modifications prepared after the last summary plan description, (f) the most recent IRS determination or exemption letter and all rulings or determinations requested from the IRS subsequent to the date of that determination or exemption letter, (g) all other correspondence received from or sent to the IRS or the Department of Labor which relates to one (1) or more of the plans, agreements or arrangements listed on Schedule 6.9(a), and any correspondence, including determination letters or exemption letters, received from the U.S. Government which relates to one or more of the plans, agreements or arrangements listed on Schedule 6.9(a).

(b) All Buyer Benefit Plans that are subject to ERISA have been administered in accordance with, and are in material compliance with, the applicable provisions of ERISA. No Buyer Benefit Plan is subject to Title IV of ERISA or Section 412 of the Code. The Buyer has not engaged in any nonexempt “prohibited transactions”, as such term is defined in Section 4975 of the Code or Section 406 of ERISA, involving the Buyer Benefit Plans that would subject the Seller to the penalty or tax imposed under Section 502(i) of ERISA or Section 4975 of the Code. The Buyer has not engaged in any transaction described in Section 4069 of ERISA within the last five (5) years. All group health plans maintained by the Buyer have been operated in compliance with Section 4980B of the Code.

(c) No notice of a “reportable event,” within the meaning of Section 4043 of ERISA, for which the thirty (30)-day reporting requirement has not been waived, has been required to be filed for any Buyer Benefit Plan that is an “employee pension benefit plan” within the meaning of Section 3(2) of ERISA and that is intended to meet the requirements of Section 401(a) of the Code, or by any entity that is considered one (1) employer with the Buyer under Section 4001 of ERISA or Section 414 of the Code, within the twelve (12) month period ending on the Closing Date.

(d) There are no pending or, to the Knowledge of the Buyer, threatened labor disputes, disturbances, claims, grievances, arbitrations or other proceedings of any character with respect to the Buyer’s business or the Buyer Benefit Plans listed in Schedule 6.9(a), which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(e) The Buyer is not party to any collective bargaining agreement and is not obligated to contribute, currently or as a result of any withdrawal, with respect to any pension or health or welfare fund pursuant to any collective bargaining agreement or otherwise. No collective bargaining agent has been certified as a representative of any of the employees of the Buyer; and no representation campaign or election is now in progress with respect to any employee of the Buyer.

**ARTICLE VII.
PERFORMANCE BY THE SELLER PENDING CLOSING.**

On the terms and subject to the conditions set forth in this Agreement, the Seller covenants and agrees that, from and after the Agreement Date and until the earlier of the Closing Date or the termination of this Agreement in accordance with Article X hereof:

SECTION 7.1 Notices and Consents.

As soon as reasonably practicable and in any event on or before the Closing Date, unless otherwise indicated on Schedule 5.3 hereto, the Seller, with the Buyer's reasonable cooperation, will use its commercially reasonable efforts to obtain or cause to be obtained all of the consents and approvals of all necessary persons and entities to the assignment and transfer to the Buyer of all of the Transferred Assets and all of the Assigned Leases and Easements, including the Material Contracts listed on Schedule 5.10 and the Licenses, herein provided to be sold, assigned and transferred to the Buyer, including the consents and approvals listed on Schedule 5.3 hereto.

SECTION 7.2 Operation of Business.

Except as described on Schedule 7.2 hereof, from the Agreement Date until the Closing Date, the Seller will not engage in any practice, take any action or enter into any transaction outside the Ordinary Course of Business. For purposes of this Agreement, an action taken by the Seller will be deemed to have been taken in the "Ordinary Course of Business" only if:

- (a) such action is consistent with the past practices of the Seller and is taken in the ordinary course of the normal day-to-day operations of the Seller;
- (b) such action related exclusively to the Retained Liabilities; and
- (c) such action is similar in nature and magnitude to actions customarily taken, without any authorization by the board of directors (or by any Person or group of Persons exercising similar authority), in the ordinary course of the normal day-to-day operations and by other Persons that are in the same line of business as the Seller.

SECTION 7.3. Employee Matters.

Except increases described on Schedule 7.3 hereto and (generally consistent with past practices) promotions and annual raises and adjustments, the Seller shall not, without the prior written consent of the Buyer, grant any general or uniform increase in the salaries or rate of pay to any of the Employees, grant any increase in any benefits or establish, adopt, enter into, make any new grants or awards under, or amend any collective bargaining, employment, bonus, profit-sharing, deferred compensation, severance, pension, retirement, disability, medical, dental, health or life insurance, death benefit, incentive or other compensation or retirement plan for the benefit of such Employees.

SECTION 7.4. Access to Seller Operations.

At the request of the Buyer, the Seller shall give or cause to be given to the Buyer, its officers, employees, counsel, accountants, and other representatives, upon Buyer's reasonable prior written request of the Seller and for the purpose of coordinating the transition of the Business from the Seller to the Buyer and related matters, reasonable access at reasonable times during normal business hours (or outside normal business hours if approved by the Seller) to the Business at the Buyer's expense, the properties, assets and books and records of the Seller reasonably relating to the Business (excluding documents relating to negotiation of the Transaction Agreements), and the Seller shall furnish or cause to be furnished to the Buyer, its officers, employees, counsel, accountants and other representatives such information with respect to the Business, the Transferred Assets and/or the Assumed Liabilities as any of them may reasonably request. In addition, the Buyer may, at its sole cost and expense, at any time prior to the Closing Date, through its officers, employees, counsel, accountants and other representatives, conduct such investigations and examinations of the Transferred Assets and/or the Assumed Liabilities as it deems necessary or advisable, and the Seller shall cooperate in such investigations.

SECTION 7.5. Insurance.

The Seller will maintain in full force and effect the insurance coverages described on Schedule 5.16 or substantially comparable to coverages for the Transferred Assets as that described in Schedule 5.16.

SECTION 7.6. Control.

Nothing in this Agreement is intended to transfer to Buyer prior to the Closing control over or responsibility for the Business, the Transferred Assets or the Assumed Liabilities.

**ARTICLE VIII.
MUTUAL COVENANTS AND CONDITIONS
PRECEDENT TO OBLIGATIONS.**

SECTION 8.1. Regulatory Matters and Approvals.

Each of the Parties will give any notices to, make any filings with, and use its commercially reasonable best efforts to obtain any authorizations, consents and approvals of Governmental Entities in connection with the transactions contemplated by this Agreement. Without limiting the generality of the foregoing:

(a) Guam Legislature Approval. The Buyer acknowledges that a prerequisite of Closing hereunder is the approval of the Guam Legislature of this Agreement and the transactions contemplated hereby, and that failure to receive such approval on or before _____, 2002 will result in the termination of this agreement. Buyer agrees to cooperate with the Guam Legislature's review of this transaction, and upon Seller's request, to appear before and provide information to the Guam Legislature in connection therewith.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement as of the day, month and year first above written.

BUYER:

By: _____

Its: _____

SELLER:

GUAM TELEPHONE AUTHORITY

By: _____

Its: _____

ESCROW AGENT:

[_____]BANK

By: _____

Its: _____

APPENDIX L.
Employment Agreement.

THIS AGREEMENT (this "Agreement") is made as of _____, 200_ by and between _____, a _____ corporation (the "Company") and _____ ("Employee").

WHEREAS, the Company is the purchaser of the assets of the Guam Telephone Authority ("GTA") and will operate the business of GTA; and

WHEREAS, Employee worked for GTA as a full time employee at the time of the Company's purchase of GTA's assets; and

WHEREAS, the Company desires to employ Employee, and Employee desires to accept such employment, subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Employment.** Company hereby employs Employee, and Employee hereby accepts such employment and agrees to perform the duties and responsibilities commensurate with [his] [her] job position identified in Attachment A to this Agreement.
2. **Compensation.** For services rendered by the Employee, Employee shall receive the salary and benefits described in Attachment A, subject to the Company's applicable policies and procedures described in Attachment B to this Agreement.
3. **Employment Changes.** Attachment A and Attachment B shall be modified immediately to reflect changes in Employee's salary and benefits, or in the Company's policies and procedures (as applicable):
 - A. in the event the Employee accepts a different position with the Company than the position identified on Attachment A, and the salary and/or benefits associated with that new position are different than what is described in Attachment A or B;
 - B. to the extent accepted by Employee, in the event the Company offers expansion or upgrade benefits to Company employees generally, or to employees in similar pay and responsibility grades as Employee (whether in the form of cost of living or similar general salary increase), or the Company modifies its policies or procedures; and
 - C. in the event changes to salary, benefits, polices or procedures are required by law.
4. **Termination.** This Agreement commences as of the date set forth above and shall continue for a period of five (5) years thereafter, unless terminated earlier as permitted under

this Agreement. Specifically, this Agreement may be terminated before the expiration of the five (5) year term, as follows:

A. Resignation; Voluntary Termination. This Agreement shall terminate upon the Employee's resignation, retirement or other voluntary termination of [his] [her] employment with the Company.

B. Disability. In the event that Employee is unable to perform [his] [her] duties and responsibilities due to permanent disability, as defined in the Company's policies and procedures or as defined under Guam or U.S. Federal law, this Agreement may be terminated by the Company upon fifteen (15) days' prior written notice; and thereafter Employer shall have no further liability or obligation to Employee except that Employee shall be entitled to receive any payments as prescribed under any disability benefits plan which may be in effect for Employee. Pre-existing conditions, developed while a GTA employee, shall not be used as a basis for terminating employees under this clause.

C. Death. This Agreement shall terminate upon the death of Employee, and thereafter Company shall have no liability or obligation to Employee (or to his heirs or estate) except for salary and benefits earned by Employee prior to Employee's death and except as prescribed in the event of death under the terms of any applicable benefit plans.

D. Termination for Cause. The Company may terminate this Agreement for "cause" upon fifteen (15) days' prior written notice. For purposes of this Agreement, "cause" shall mean (i) the material failure of Employee to perform his duties under this Agreement (other than by reason of illness, injury or incapacity) or (ii) dishonesty, fraud, knowing violation of the law in performance of employment duties or material misconduct, or (iii) the conviction of Employee of, or a plea of "guilty" or "no contest" to, a felony or any crime involving moral turpitude, or (iv) the use of illegal drugs or habitual insobriety on the part of Employee during working hours.

5. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with Federal and local laws.

6. No Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. The Employee may not assign this Agreement.

7. Changes and Modifications. This Agreement cannot be changed, amended or modified except in writing duly signed by the Employee and the Company, except that, unless the Company and Employee mutually agree otherwise, changes under Section 3(a) shall be effective on the date the Employee begins [his] [her] new position, changes under Section 3(b) shall be effective as of the date the Company implements increases in salary or benefits, as applicable, and changes under Section 3(c) shall be effective as required by law.

8. **Entire Agreement.** This Agreement and the Attachments to this Agreement contain the entire understanding and accord between the parties relating to the subject hereof.

9. **Waiver.** The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS READ THE ABOVE AGREEMENT IN ITS ENTIRETY, HAS HAD THE OPPORTUNITY TO ASK QUESTIONS ABOUT THIS AGREEMENT AND UNDERSTANDS AND AGREES TO EACH PROVISION OF THIS AGREEMENT.

IN WITNESS WHEREOF, the Company and Employee have caused this Agreement to be executed as of the date first written above.

[_____]

By: _____

Its:

Employee

[typed Employee name and address]

**ATTACHMENT A.
EMPLOYMENT AGREEMENT.
[EMPLOYEE NAME].
[AGREEMENT DATE].**

[This Attachment will contain Employee's position, title, position description, salary rate, performance-based salary increments/bonuses, seniority credit as of date of the Agreement, annual leave and any other terms of employment specific to the Employee]

**ATTACHMENT B.
EMPLOYMENT AGREEMENT.
[EMPLOYEE NAME].
[AGREEMENT DATE].**

[This Attachment will contain the Company's Policies and Procedures, including work rules, the terms of pension and medical disability plans, health and life insurance plans, sick leave, other leave, and any daycare benefits, education and training support, employee handbook and other employment terms that apply generally to the Company's employees]

APPENDIX M. Confidentiality Agreement

CONFIDENTIAL . DISCLOSURE AGREEMENT.

This Confidential Disclosure Agreement (“Agreement”), effective as of the _____ is entered into by and between the Guam Telephone Authority, an autonomous agency of the Government of Guam (“GTA”), and _____ (the “Offeror”).

WHEREAS, GTA is seeking privatization proposals from qualified parties to acquire GTA’s assets and business;

WHEREAS, the Offeror is interested in submitting a proposal and reviewing and evaluating certain information of GTA;

WHEREAS, GTA is interested in reviewing and evaluating certain information of the Offeror;

WHEREAS, Guam Public Law _____ (a copy of which is attached as Exhibit A) sets forth rules and procedures governing the disclosure of information provided or exchanged during the privatization process (the “Disclosure Law”);

WHEREAS, GTA and the Offeror recognize the need, to the extent permissible under the Disclosure Law, to maintain the confidentiality of information exchanged in connection with the receipt and evaluation of privatization proposals, review and evaluation of GTA and the negotiation of contracts implementing the privatization (the “Tasks”); and

WHEREAS, the parties have set forth below the obligations they undertake with respect to the confidentiality of information that may be disclosed or received under this Agreement;

NOW THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties agree as follows:

1. “GTA Confidential Information” includes all trade secrets (as such term is defined under the Disclosure Law) belonging to GTA, and/or any third party who disclosed such information to GTA in confidence. It is understood that the foregoing GTA Confidential Information may either be disclosed to the Offeror by GTA or by or any agent, contractor, subcontractor, counsel, employee or representative of GTA, including but not limited to Government Intelligence and Proposal Resources, Inc. (“GIPR”), Patton Boggs LLP (“Patton Boggs”) and PricewaterhouseCoopers LLP (“PwC”).
2. “Offeror Confidential Information” includes all trade secrets (as such term is defined under the Disclosure Law) belonging to Offeror, and/or any third party who disclosed such information to Offeror in confidence. It is understood that the foregoing Offeror Confidential Information may either be disclosed to GTA or to any agent, contractor, subcontractor,

counsel, employee or representative of GTA, including but not limited to GIPR, Patton Boggs and PwC.

3. "Confidential Information" shall mean GTA Confidential Information or Offeror Confidential Information, as the case may be.
4. Written Confidential Information that is marked "confidential" or proprietary" shall be treated by each party pursuant to paragraph 5, below. Orally disclosed Confidential Information which is intended to be accorded such protection by the disclosing party shall be so identified to the receiving party orally prior to disclosure and then confirmed as such in writing by the disclosing party as promptly after disclosure as possible
5. Protection. During the term of this Agreement and for a period of two (2) years from the date of expiration of the Agreement, the receiving party will keep the disclosing party's Confidential Information confidential and shall not, without the disclosing party's prior written consent, disclose, in any manner whatsoever, in whole or in part, such Confidential Information or use such Confidential Information, other than to perform the Tasks described above. Moreover, the receiving party agrees to reveal the Confidential Information only to its agents, representatives or employees who need to know the Confidential Information, who are informed by the receiving party of the confidential nature of the Confidential Information and who shall agree (in writing) to act in accordance with the terms and conditions of this provision. The receiving party shall be responsible for any breach of this provision by its agents, representatives or employees in the event the receiving party fails to exercise due diligence in enforcing the term of this provision.
6. Exception. The obligations imposed under paragraph 5 shall not apply to Confidential Information:
 - a. which becomes available to the public through no wrongful act of the receiving party;
 - b. which is already lawfully in the possession of the receiving party and not subject to an existing agreement of confidentiality between the parties;
 - c. which is received from a third (3rd) party without restriction and without breach of this Agreement;
 - d. which was independently developed by the receiving party;
 - e. which is released by the receiving party pursuant to the binding order of a government agency or a court so long as prior to any such release the receiving party provides the disclosing party with the greatest notice permitted under the circumstances; or
 - f. which is subject to public disclosure pursuant to the Disclosure Law.
7. Limitations. Any written Confidential Information that is disclosed under this Agreement which is an original document shall be returned promptly by the receiving party to the disclosing party upon the written request of the disclosing party.

8. Remedies. In the event of a breach of any of the foregoing provisions, the parties agree that the harm suffered by the disclosing party would not be by monetary damages alone and, accordingly, that disclosing party shall, in addition to other available legal or equitable remedies, be entitled to an injunction against such breach.
9. Term. Unless extended by the parties in a signed modification, this Agreement shall terminate two (2) years from the effective date hereof. Notwithstanding the termination of this Agreement, the parties' obligations regarding the confidentiality of disclosed Confidential Information shall continue as set forth in paragraph 5, above.
10. Disclosure Law. Notwithstanding anything to the contrary herein, the parties agree to undertake their best reasonable efforts to comply with any and all disclosure requirements set forth in the Disclosure Law.
11. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties with respect to confidentiality of the Confidential Information and it supersedes any and all prior or contemporaneous oral or written understandings or agreements relating thereto. No agent, employee or representative of either party has any authority to bind such party to any affirmation, representation or warranty; and, unless such is specifically included within this Agreement, it shall not be enforceable by the other party hereto.
12. Governing Law. This Agreement is to be governed by the laws of Guam.
13. Authority. Each individual signing this Agreement warrants that he or she is authorized to, and by his or her signature does intend to, bind the entity or person for which he or she purports to act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed.

The Guam Telephone Authority

By: _____

By _____

Name: _____

Name _____

Title: _____

Title _____

APPENDIX N.

GTA Service Standards.

Standard	Description	Objective
Installation: Primary Service Order Completion	Percentage of primary service orders completed within three (3) days	90% < 3 days
Installation: Primary Service Order – Held Orders	Total number of orders held over thirty (30) days	Report all
Installation: Line Energizing	Percentage of orders for simple individual service with left-in dialtone where service is available within three (3) hours on business days	98% < 3 hours
Customer Trouble Reports	Number of customer initiated trouble reports related to GTA service. Ratio per one hundred (100) working lines	< 6 per 100 lines
Customer Trouble Reports Cleared	Percent of customer initiated trouble reports cleared within forty-eight (48) hours	95% < 48 hours
Directory Assistance Answer Time	Percentage of Directory Assistance calls answered within ten (10) seconds	96% < 10 seconds
Repair Service Call Answer Time	Percentage of repair calls answered by attendant within fifteen (15) seconds during any part of the day	95% < 15 seconds
Business Office Answer Time	Percentage of incoming calls answered by service representative within fifteen (15) seconds	95% < 15 seconds
Dial Tone Acquisition Speed	Percent of busy hour calls during the business day that receive dialtone within three (3) seconds	98.5% < 3 seconds
Network Call Completion	Percentage of calls that do not encounter an equipment malfunction or all trunks busy indication on the GTA network during busy hour	98.5%

(b) FCC and Guam Regulatory Approvals. Within fifteen (15) days of the Agreement Date, the Parties will file such individual or joint applications which may be required with the FCC, and, if required, any Guam regulatory bodies, for approval of the sale and transfer of the Business and the FCC Licenses to the Buyer. Thereafter, the Buyer and the Seller shall cooperate with each other to vigorously prosecute the FCC transfer application and Guam regulatory approvals and shall take all such actions as are necessary to obtain the required FCC approvals (including waivers of applicable requirements relating to Eligible Assignees) and to oppose any condition materially adverse to the continued operation of the Business by the Buyer. No Party shall take any action, before the FCC or otherwise, which is inconsistent with or would delay action on the approval applications. In the event the FCC or any subdivision thereof determines that the Buyer is not an Eligible Assignee, or will not be granted a waiver of the requirements relating to Eligible Assignees with which Buyer may not comply, the parties will seek review or reconsideration of such determination as the Buyer may determine, and vigorously pursue such action; provided that any expenses associated with such action shall be borne by the Buyer. It is expressly agreed by the Parties that an initial determination by the FCC or any subdivision which is subject to administrative review or reconsideration will not constitute a binding determination for purposes of this Agreement unless and until all such administrative review or reconsideration has been completed and the decision is deemed a Final Order. The Parties shall be responsible for their own costs associated with such filing.

(c) The Seller shall use its commercially reasonable efforts and shall cooperate with the Buyer with respect to the transfer to the Buyer of all existing manufacturers', vendors', installers' or other warranties for the Transferred Assets which are in effect as of the Closing Date, and with respect to the assignment of the Contracts to the Buyer.

SECTION 8.2. Employee Matters.

(a) [At least __ days] prior to the Closing, the Buyer shall offer employment pursuant to, in each case, an employment contract consistent with the form of agreement set out in Exhibit 8.2(a) hereto to each Employee of the Seller that is employed by Seller as at the Closing (all such Employees that are hired, the "Hired Employees"). Such employment shall be conditioned on the occurrence of, and commence as at Closing, and the salary and benefits provided to each Hired Employee shall be at least comparable to or superior to the salary and benefits which each such Hired Employee received for the pay period immediately preceding the Closing Date.

(b) Buyer agrees that, for the period commencing on the Closing Date and ending on the 5th anniversary of the Closing Date, it will not (i) initiate, directly or indirectly, any involuntary lay off, reduction in force or similar involuntary termination with respect to the Hired Employees; or (b) reduce the value of the salary or benefits paid to the Hired Employees who continue their employment with Buyer below the economic value provided during the pay period immediately following the Closing Date.

(c) Nothing in Section 8.2(b) shall be construed to prohibit Buyer from (i) initiating any lay off, early retirement or similar plan with respect to the Hired Employees, so long as the decision to participate in any such plan is solely in the discretion of each Hired Employee to which the plan is offered; or (ii) terminating any Hired Employee for cause in accordance with

applicable laws or collective bargaining arrangements, or the employment contract applicable to such employee.

SECTION 8.3 Proceedings.

(a) The obligations of the Buyer to consummate the Closing under this Agreement are subject to there being no (i) investigations, claims, demands, actions, suits or other proceedings which have been brought, asserted, commenced or threatened against the Seller by any court, Governmental Entity or other person or entity which could reasonably be expected to have a Material Adverse Effect or prohibit or materially delay the Closing, other than such proceedings related to the application for transfer of the FCC Licenses or the Guam regulatory approvals as set forth in Section 8.1, or (ii) Applicable Laws issued, enacted, entered or deemed applicable by any court or other Governmental Entity restraining or enjoining or which may reasonably be expected to nullify or render ineffective this Agreement or the consummation of the transactions contemplated hereby.

(b) The obligations of the Seller to consummate the Closing under this Agreement are subject to there being no (i) investigations, claims, demands, actions, suits or other proceedings which have been brought, asserted, commenced or threatened against the Buyer by any court, Governmental Entity or other person or entity which could reasonably be expected to have a material adverse effect on Buyer's ability to perform the requirements of this Agreement or the other Transaction Agreements, or prohibit or materially delay the Closing other than such proceedings related to the application for transfer of the FCC Licenses or the Guam regulatory approvals as set forth in Section 8.1, or (ii) Applicable Laws issued, enacted, entered or deemed applicable by any court or Governmental Entity restraining or enjoining or which may reasonably be expected to nullify or render ineffective this Agreement or the consummation of the transactions contemplated hereby.

SECTION 8.4 Prompt Notice.

The Seller shall promptly notify the Buyer and the Buyer shall promptly notify the Seller in writing upon becoming aware of any of the following: (i) any investigation, claim, demand, action, suit or other proceeding that may be brought, threatened, asserted or commenced against the Seller or the Buyer, as the case may be, their officers, managers or directors involving in any way the Business or the Transferred Assets; (ii) any changes in accuracy of the representations and warranties made by the Buyer or the Seller in this Agreement; (iii) any order or decree or any complaint praying for an order or decree restraining or enjoining the consummation of the transactions contemplated hereby; (iv) the occurrence of any event that has or is reasonably expected to have a material adverse effect on Buyer or Seller, as applicable, including, in the case of Buyer, any event or change in circumstance that has or is really likely to have an adverse effect on Buyer's ability to consummate the transactions contemplated by this Agreement and the other agreements referenced herein and perform thereunder; or (v) any notice from any Governmental Entity of its intention to institute an investigation into, or institute a suit, action or other proceeding to restrain or enjoin the consummation of the transactions contemplated hereby or to nullify or render ineffective this Agreement or such transactions if consummated.

SECTION 8.5 "As Is" Delivery.

Except as otherwise specifically provided herein, the Buyer agrees and acknowledges that it is acquiring and shall accept the Assets "As Is" and "Where Is", in their condition as of the Agreement Date, subject to wear, tear, and natural deterioration.

SECTION 8.6 Mutual Covenants.

The Buyer and the Seller shall each give notice to the other promptly after they receive information which could cause a reasonable person to believe that a party has breached a representation or warranty herein or that a covenant of a party has been breached or is impossible of performance.

ARTICLE IX. OBLIGATION TO CLOSING.

SECTION 9.1. Conditions to Obligation of the Buyer.

Each and every obligation of the Buyer to be performed at the Closing and to consummate the transactions to be performed by it in connection with the Closing is subject to the satisfaction at or prior thereto of each and all of the following conditions precedent:

(a) Each of the representations and warranties made by the Seller in the Transaction Agreements shall be true and correct in all material respects at and as of the Closing with the same force and effect as though such representations and warranties had been made or given at and as of the Closing, except that any such representations and warranties that are given as of a particular date prior to the date hereof and relate solely to a particular date or period prior to the date hereof shall be true as of such date or period.

(b) Subject to the provisions of Section 9.1(b)(ii) below:

(i) The Seller shall have performed and complied with all of its covenants, agreements and obligations under this Agreement which are to be performed or complied with by them at or prior to the Closing.

(ii) The Buyer's performance of its obligations under the Agreement shall not be excused as a result of any failure(s) by the Seller to perform its obligations pursuant to Sections 9.1(a) and 9.1(b)(i) above, unless said failure(s) can reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(c) Except as set forth in Section 9.2:

(i) The Buyer shall have received evidence, in form and substance reasonably satisfactory to counsel for the Buyer, that all consents, authorizations and approvals as may be necessary to consummate the transactions contemplated by this Agreement have been obtained and are not subject to any material restrictions or conditions.

(ii) All consents of the FCC to the transfer of the FCC Licenses shall be by Final Order (as hereinafter defined); provided, however, that if the Buyer, in its sole discretion, waives the condition of FCC consents by Final Order, the Parties shall consider FCC

consent without Final Order sufficient to proceed to Closing according to the other terms of this Agreement. "Final Order" means an action or decision of the FCC as to which (i) no request for a stay is pending, no stay is in effect, and any deadline for filing such request that may be designated by statute or regulation has passed, (ii) no petition for rehearing or reconsideration or application for review is pending and the time for the filing of such petition or application has passed, (iii) the FCC does not have the action or decision under reconsideration on its own motion and the time within which it may effect such reconsideration on its own motion and the time within which it may effect such reconsideration has passed and (iv) no judicial appeal is pending or in effect and any deadline for filing any such appeal that may be designated by statute or rule has passed.

(d) There shall not be any judgment, order, decree, stipulation, injunction or charge in effect preventing consummation of any of the transactions contemplated by this Agreement.

(e) All actions to be taken by the Seller in connection with the consummation of the transactions contemplated hereby and all certificates, opinions, instruments and other documents required to effect the transactions contemplated hereby will be as specified herein or otherwise reasonably satisfactory in form and substance to the Buyer.

The Buyer may waive any condition specified in this Section 9.1 by a writing so stating delivered to the Seller at or prior to the Closing.

SECTION 9.2. Conditions to Obligation of the Seller.

Each and every obligation of the Seller to be performed at the Closing and to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction at or prior thereto of each and all of the following conditions:

(a) Each of the representations and warranties made by the Buyer in this Agreement, including the documents, instruments and agreements to be executed and/or delivered by the Buyer pursuant to this Agreement, shall be true and correct in all material respects at and as of the Closing with the same force and effect as though such representations and warranties had been made or given at and as of the Closing.

(b) The Buyer shall have performed and complied with all of its covenants, agreements and obligations under this Agreement which are to be performed or complied with by it at or prior to the Closing.

(c) All consents and approvals of each and every Governmental Entity necessary for the consummation of the transactions contemplated hereby shall have been obtained, including all Guam Legislature consents, RUS, PUC and FCC consents.

(d) There shall not be any judgment, order, decree, stipulation, injunction or charge in effect preventing consummation of any of the transactions contemplated by this Agreement.

(e) All actions to be taken by the Buyer in connection with the consummation of the transactions contemplated hereby and all certificates, opinions, instruments and other documents

required to effect the transactions contemplated hereby will be as specified herein or otherwise reasonably satisfactory in form and substance to the Seller.

(f) Payment of the Cash Purchase Price (including any credits by reason of payment of the Deposit) shall have been made as required under Section 2.3 hereof, subject to adjustment post closing pursuant to Section 2.5 hereof.

The Seller may waive any condition specified in this Section 9.2 by a writing so stating delivered to the Buyer at or prior to the Closing.

ARTICLE X. TERMINATION.

SECTION 10.1. Termination of Agreement.

This Agreement may be terminated and the transactions contemplated herein may be abandoned after the date of this Agreement, but not later than the Closing, as provided below:

- (a) By mutual written consent of the Buyer and the Seller at any time prior to Closing;
- (b) The Buyer may terminate this Agreement by giving written notice to the Seller at any time prior to Closing (i) in the event the conditions provided for in Section 9.1 of this Agreement have not been met and have not been waived by the Buyer in writing prior to the Closing Date; (ii) if any of the conditions provided for in Article VIII of this Agreement have not been met and have not been waived in writing on or before the Closing Date by the Party seeking to terminate; or (iii) if the Closing shall not have occurred on or before [Date], 200[2] (unless the failure results primarily from the Buyer breaching any representation, warranty or covenant contained in this Agreement);
- (c) The Seller may terminate this Agreement by giving written notice to the Buyer at any time prior to Closing (i) in the event any conditions provided for in Section 9.2 of this Agreement (other than a condition specified in Section 9.2(c) or (d) hereof) has not been met and has not been waived by the Seller in writing prior to the Closing Date; (ii) if any of the conditions provided for in Article VIII or Section 9.2(c) or (d) of this Agreement have not been met and have not been waived in writing on or before the Closing Date by the Party seeking to terminate; or (iii) if the Closing shall not have occurred on or before [Date], 200[2] (unless the failure results primarily from the Seller breaching any representation, warranty or covenant contained in this Agreement); and
- (d) A party giving notice of termination to the other party shall, in all cases, cite the provision under which such notice is given (by article, section and subsection hereof) and concurrently provide a copy of such notice to the Escrow Agent.

SECTION 10.2. Effect of Termination.

If either Party terminates this Agreement pursuant to Section 10.1, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party except as provided in Section 11.6, and the rights and obligations of the Parties pursuant to Section 11.6 shall survive such termination, but all other rights and obligations of the Parties hereunder shall terminate without any liability of any Party.

SECTION 10.3. Cure by the Seller.

Notwithstanding the foregoing, if the Buyer: (i) claims the right to terminate or abandon this Agreement pursuant to clause (i), (ii) or (iii) of Section 10.1(b); or (ii) upon fulfillment of all conditions to the Seller's obligations and all conditions to Closing pursuant to this Agreement and upon receipt by the Buyers of notice that the Seller is ready, willing and able to proceed to the Closing, the Buyer claims a right, due to a failure of a condition precedent or otherwise, to terminate this Agreement, then the Buyer must provide the Seller with written notice of its intention to terminate with a copy of such notice to the Escrow Agent, which notice shall identify the subsection of this Article X under which such notice is provided and the condition or event giving rise to the Buyer's right to terminate or abandon the Agreement or not to close. The Seller will have ten (10) business days from receipt of such notice to deliver to the Buyer a notice, with a copy of such notice to the Escrow Agent, that the Seller has elected to delay the Closing Date for up to ninety (90) days during which the Seller attempt to cure such condition or event. In the event that the Seller shall fail to deliver to the Buyer an election notice, this Agreement shall terminate upon the expiration of such ten (10)-day election period in accordance with the provisions of this Article X.

The provisions of this Section 10.3 shall not apply to termination pursuant to Sections 10.1(b)(iii) or 10.1(c)(iii).]

SECTION 10.4. Cure by the Buyers.

Notwithstanding the foregoing, if the Seller: (i) claims the right to terminate or abandon this Agreement pursuant to clause (i) or (ii) of Section 10.1(c); or (ii) upon fulfillment of all conditions to the Buyer's obligations and conditions to Closing pursuant to this Agreement and upon receipt by the Seller of notice that the Buyer is ready, willing and able to proceed to the Closing, the Seller claim a right, due to a failure of a condition precedent or otherwise, to terminate this Agreement, then the Seller must provide the Buyer with written notice of their intention to terminate with a copy of such notice to the Escrow Agent, which notice shall identify the subsection of this Article X under which such notice is provided and the condition or event giving rise to the Seller's right to terminate or abandon the Agreement or not to close. The Buyer will have ten (10) business days from receipt of such notice to deliver to the Seller a notice, with a copy of such notice to the Escrow Agent, that the Buyer has elected to delay the Closing Date for up to sixty (60) days during which the Buyer attempts to cure such condition or event. In the event that the Buyer shall fail to deliver to the Seller an election notice, this Agreement shall terminate upon expiration of such ten (10)-day election period in accordance with the provisions of this Article X.

The provisions of this Section 10.4 shall not apply to termination pursuant to Sections 10.1(b)(iii) or 10.1(c)(iii).

**ARTICLE XI.
INDEMNIFICATION.**

SECTION 11.1. Indemnification by the Seller.

The Seller and GovGuam (collectively, the "Seller Indemnifying Parties") each jointly and severally covenant and agree to pay and perform and indemnify and hold the Buyer, its officers, directors, employees, affiliates, shareholders and agents, and each of their respective heirs, personal representatives, successors and assigns (collectively the "Buyer Indemnified Parties"), harmless from, against and in respect of any and all losses, costs, expenses (including, without limitation, reasonable attorneys' fees and disbursements of counsel), liabilities, damages, fines, penalties, charges, assessments, judgments, settlements, claims, causes of action and other obligations of any nature whatsoever (collectively "Losses") that any of the Buyer Indemnified Parties may at any time, directly or indirectly, suffer, sustain, incur or become subject to, to the extent arising out of, based upon or resulting from or on account of each and all of the following, except that Seller Indemnifying Parties shall have no obligation hereunder to indemnify the Buyer for Losses relating to Assumed Liabilities:

- (a) The breach or falsity of any representation or warranty made by the Seller in this Agreement, or in the documents, instruments and agreements to be executed and/or delivered by the Seller pursuant hereto, except to the extent that the Seller Indemnifying Parties can prove that the Buyer had actual knowledge of such breach or falsity prior to either the date hereof or the Closing Date, and failed to advise the Seller Indemnifying Parties of such breach or falsity prior to the date hereof or the Closing Date, as the case may be;
- (b) The breach or nonperformance of any covenant or agreement made by the Seller in this Agreement, including the documents, instruments and agreements to be executed and/or delivered by any of them pursuant hereto;
- (c) Any claims by or liabilities to any of the Seller's present or former employees on account of all sums due to such employees or otherwise arising from acts or omissions of the Seller Indemnifying Parties, or their agents, employees or representatives, allegedly occurring before the Closing;
- (d) All claims, demands, liabilities, debts and/or Liens which may be asserted by any creditor of the Seller, except for Permitted Liens;
- (e) All claims, demands, liabilities, debts and/or Liens, except Permitted Liens, that may be asserted against the Buyer or any of the Transferred Assets at any time or from time to time resulting from or arising out of the ownership, use, maintenance or operation of the Transferred Assets or Business with respect to any period of time prior to the Closing or with respect to any Environmental Condition which came into existence prior to the Closing;
- (f) Any reduction in the Purchase Price provided for under Sections 2.5 hereof; and

(g) The indemnification provided for in this Section 11.1 shall remain in full force and effect until the date six (6) months after the Closing.

SECTION 11.2. Indemnification by the Buyer.

The Buyer (including its successors and assigns) covenants and agrees to pay and perform and indemnify and hold the Seller, its officers, directors, employees, affiliates, shareholders and agents, and each of their respective heirs, personal representatives, successors and assigns (collectively the "Seller Indemnified Parties"), harmless from, against and in respect of any and all Losses that any of the Seller Indemnified Parties may at any time, directly or indirectly, suffer, sustain, incur or become subject to, to the extent arising out of, based upon or resulting from or on account of or relating to each and all of the following, except that Buyer shall have no obligation hereunder to indemnify the Seller Indemnified Parties for Losses relating to Retained Liabilities:

- (a) The breach or falsity (or in the case of any covenant, nonperformance) of any representation, warranty, covenant or agreement made by the Buyer in this Agreement, including the documents, instruments and agreements to be executed and/or delivered by the Buyer pursuant hereto;
- (b) The use or ownership of the Transferred Assets or the operation of the Business by the Buyer after the Closing, including any claims by or liabilities to any of the Buyer's employees arising from acts allegedly occurring after the Closing Date, except to the extent such claims or liabilities arise from or relate to acts or omissions of the Seller allegedly occurring on or before the Closing Date; and
- (c) Any claims by or liabilities to any of the Seller's present or former employees or any of Buyer's employees on account of all sums due to such employees or otherwise arising from acts or omissions of the Buyer Indemnifying Parties, or their agents, employees or representatives, allegedly occurring after the Closing.
- (d) The Assumed Liabilities.

SECTION 11.3. Notification of Environmental Condition.

The Seller and the Buyer hereby mutually agree to immediately advise the other in writing of any claim of the existence of an Environmental Condition or of the discovery by the Seller or the Buyer of any occurrence or condition on the Real Property or any Real Property adjoining or in the vicinity of the Real Property or which might give rise to an Environmental Condition or cause the Real Property to be otherwise subject to any practical or legal restrictions on the ownership, occupancy, transferability or use of the Real Property under any Environmental Laws. The Seller or the Buyer, as the case may be, shall have the right, but not the obligation, to join and participate in at their own expense, as a party if they so elect, any legal proceedings or actions initiated against the other in connection with any Environmental Conditions.

SECTION 11.4. Procedure for Indemnification.

(a) In the event a party intends to seek indemnification pursuant to the provisions of Sections 11.1 or 11.2 hereof (the "Indemnified Party"), the Indemnified Party shall promptly give notice hereunder to the other party (the "Indemnifying Party") after obtaining written notice of any claim or the service of a summons or other initial legal process in any action instituted against the Indemnified Party as to which recovery may be sought against the Indemnifying Party because of the indemnification provided for in Section 11.1 or 11.2 hereof, and, if such indemnity shall arise from the claim of a third (3rd) party, the Indemnified Party shall permit the Indemnifying Party to assume the defense of any such claim and any litigation resulting from such claim; provided, however, that the Indemnified Party shall not be required to permit such an assumption of the defense of any claim or litigation which, if not first paid, discharged or otherwise complied with, would result in an interruption or disruption of the business of the Indemnified Party or any material part thereof. Notwithstanding the foregoing, the right to indemnification hereunder shall not be affected by any failure of the Indemnified Party to give such notice (or by delay by the Indemnified Party in giving such notice) unless, and then only to the extent that, the rights and remedies of the Indemnifying Party shall have been prejudiced as a result of the failure to give, or delay in giving, such notice. Failure by the Indemnifying Party to notify the Indemnified Party of its election to defend any such claim or action by a third (3rd) party within ten (10) days after notice thereof shall have been given to the Indemnifying Party shall be deemed a waiver by the Indemnifying Party of its right to defend such claim or action.

(b) If the Indemnifying Party assumes the defense of such claim or litigation resulting therefrom, the obligations of the Indemnifying Party hereunder as to such claim or litigation shall include taking all steps necessary in the defense or settlement of such claim or litigation and holding the Indemnified Party harmless from and against any and all damages caused by or arising out of any settlement approved by the Indemnifying Party or any judgment entered in connection with such claim or litigation. The Indemnifying Party shall not, in the defense of such claim or any litigation resulting therefrom, consent to entry of any judgment (other than a judgment of dismissal on the merits without costs) except with the written consent of the Indemnified Party or enter into any settlement (except with the written consent of the Indemnified Party) which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the Indemnified Party a release from all liability in respect to such claim or litigation.

(c) If the Indemnifying Party does not assume the defense of any such claim by a third party or litigation resulting therefrom after receipt of notice from the Indemnified Party, the Indemnified Party may defend against such claim or litigation in such manner as it deems appropriate, and unless the Indemnifying Party shall deposit with the Indemnified Party a sum equivalent to the total amount demanded in such claim or litigation plus the Indemnified Party's estimate of the cost (including attorneys' fees) of defending the same, the Indemnified Party may settle such claim or litigation on such terms as it may deem appropriate and the Indemnifying Party shall promptly reimburse the Indemnified Party for the amount of such settlement and for all costs (including attorneys' fees), expenses and damages incurred by the Indemnified Party in connection with the defense against or settlement of such claim or litigation, or if any such claim or litigation is not so settled, the Indemnifying Party shall promptly reimburse the Indemnified Party for the amount of any judgment rendered with respect to any claim by a third party in such litigation and, on an ongoing basis upon receipt of statements from the indemnified party, for all costs (including attorneys' fees), expenses and damages incurred by the Indemnified Party in

connection with the defense against such claim or litigation, whether or not resulting from, arising out of, or incurred with respect to, the act of a third (3rd) party.

SECTION 11.5 Limitations.

(a) Notwithstanding any provision of this Article XI to the contrary, the Seller and their successors and assigns shall not be required to indemnify the Buyer Indemnified Parties pursuant to the provisions of Section 11.1 hereof unless and until the aggregate of all such claims exceeds the sum of \$[] (the "Threshold Amount"). Once such cumulative Losses equal or exceed the Threshold Amount, the Seller Indemnifying Parties and their successors and assigns shall be required to provide indemnification pursuant to Section 11.1 for all such Losses. Notwithstanding any provision in this Agreement to the contrary, except with respect to any claim based on fraud or willful misconduct, (i) indemnification pursuant to this Article XI shall be the exclusive monetary remedy for all Losses that any of the Buyer Indemnified Parties may at any time, directly or indirectly, suffer, sustain, incur or become subject to, arising out of, based upon or resulting from or on account of each and all of the items set forth in Section 11.1(a)-(h), inclusive, and (ii) in no event will the indemnification obligations of the Seller and its respective successors and assigns under this Article XI exceed in the aggregate the sum of \$[].

(b) Notwithstanding any provision of this Article XI to the contrary, the Buyer and its successors and assigns shall not be required to indemnify the Seller Indemnified Parties pursuant to the provisions of Section 11.2 hereof unless and until the aggregate of all such claims exceeds the Threshold Amount. Once such cumulative Losses equal or exceed the Threshold Amount, the Buyer and its successors and assigns shall be required to provide indemnification pursuant to Section 11.2 for all such Losses. Notwithstanding the foregoing provisions of this Section 11.5(b) to the contrary, Losses arising out of the breach or falsity of the representations or warranties contained in Section 6.6 of this Agreement shall not be subject to the foregoing provisions of this Section 11.5. Notwithstanding any provision in this Agreement to the contrary, except with respect to any claim based on fraud or willful misconduct, (i) indemnification pursuant to this Article XI shall be the exclusive monetary remedy for all Losses that any of the Seller Indemnified Parties may at any time, directly or indirectly, suffer, sustain, incur or become subject to, arising out of, based upon or resulting from or on account of each and all of the items set forth in Section 11.2(a)-(c), inclusive, and (ii) in no event will the indemnification obligations of Buyer and its respective successors and assigns under this Article XI exceed in the aggregate the sum of \$[]; provided that the limitation set forth in the foregoing clause (ii) shall be equal to the Purchase Price for claims for breaches of the representations and warranties set forth in Section 6.6.

SECTION 11.6. Arbitration.

(a) In the event of any claim, dispute or other matter in question between the Parties to this Agreement ("Dispute"), including matters arising under Section 2.5 hereof, arising out of or relating to this Agreement, the Parties shall first attempt to reconcile the Dispute by good faith negotiation for a period of not less than fifteen (15) days; provided, if a party intends to contest a termination rendered pursuant to Article X hereof, the disputing party shall give the terminating party notice of the Dispute within two (2) business days of receipt of the termination notice, with a copy to the Escrow Agent, if the Escrow Agreement is still in force. If the Dispute is not

resolved within such fifteen (15) day period, either party may refer the Dispute to arbitration by notice to the other party, with a copy to the Escrow Agent, if the Escrow Agreement is still in force. The Dispute shall be submitted immediately for, subject to and decided by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association currently in effect as of the date of this Agreement ("AAA Rules"), except to the extent those rules are inconsistent with this Section 11.6. Any arbitration must be held in Tumon, Guam by a three arbitrators, one selected by each party within twenty (20) days following the date on which notice of the dispute is given by the Buyer or the Seller to the other party, and the third (3rd) selected by mutual agreement of the Parties' selected arbitrators. If such arbitrators cannot agree on the appointment of the third (3rd) arbitrator within thirty (30) days following the date on which notice of the dispute is given by the Buyer or the Seller to the other party, the third arbitrator shall be selected according to the AAA Rules. Any party providing notice of dispute that is being referred to arbitration.

(b) The arbitrators shall conduct and complete the arbitration proceedings (which proceedings shall be recorded by court reporter) and render their decision setting forth the basis for their decision and the award in writing not later than two hundred ten (210) days after the delivery of the notice of dispute, with a copy of the arbitration order provided to the Escrow Agent if the Escrow Agreement is still in force at the time the order is rendered. The arbitrators' award shall be final, conclusive and binding upon all Parties to this Agreement, and judgment may be entered upon it in accordance with the Federal Arbitration Act in any court of general jurisdiction in Tumon, Guam, or in any United States District Court having jurisdiction in Tumon, Guam. The arbitrator shall be required to provide in writing to the Parties the basis for the award or order of such arbitrator, and a court reporter shall record all hearings (unless otherwise agreed to by the Parties), with such record constituting the official transcript of such proceedings. The Seller and the Buyer specifically desire this arbitration clause to be governed by the United States Federal Arbitration Act, and not by the Arbitration Code of any state or the laws of Guam.

(c) The Seller and the Buyer agree and consent that any legal action, suit or proceeding seeking to enforce this Section 11.6 or to confirm or contest any arbitration award shall be instituted and adjudicated solely and exclusively in any court of general jurisdiction in Tumon, Guam, or in the United States District Court having jurisdiction in Tumon, Guam, and the Seller and the Buyer agree that venue will be proper in such courts and waive any objection which they may have now or hereafter to the venue of any such suit, action or proceeding in such courts, and irrevocably consent and agree to the jurisdiction of said courts in any such suit, action or proceeding. The Seller and the Buyer further agree to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in said courts, and also agree that service of process or notice upon them shall be deemed in every respect effective service of process or notice upon them, in any suit, action, proceeding or arbitration demand, if given or made: (i) according to Applicable Law; (ii) according to the AAA Rules; (iii) by a person over the age of eighteen (18) who personally serves such notice or service of process on the Seller or the Buyer, as the case may be; or (iv) by [certified mail, return receipt requested, mailed] to the Seller or the Buyer, as the case may be, at their respective addresses set forth in this Agreement.

(d) In the event of arbitration filed or instituted between the Parties pursuant to this Section 11.6, the prevailing party will be entitled to receive from the adverse party all costs, damages and expenses, including reasonable attorneys' fees, incurred by the prevailing party in connection with that action or proceeding whether or not the controversy is reduced to judgment or award. The prevailing party will be that party who is determined by the arbitrator to have prevailed on the major disputed issues.

SECTION 11.7. Liquidated Damages.

(a) If this agreement is terminated pursuant Section 10.1(c)(I), the Deposit and any interest accrued thereon, shall be paid to the Buyer in accordance with the Escrow Agreement, and such payment shall constitute liquidated damages and be in full settlement of any and all rights or claims of Buyer for Losses or expenses incurred in connection with the negotiation or performance of this Agreement or the other agreements and transactions associated herewith or contemplated hereby. Other than action for payment of such liquidated damages, the Buyer waives any and all rights that it may have to pursue any remedies available in equity, including the remedy of specific performance. The Parties acknowledge and agree that it would be difficult or impossible to calculate the damages that would result from a failure of a Party to close the transactions contemplated hereby despite the fulfillment of the conditions precedent to such obligations hereunder. Therefore, the foregoing liquidated damages payments represent a reasonable, good faith estimate by the Parties of the amount of such damages, and do not constitute any type of penalty.

(b) If the Seller is ready, willing and able to close, but the purchase of the Transferred Assets is not consummated on the Closing Date as determined in accordance with Section 2.9 or if the Seller terminates this Agreement pursuant to Section 10.1(c)(i), then the Seller shall be entitled to payment of the Deposit by the Escrow Agent in accordance with and subject to the terms of the Escrow Agreement as liquidated damages in full settlement of all claims under this Agreement in lieu of the exercise by the Seller of any other legal or equitable remedy against the Buyer. In lieu of accepting such liquidated damages, the Seller may pursue any remedies that they have available in equity, including the remedy of specific performance, and which shall specifically include the right to compel the Buyer to consummate the transactions contemplated hereunder in accordance with the terms of this Agreement.

ARTICLE XII. CLOSING DELIVERIES.

SECTION 12.1. Documents to be Delivered by the Seller.

At the Closing, the Seller shall execute, where necessary or appropriate, and deliver to the Buyer each and all of the following:

(a) A certificate for the Seller in the form of Exhibit 12.1(a) hereto signed by a duly authorized officer of the Seller, and dated as of the Closing Date, to the effect that the representations and warranties made by the Seller in this Agreement are true and correct in all material respects at and as of the Closing with the same force and effect as though

such representations and warranties had been made on or given at and as of the Closing Date, and that the Seller has performed and complied with all of their covenants, agreements and obligations under this Agreement which are to be performed and complied with by them at or prior to the Closing Date;

(b) A copy of (i) the duly adopted resolutions of the Seller's Board of Directors, and (ii) the duly adopted resolution of the Guam Legislature, each approving this Agreement and the other Transaction Agreements and authorizing the execution and delivery thereof, and the consummation of the transactions contemplated hereby and thereby;

(c) A Bill of Sale to all of the Transferred Assets in the form of Exhibit 12.1(c) hereto duly executed by the Seller;

(d) Duly executed assignments by the Seller to the Buyer with respect to the Licenses, Intellectual Property, and Contracts to be assigned hereunder (in each case, not including any Excluded Assets), in a form reasonably satisfactory to the Buyer and in compliance with all Applicable Laws, together with any necessary consents therefor;

(e) Duly executed assignments of all Assigned Leases and Easements in a form reasonably satisfactory to the Buyer and in compliance with all Applicable Laws, together with any necessary consents therefor;

(f) Certificates of title and assignments thereof for all vehicles;

(g) The duly executed Assignment and Assumption Agreement;

(h) A duly executed written opinion letter by _____, counsel for the Seller, dated as of the Closing Date, addressed to the Buyer, reasonably satisfactory in form and substance to counsel for the Buyer, addressing the matters set forth on Exhibit 12.1(h);

(i) A duly executed written opinion letter of [Name], FCC counsel of the Seller, dated as of the Closing Date, addressed to the Buyer, reasonably satisfactory in form and substance to counsel for the Buyer, addressing the matters set forth on Exhibit 12.1(i) hereto; and

[(j) [other agreements/documents, e.g., tax certificate, novation agreement].

(k) Such other documents as are reasonably necessary or appropriate to effect the consummation of the transactions contemplated hereby and which are customary.

SECTION 12.2. Deliveries by the Buyer.

At the Closing, in addition to the payment of the Purchase Price as provided under Section __ hereof, the Buyer shall execute, where necessary or appropriate, and deliver to the Seller, each and all of the following:

(a) A wire transfer of immediately available funds to the Seller's designated account(s) in the total amount of the Cash Purchase Price, less the Reserve;

(b) A certificate in the form of Exhibit 12.2(b) hereto signed by a duly authorized officer of the Buyer, and dated as of the Closing Date, to the effect that the representations and warranties made by the Buyer in this Agreement are true and correct in all material respects at and as of the Closing Date with the same force and effect as through such representations and warranties had been made on or given at and as of the Closing Date, and that the Buyer has performed and complied with all of its covenants, agreements and obligations under this Agreement which are to be performed and complied with by the Buyer at or prior to the Closing Date;

(c) A copy certified by the Secretary of the Buyer of the duly adopted resolutions of the Board of Directors of the Buyer approving this Agreement and authorizing the execution and delivery of this Agreement, including the documents, instruments and agreements to be executed and/or delivered by the Buyer pursuant hereto, and the consummation of the transactions contemplated hereby and thereby;

(d) The Assignment and Assumption Agreement hereto duly executed by the Buyer;

(e) A duly executed written opinion letter by [Name], counsel for the Buyer, dated as of the Closing Date, addressed to the Seller, reasonably satisfactory in form and substance to counsel for the Seller, addressing the matters set forth in Exhibit 12.2(e) hereto;

(f) The contracts of employment for the Hired Employees as required under Section 8.2 hereof duly executed by the Buyer; and

(g) [other documents/agreements, e.g., tax certificate, novation agreement]

ARTICLE XIII.
PERFORMANCE FOLLOWING THE CLOSING DATE.

The following covenants and agreements are to be performed after the Closing by the Parties and shall continue in effect for the periods respectively indicated or, where no indication is made, until performed:

SECTION 13.1. Collection of Receivables.

After the Closing, the Buyer shall be empowered to collect all Receivables and other items transferred to the Buyer hereunder and to endorse with the name of the Seller any checks or other instrument received on account of any such Receivables or other items. The Buyer shall use at least substantially the same efforts as the Seller would have used to collect all Receivables.] The Seller agrees to promptly transfer to the Buyer any cash, checks or other property that they may receive in respect of the Receivables. To the extent that Receivables reflected on the Seller's books as of the close of business on the Closing Date remain uncollected as of the close of business on the ninetieth (90th) day after the Closing Date, the Buyer shall provide a list to the Seller of all Receivables that remain uncollected as of such date. In the event the Buyer receives payment following such ninetieth (90th) day after the Closing Date of any such uncollected Receivables, the Buyer shall pay an amount equal to such payments (net of any fees incurred in collecting such uncollected Receivables) to the Seller on a reasonable schedule. The Buyer's obligation to make such payments to the Seller shall terminate on the first anniversary of the Closing Date. Following the Closing Date and prior to the first anniversary of the Closing Date, the Seller shall have the right, on up to three occasions, to request (by providing written notice to the Buyer) a status report with respect to the Receivables collected after the ninetieth (90th) day after the Closing Date. The Buyer shall provide the Seller such a status report within thirty (30) days of receipt of such a request.

SECTION 13.2. Further Assurances.

At any time or from time to time after the Closing, the Seller shall, at the request of the Buyer, take all actions necessary to put the Buyer in actual possession and operating control of the Transferred Assets, and shall execute, acknowledge and deliver such further instruments of conveyance, sale, transfer and assignment, and take such other actions as the Buyer may request in order to more effectively convey, sell, transfer and assign to the Buyer all of the Transferred Assets, to confirm the title of the Buyer thereto and to assist the Buyer in securing novation of the Assigned Leases relating to U.S. Federal Government property, exercising rights with respect thereto, including without limitation, prosecution of any and all pending trade name and other applications, or any such application in the process of preparation or intended to be filed within the foreseeable future which may be assigned hereunder. The Buyer shall, at the request of the Seller, acknowledge and deliver such further instruments, and take such other actions as the Seller may request in order to carry out the intention of this Agreement, to confirm the transfer of the Transferred Assets and Assumed Liabilities to the Buyer thereto and to assist the Seller in taking such additional action necessary in conjunction therewith. In furtherance of the foregoing, each of the Buyer and the Seller shall cooperate with the other Party with respect to, and shall make available to the other Party on a reasonably timely basis such tax data and other

information as may be reasonably required for, the preparation of any tax returns or information returns required to be filed with respect to the Business or the Transferred Assets, and for the conduct of any audits or litigation with respect to Taxes of the Buyer regarding the Business or the Transferred Assets. In addition, the Parties shall also file all post-transaction notices as may be required by any Governmental Entity within the time period prescribed by law.

SECTION 13.3. Use of Name.

The Seller will provide the Buyer with such consents and shall perform such other acts (including changing the Seller's names and assumed names) as may be necessary to give the Buyer all of the Seller's right to use the names "GTA", Guam Telephone (but not the name "Authority"), and Guamtel.net in the jurisdictions in which the Seller heretofore have done business. From and after the Closing Date, the Seller agrees that they will not use such name for any purpose whatsoever. Immediately after the Closing Date, the Seller shall, and shall cause their subsidiaries, affiliates and licensees to, cease using the names "GTA", Guam Telephone and Guamtel.net and shall as promptly as possible change its/their names, advertising, marketing materials, and signage to delete any reference to the names "GTA", Guam Telephone and Guamtel.net.

SECTION 13.4. Preservation of and Access to Records.

All books and records of the Seller conveyed to the Buyer hereunder shall be preserved by the Buyer for a period of six (6) years after the Closing Date, provided, however, the Buyer may destroy any part or parts of such records upon obtaining written consent of the Seller for such destruction, which consent shall not be unreasonably withheld. Such records shall be made available to the Seller and their representatives at all reasonable times during normal business hours of the Buyer during such six (6) year period and with the right at Seller's expense to make abstracts from and copies thereof, but only after execution of a confidentiality agreement in a form, and concerning matters, reasonably requested by the Buyer and in any event such records may only be used by the Seller for purposes which are not harmful to the Buyer or its affiliates. The Buyer may return such records to the Seller at any time, and the Buyer's obligations to preserve or make available such records shall then terminate. In addition, from and after the Closing Date, the Seller will afford to the Buyer and its attorneys, accountants and other representatives access, upon prior arrangement and during normal business hours, to such personnel, books and records that the Seller retains relating to the Transferred Assets and the Business, including those assets described in Section 2.2(b), as may reasonably be required in connection with the preparation of financial information or the filing of tax returns and will cooperate in all reasonable respects with the other Party in connection with claims and litigation asserted by or against third parties, relating to the transactions contemplated hereby. In the event the Seller is unable to provide documentation, instruments or agreements specified in Section 12.1 hereof prior to the Closing Date, and the Parties nonetheless close the transaction contemplated by this Agreement, the Seller shall provide such documentation, instruments or agreements to the Buyer as promptly as is practicable, but in any event, within one (1) year of the Closing Date.

**ARTICLE XIV.
MISCELLANEOUS.**

SECTION 14.1. Survival of Representations, Warranties and Covenants.

Except as otherwise provided herein, each of the representations, warranties, covenants, agreements and indemnities of the Parties contained in this Agreement and in any Exhibit, Schedule, certificate, instrument or document delivered by or on behalf of any of the Parties hereto pursuant to this Agreement and the transactions contemplated hereby shall survive the Closing of the transactions contemplated hereby and any investigation made by the Parties or their agents either prior to or after the Agreement Date for a period ending six (6) months after the Closing Date, after which no claim for an incorrect statement or representation, or for the breach of any warranty, covenant, agreement or indemnity under this Agreement may be brought, and no litigation with respect thereto may be commenced, and no Party shall have any liability or obligation with respect thereto, unless the indemnified party gave written notice to the indemnifying party specifying with as much particularity as practical under the circumstances the incorrect statement or representation or the breach of any warranty, covenant, agreement or indemnity claimed on or before the expiration of such period.

SECTION 14.2. Brokers.

Each of the Seller and the Buyer agrees that it shall pay and hold the other party and its respective officers, directors, shareholders and affiliates harmless from claims against such other party based on or relating to any and all fees, commissions and other sums which may be due to any broker, investment advisor, finder or similar consultant for the services provided for or on behalf of the Seller or the Buyer, as the case may be in connection with the transactions contemplated hereby.

SECTION 14.3. Cooperation.

The Parties hereto shall cooperate with each other in all respects, including using their commercially reasonable best efforts to assist each other in satisfying the conditions precedent to their respective obligations under this Agreement, to the end that the transactions contemplated hereby will be consummated.

SECTION 14.4. Press Releases and Public Announcements.

The timing and content of all public announcements relating to the execution of this Agreement and the consummation of the transactions contemplated hereby shall be approved by both the Buyer and GTA prior to the release of such public announcements, with approval not to be unreasonably withheld by any Party; provided, however, that each of the Parties shall be entitled to make such disclosures as are necessary or advisable under Applicable Law. The Parties agree that to the extent not necessary or advisable under Applicable Law, any announcement regarding the terms of this Agreement or consideration paid therein shall not identify the consideration payable to, or received by, the Seller.

SECTION 14.5. No Third-Party Beneficiaries.

Nothing expressed or implied in this Agreement is intended or shall be construed to confer any rights or remedies under or by reason of this Agreement upon any Person or entity other than the Parties or their respective successors and permitted assigns. Nothing in this Agreement is intended to relieve or discharge the obligations or liabilities of any third person or entity to any of the Parties.

SECTION 14.6. Entire Agreement.

This Agreement (including the documents, instruments and agreements to be executed by the Parties pursuant hereto) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof; provided, that the Confidentiality Agreement between the Buyer, and the Seller, shall remain in full force and effect in accordance with its terms.

SECTION 14.7. Succession and Assignment.

This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns, but except as hereinafter provided in this Section 14.7, nothing in this Agreement is to be construed as an authorization or right of any Party to assign its rights or delegate its duties under this Agreement without the prior written consent of the other Party hereto. In its sole discretion, each Party shall have the right to collaterally assign this Agreement without the consent of the other Party to a financial or lending institution providing financing to such assigning Party. No such assignment and/or delegation shall relieve the assigning Party of any of its duties or obligations hereunder.

SECTION 14.8. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same Agreement.

SECTION 14.9. Headings.

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. The terms "this Agreement," "hereof," "herein," "hereunder," "hereto," and similar expressions refer to this Agreement as a whole and not to any particular article, section, subsection or other portion hereof and include the Schedules and Exhibits hereto and any document, instrument or agreement executed and/or delivered by the Parties pursuant hereto.

SECTION 14.10. Notices.

All notices, requests, demands and other communications provided for hereunder shall be in writing and shall be given by personal delivery, via facsimile transmission (receipt telephonically confirmed), by a nationally recognized overnight courier (prepaid), or by certified or registered first class mail, postage prepaid, return receipt requested, sent to each Party, at its

address as set forth below or at such other address or in such other manner as may be designated by such Party in written notice to each of the other Parties. All such notices, demands and communications shall be effective when personally delivered, one (1) business day after delivery to the overnight courier, upon telephone confirmation of facsimile transmission or upon receipt after dispatch by mail to the Party to whom the same is so given or made:

If to the Seller :

With a copy to (which shall not constitute notice):

If to the Buyer:

With a copy to (which shall not constitute notice):

And a copy to (which shall not constitute notice):

SECTION 14.11. Governing Law.

This Agreement, including the conveyancing and transfer of documents, instruments and agreements to be executed and/or delivered by the Parties pursuant hereto, shall be governed by, construed and enforced in accordance with the laws of Guam.

SECTION 14.12. Amendments and Waivers.

The Parties may mutually amend any provision of this Agreement at any time prior to the Closing. No purported amendment, modification or waiver of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties. No waiver by either Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence. No failure on the part of a Party hereto

to exercise and no delay in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

SECTION 14.13. Severability.

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction; provided that if such invalid or unenforceable provision goes to the essence of this Agreement, the entire Agreement may be declared invalid and not binding on any of the Parties.

SECTION 14.14. Remedies Cumulative.

Remedies herein provided are cumulative and not exclusive of any other remedies provided by law.

SECTION 14.15. Specific Performance.

The Seller acknowledges and agrees that the Transferred Assets are unique and that the Buyer will have no adequate remedy at law if the Seller shall fail to perform any of their obligations hereunder. In such event, the Buyer shall have the right, in addition to any other rights it may have, to specific performance of this Agreement.

SECTION 14.16. Costs.

Except as otherwise provided herein, each Party hereto shall pay its own costs and expenses incurred in connection with the negotiation, drafting and execution of this Agreement and the consummation of the transactions contemplated hereby, including but not limited to fees and disbursements of their attorneys and accountants. None of the Seller's obligations for payment of such costs and expenses shall be considered as Current Liabilities for the purpose of Section 2.6 above.

SECTION 14.17. Construction.

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring either Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context otherwise requires. The word "*including*" shall mean including without limitation. Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa and words importing the use of any gender shall include all genders.

SECTION 14.18. Incorporation of Exhibits and Disclosure Schedules.

The Exhibits and Disclosure Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

IN WITNESS WHEREOF, each of the Parties hereto has duly executed this Asset Purchase Agreement or has caused this Asset Purchase Agreement to be duly executed and delivered in its name or its behalf as of the date first above written.

Buyer

ATTEST:

Its Secretary

By: _____
Its: _____

ATTEST:

Guam Telephone Authority

[Its Secretary]

By: _____
Its: _____

APPENDIX I.
Assignment and Assumption Agreement.

This Assignment and Assumption Agreement ("Assignment") is made and entered into this ___ of _____, 200_, by and between Guam Telephone Authority, an autonomous agency of the Government of Guam (the "Assignor"), and [_____] (the "Assignee").

WITNESSETH

WHEREAS, Assignee is acquiring substantially all of the assets, liabilities and business of Assignor in Guam pursuant to that certain Asset Purchase Agreement by and between Assignee and Assignor dated of even date herewith (the "APA");

WHEREAS, included in such assets and liabilities are substantially all of Assignor's rights and obligations under contracts (including leases of real, personal and intellectual property) to which Assignor is a party and which are listed on Attachment A hereto (the "Assigned Contracts"), as well as Assignor's licenses from the Federal Communications Commission which are listed on Attachment B hereto (the "Assigned Licenses");

WHEREAS, Assignor desires to assign and Assignee desires to accept and acquire the Assigned Contracts, the Assigned Licenses and the Assumed Liabilities (as defined in the APA).

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Assignment of Rights and Ownership.** Effective as of the Closing, as defined in the APA, Assignor does hereby unconditionally assign and deliver to Assignee all of Assignor's right, title and interest in and to each of the Assigned Contracts and the Assigned Licenses.
2. **Assumption of Assumed Liabilities.** Effective as of the Closing, Assignee hereby accepts such assignment and agrees to assume and be bound by the terms, conditions, and covenants of the Assigned Contracts, Assigned Licenses and the Assumed Liabilities, and agrees to faithfully perform all of Assignor's obligations thereunder and relating thereto outstanding as of the Closing as though Assignee had been the original party thereto in place of Assignor.
3. **Indemnification.** Assignee does hereby agree to indemnify and reimburse Assignor for any and all claims, losses, liabilities, damages, costs (including court costs) and expenses (including reasonable attorneys' and accountants' fees actually incurred) suffered or incurred by Assignor or its successors or assigns as a result of, or with respect to, any and all outstanding and prospective liabilities and obligations with respect to the Assigned Contracts, the Assigned Licenses and the Assumed Liabilities, regardless of when incurred. Indemnification pursuant hereto shall be subject to the procedures and limitations on indemnification contained in the APA.

4. **Governing Law.** This Assignment and Assumption Agreement shall be governed by and construed in accordance with the laws of Guam applicable to contracts made and performed entirely therein.

5. **Delivery Pursuant to APA.** Notwithstanding anything to the contrary herein, Assignor and Assignee are executing and delivering this Assignment and Assumption Agreement in accordance with the terms of and pursuant to the APA.

ATTEST:

GUAM TELEPHONE AUTHORITY

By: _____
Its:

[PURCHASER]

By: _____
Its:

APPENDIX J. Novation Agreement.

(Source: as prescribed in 48 C.F.R. 42.1204)
(Note: Pursuant to 48 C.F.R. 42.1203(h) and 48 C.F.R. 53.243
this Agreement must be accompanied by an executed SF-30.)

The Guam Telephone Authority (Transferor), an autonomous agency of the Government of Guam; the _____ (Transferee), a corporation duly organized and existing under the laws of[insert State] with its principal office in[insert city]; and the UNITED STATES OF AMERICA (Government) enter into this Agreement as of[insert the date transfer of assets became effective under applicable law].

(a) THE PARTIES AGREE TO THE FOLLOWING FACTS:

- (1) The Government, represented by various Contracting Officers of the[insert name(s) of agency(ies)], has entered into certain contracts with the Transferor, namely:[insert contract or purchase order identifications]; [or delete "namely" and insert "as shown in the attached list marked 'Exhibit A' and incorporated in this Agreement by reference."]. The term "the contracts," as used in this Agreement, means the above contracts and purchase orders and all other contracts and purchase orders, including all modifications, made between the Government and the Transferor before the effective date of this Agreement (whether or not performance and payment have been completed and releases executed if the Government or the Transferor has any remaining rights, duties, or obligations under these contracts and purchase orders). Included in the term "the contracts" are also all modifications made under the terms and conditions of these contracts and purchase orders between the Government and the Transferee, on or after the effective date of this Agreement.
- (2) As of, 20.., the Transferor has transferred to the Transferee all the assets of the Transferor by virtue of a[insert term descriptive of the legal transaction involved] between the Transferor and the Transferee.
- (3) The Transferee has acquired all the assets of the Transferor by virtue of the above transfer.
- (4) The Transferee has assumed all obligations and liabilities of the Transferor under the contracts by virtue of the above transfer.
- (5) The Transferee is in a position to fully perform all obligations that may exist under the contracts.
- (6) It is consistent with the Government's interest to recognize the Transferee as the successor party to the contracts.
- (7) Evidence of the above transfer has been filed with the Government.

(b) IN CONSIDERATION OF THESE FACTS, THE PARTIES AGREE THAT BY THIS AGREEMENT:

- (1) The Transferor confirms the transfer to the Transferee, and waives any claims and rights against the Government that it now has or may have in the future in connection with the contracts.
- (2) The Transferee agrees to be bound by and to perform each contract in accordance with the conditions contained in the contracts. The Transferee also assumes all obligations and liabilities of, and all claims against, the Transferor under the contracts as if the Transferee were the original party to the contracts.
- (3) The Transferee ratifies all previous actions taken by the Transferor with respect to the contracts, with the same force and effect as if the action had been taken by the Transferee.
- (4) The Government recognizes the Transferee as the Transferor's successor in interest in and to the contracts. The Transferee by this Agreement becomes entitled to all rights, titles, and interests of the Transferor in and to the contracts as if the Transferee were the original party to the contracts. Following the effective date of this Agreement, the term "Contractor," as used in the contracts, shall refer to the Transferee.
- (5) Except as expressly provided in this Agreement, nothing in it shall be construed as a waiver of any rights of the Government against the Transferor.
- (6) All payments and reimbursements previously made by the Government to the Transferor, and all other previous actions taken by the Government under the contracts, shall be considered to have discharged those parts of the Government's obligations under the contracts. All payments and reimbursements made by the Government after the date of this Agreement in the name of or to the Transferor shall have the same force and effect as if made to the Transferee, and shall constitute a complete discharge of the Government's obligations under the contracts, to the extent of the amounts paid or reimbursed.
- (7) The Transferor and the Transferee agree that the Government is not obligated to pay or reimburse either of them for, or otherwise give effect to, any costs, taxes, or other expenses, or any related increases, directly or indirectly arising out of or resulting from the transfer or this Agreement, other than those that the Government in the absence of this transfer or Agreement would have been obligated to pay or reimburse under the terms of the contracts.
- (8) The Transferor guarantees payment of all liabilities and the performance of all obligations that the Transferee:
 - (i) Assumes under this Agreement or

(ii) May undertake in the future should these contracts be modified under their terms and conditions. The Transferor waives notice of, and consents to, any such future modifications.

(9) The contracts shall remain in full force and effect, except as modified by this Agreement. Each party has executed this Agreement as of the day and year first above written.

UNITED STATES OF AMERICA,

By _____

Title _____

Guam Telephone Authority,

By _____

Title _____

[CORPORATE SEAL]

By _____

Title _____

[CORPORATE SEAL]

CERTIFICATE

I, _____, certify that I am the Secretary of the Guam Telephone Authority, that _____, who signed this Agreement for this corporation, was then _____ of this corporation; and that this Agreement was duly signed for and on behalf of this corporation by authority of its governing body and within the scope of its corporate powers.

Witness my hand and the seal of this corporation thisday of 20...

By _____

[CORPORATE SEAL]

CERTIFICATE

I,, certify that I am the Secretary of _____, that
who signed this Agreement for this corporation, was then of this corporation; and that this
Agreement was duly signed for and on behalf of this corporation by authority of its governing
body and within the scope of its corporate powers. Witness my hand and the seal of this
corporation this ... day of ... 20 .

By _____

[CORPORATE SEAL]

**APPENDIX K.
Escrow Agreement.**

FORM OF ESCROW AGREEMENT.

This **ESCROW AGREEMENT** (this "Agreement") is made and entered into as of the _____ day of _____, 2001, between the Guam Telephone Authority, an autonomous agency of the Government of Guam (the "Seller"), _____ (the "Buyer") and [NAME] Bank (the "Escrow Agent"). The Seller and the Buyer are collectively referred to herein as the "Parties."

WHEREAS, the Buyer and the Seller have entered into an Asset Purchase Agreement of even date here herewith (the "Purchase Agreement") pursuant to which the Seller is selling and the Buyer is purchasing substantially all of the Seller's assets used in connection with the operation of the Seller's business of providing telecommunications services; and

WHEREAS, the Purchase Agreement provided for the escrow of certain funds to protect the Seller with respect to the Buyer's willingness and ability to proceed to Closing, to provide for certain payments by the Seller and to protect the Buyer with respect to certain adjustments in the Purchase Price provided for in the Purchase Agreement; and

WHEREAS, the Buyer, the Seller and the Escrow Agent desire to enter into this Agreement to set forth the terms and conditions of such escrow.

NOW, THEREFORE, in consideration of the purchase and sale of certain assets pursuant to the Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Unless otherwise defined in this Agreement, capitalized terms used herein shall have the respective meanings set forth in the Purchase Agreement.

1. DEPOSIT OF FUNDS. The Buyer warrants that, pursuant to Section 2.4 of the Purchase Agreement, it has deposited with the Escrow Agent, on the date hereof, the sum of [AMOUNT] (\$_____) (the "Reserve") in immediately available funds.

2. PURPOSE OF ESCROW. The Reserve and any accrued interest thereon (collectively the "Deposit") shall be held by the Escrow Agent to protect the Seller in the event the Buyer's unexcused failure to complete the Closing, effect certain payment obligations of the Seller to its procurement advisor(s) (the "Procurement Advisor") and to facilitate and effect the implementation of any adjustment in the Purchase Price pursuant to the provisions of Section 2.5 of the Purchase Agreement (the "Purchase Price Adjustment").

3. INVESTMENT OF FUNDS. So long as the Reserve, or any portion thereof, shall continue to be held by the Escrow Agent, the Escrow Agent shall hold the principal in an interest-bearing account ("Account") with a financial institution (which institution may be the Escrow Agent) organized under the laws of the United States of America or any state or territory thereof and which financial institution has capital surplus and undivided profits aggregating excess of Five Hundred Million Dollars (\$500,000,000) and has outstanding debt which is rated "A" (or similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act of 1933). The Escrow Agent shall have the power to withdraw funds from the Account in each case only in order to make such disbursements as authorized herein. The Escrow Agent shall not have any liability for any loss suffered as a result of any loss incurred as a result of the Deposit being deposited in the Account.

4. RELEASE OF FUNDS.

(a) **Holdback Period.** The Deposit shall be held for a period (the "Holdback Period") commencing on the Escrow Agent's receipt of funds on the Effective Date and ending on the date of receipt by the Escrow Agent of: (i) notice from the Parties pursuant to Purchase Agreement Section 2.5(c) that the Adjusted Closing Schedule has been accepted by both Parties and there will be no downward adjustment in the Purchase Price pursuant to Purchase Agreement Section 2.5(e); (ii) receipt of a final decision of the arbitrators rendered pursuant to arbitration initiated pursuant to Section 2.5(d) of the Purchase Agreement (a "Price Adjustment Arbitration") in which there is no order of a downward adjustment in the Purchase Price; (iii) notice from the Parties that there is a downward Purchase Price adjustment pursuant to Section 2.5(e); or (iv) notice of a decision of arbitrators in a Price Adjustment Arbitration ordering a downward Purchase Price adjustment and payment of the Reserve in accordance with such adjustment (a notice under (iii) or (iv) above constituting an "Adjustment Notice"). Notwithstanding the foregoing, upon receipt by the Escrow Agent prior to Closing of a notice of termination of the Purchase Agreement, the Deposit shall be delivered before the expiration of the Holdback Period as provided in Section 4(b) hereof.

(b) **Termination Payment.** [Five (5)] Business Days after receipt by the Escrow Agent of notice of termination of the Purchase Agreement, the Escrow Agent shall:

- (1) if such termination notice is issued pursuant to Purchase Agreement Section 10.1(c)(i), deliver to Seller a sum equal to the amount of the Deposit, minus the amount due to the Procurement Advisor under Section 4(c)(ii), and deliver thereafter the balance of the Deposit to the Procurement Advisor; or
- (2) if such termination notice is issued other than pursuant to Purchase Agreement Section 10.1(c)(i), deliver to Buyer the entire amount of the Deposit;

provided, however, if, prior to delivery pursuant to Section 4(b)(1) or (2), the Escrow Agent receives notice that a party thereto has exercised its rights under Purchase Agreement Section 10.3 or 10.4, or that a party thereto has demanded arbitration relating to the termination of the Purchase Agreement, the Escrow Agent shall (i) hold the Deposit until expiration of the cure period or receipt of a certified copy of the arbitration decision ordering payment of the Deposit,

as applicable, or a notice containing payment instructions with respect to the Deposit signed by both parties to the Purchase Agreement and stating that the arbitration dispute has been settled, and (ii) five (5) Business Days after expiration of the cure period (if Closing has not occurred) or receipt of the decision or notice, as applicable, deliver the Deposit in accordance with the terms of such decision or notice, after payment to the Procurement Advisor of any amounts due pursuant to Section 4(c)(ii). Upon delivery of the entire Deposit pursuant to this Section 4(b), this Escrow Agreement shall be deemed terminated.

(c) **Procurement Advisor Payment.** (i) One (1) business day after the Closing, the Escrow Agent shall deliver to the Procurement Advisor the sum of [\$_____], representing the payment of the fee due to the Procurement Advisor upon the Closing under the Purchase Agreement; (ii) notwithstanding Section 4(c)(i) hereof, if the Escrow Agent receives notice of termination of the Purchase Agreement pursuant to Purchase Agreement Section 10.1(c)(i), prior to making any payment to the Seller pursuant to Section 4(b)(i) hereof, the Escrow Agent shall pay to the Procurement Advisor (x) the amount designated as payable to the Procurement Advisor in a notice signed by Seller and Procurement advisor, or, (y) if the Escrow Agent receives notice from Seller or the Procurement Advisor that the amount payable to the Procurement Advisor has been referred to arbitration, the amount ordered to be so paid in the final decision of the arbitrators.

(d) **Payment of the Reserve without Adjustment.** In the absence of the receipt of an Adjustment Notice, on the day after the expiration of the Holdback Period, the Escrow Agent shall deliver to the Seller by wire transfer of immediately available funds the balance of the Reserve remaining after completion of the payment to made pursuant to Section 4(c), together with any interest accumulated pursuant to Section 3.

(e) **Payment of the Reserve as Adjusted.** If the Escrow Agent receives an Adjustment Notice, on the day after the expiration of the Holdback Period, the Escrow Agent shall (i) deliver to the Seller out of the Reserve a sum equal to: the principal balance of the Reserve after the delivery pursuant to Section 4(b) hereof, less the amount of the downward Price Adjustment pursuant to Purchase Agreement Section 10.3 or 10.4 indicated in the Adjustment Notice, with interest thereon from the commencement of the Holdback Period; and (ii) deliver to the Buyer a sum equal to the downward price adjustment indicated in the Adjustment Notice, plus interest thereon.

(f) **Wire Transfer.** All deliveries by the Escrow Agent to Seller, Buyer or Procurement Advisor, as the case may be, shall be effected by wire transfer into the respective account for the receiving party identified on Exhibit A hereto.

(g) **Limit on Distribution.** In no event shall the Escrow Agent be obligated hereunder to pay any amounts to the Parties in excess of the Reserve and any accrued interest thereon.

5. **NOTICES.** All notices, instructions and other communications provided for herein shall be in writing and shall be deemed validly given, made or served, on the date of delivery in the case of personal delivery, or twenty-four (24) hours after deposit with an overnight courier service (i.e. FedEx), addressed as follows:

if to the Buyer

Attn: _____
Phone: _____
Fax: _____
Tax ID#: _____

With a copy to:

Attn: _____
Phone: _____
Fax: _____
Tax ID#: _____

if to the Seller:

Guam Telephone Authority
P.O. Box 9008
Tamuning, Guam 96931
Attn: Vincent P. Arriola
Phone: 671-646-1427
Fax: 671-649-4821
Tax ID#: _____

With a copy to:

Patton Boggs LLP
2550 M Street, N.W.
Washington, DC 20037
Attn: Richard N. Stolbach, Esq.
Phone: 202-457-6324
Fax: 202-457-6315

if to Escrow Agent:

[BANK]
[ADDRESS]
Attn: _____
Phone: _____
Fax: _____

or to such other addresses as the parties may designate. The individuals named for the Seller and the Buyer in this Section 5 are the authorized representatives of the Seller and the Buyer, unless otherwise designated in writing and delivered to the Escrow Agent and the other party.

6. COMPENSATION. All compensation payable to the Escrow Agent for holding the Deposit in escrow, investing the Reserve, disbursing the Deposit and acting as Escrow Agent hereunder shall be paid by the Buyer on demand of the Escrow Agent in accordance with the Compensation Schedule attached hereto as Section A. The Escrow Agent shall send all requests for payment to the Buyer at the address for the Buyer set forth in Section 5 hereof.

7. DUTIES OF ESCROW AGENT. The Escrow Agent's duties and responsibilities shall be limited to those expressly set forth in this Agreement and the Escrow Agent shall not be subject to, nor obliged to recognize, any other agreement between, or direction or instruction of, any or all of the parties hereto even though reference thereto may be made herein; provided, however, with the Escrow Agent's written consent, this Agreement may be amended at any time or times by an instrument in writing signed by all of the then parties in interest. The duties and obligations of the Escrow Agent hereunder shall be determined solely by the express provisions of this Agreement and no implied duties or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall be under no obligation to refer to the Purchase Agreement or any other documents between or among the parties related in any way to this Agreement.

8. LIMITATION ON LIABILITY. The Escrow Agent, its officers, directors, employees, agents and affiliates shall not be liable to anyone by reason of any error of judgment, or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, unless caused by or arising out of its own gross negligence, bad faith or willful misconduct. The Escrow Agent hereby executed this Agreement in and only in its capacity as Escrow Agent and not in any other capacity whatsoever.

9. INDEMNIFICATION OF ESCROW AGENT. The Seller and the Buyer, jointly and severally, hereby agree to indemnify and hold harmless the Escrow Agent, its officers, directors, employees, agents and affiliates against any and all losses, claims, damages, liabilities, and expenses, including without limitation, reasonable costs of investigation and counsel fees and disbursements which may be imposed by the Escrow Agent or incurred by it in connection with any litigation arising from this Agreement; except, that if the Escrow Agent shall be found guilty of gross negligence, or willful misconduct under this Agreement then, in that event, the Escrow Agent shall bear all such losses, claims, damages, and expenses.

10. RELIANCE. The Escrow Agent shall be entitled to rely and shall be protected in acting in reliance upon any writing furnished to it by any party hereto in accordance with the terms hereof, and shall be entitled to treat as genuine, and as the document it purports to be, any letter, paper or other document furnished to it by any party and believed by the Escrow Agent in good faith to be genuine and to have been signed by the proper party. The Escrow Agent may consult with its counsel with respect to any question relating to its duties or responsibilities hereunder and shall not be liable for any action taken or omitted in good faith on advice of such counsel.

11. CONFLICTING CLAIMS. In the event of any disagreement between the parties hereto resulting in conflicting claims and demands being made in connection with or

against the Deposit, the Escrow Agent shall be entitled, at its option, to refuse to comply with the claims or demands of any party until such disagreement is finally resolved in the manner provided in paragraph 4 hereof, but shall continue to comply with the other terms and conditions of this Agreement, and in so doing the Escrow Agent shall not be or become liable to any party.

12. ATTACHMENT, GARNISHMENT, ETC. If all or any part of the Deposit is at any time attached, garnished or levied upon, or in case the payment, assignment, transfer, conveyance or delivery of all or any part of the Deposit shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by any court affecting all or any part of the Deposit, then in any of such events, the Escrow Agent shall rely upon and comply with any such order, writ, judgment or decree, which it believes in good faith is binding upon it, and when it complies with any such order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, even though such order, writ, judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated.

13. REMOVAL OF THE ESCROW AGENT. The Seller and the Buyer shall have the right at any time by mutual agreement to remove the Escrow Agent and appoint a successor. Upon acceptance of the duties of the Escrow Agent hereunder, a successor escrow agent shall be entitled to all of the rights, powers, and indemnities as if originally named herein.

14. RESIGNATION OF ESCROW AGENT. The Escrow Agent may resign at any time by delivering written notice of such resignation to the Seller and the Buyer, in which event the Seller and the Buyer shall designate a successor the Escrow Agent within thirty (30) days following the receipt by the Seller and the Buyer of said notice. Upon appointment of a successor the Escrow Agent by the parties, and delivery of any cash, securities and letters of credit held by the Escrow Agent to such successor, the Escrow Agent shall be discharged from all further duties and liabilities under this Agreement. If no successor escrow agent shall have been appointed within such thirty (30) day period, the Escrow Agent shall have the right upon the effective date of its resignation, to tender into the registry or custody of the court having proper jurisdiction any part or all of the Deposit.

15. DATES. If any dates set forth in this Agreement shall occur on a weekend and/or a holiday, the applicable date shall be the first business day immediately following such weekend and/or holiday.

16. GOVERNING LAW. This Agreement shall be governed by the laws of Guam without regard to the principles of conflicts of laws. All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in any local or federal court sitting in Guam, and the Parties hereto irrevocably submit to the jurisdiction of such courts and waive any defense of an inconvenient forum to the maintenance of any such action or proceeding.

17. COUNTERPARTS. This Agreement may be executed in one (1) or more counterparts, and by the different parties hereto in separate counterparts, transmitted via facsimile, each of which shall be deemed an original but all of which taken together shall constitute one and the same agreement.

6

I MINA' BENTE SAIS NA LIHESLATURAN GUAHAN

2001 (FIRST) Regular Session

Date: 12/14/01

VOTING SHEET

Bill No. 157

Resolution No. _____

Question: _____

P.L. 70

NAME	YEAS	NAYS	NOT VOTING/ ABSTAINED	OUT DURING ROLL CALL	ABSENT
ADA, Joseph F.	✓				
ADA, Thomas C.	✓				
AGUON, Frank B., Jr.	✓				
BROWN, Joanne M. S.	✓				
CALVO, Eddie B.	✓				
CAMACHO, Felix P.	✓				
CHARFAUROS, Mark C.	✓				
FORBES, Mark	✓				
KASPERBAUER, Lawrence F.	✓				
LEON GUERRERO, Lourdes A.		✓			
MOYLAN, Kaleo S.	✓				
PANGELINAN, Vicente C.		✓			
SANTOS, Angel L.G.	✓				
UNPINGCO, Antonio R.	✓				
WON PAT, Judith T.	✓				

TOTAL 13 2 0 0 0

CERTIFIED TRUE AND CORRECT:

Clerk of the Legislature

* 3 Passes = No vote
EA = Excused Absence



MINA 'BENTE SAIS NA LIHES' ATURAN GUAHAN

Kumitchan Areklamento, Hinanao Gubetnamenton Hinirát, Rifotma yan Rinueba,
yan Asunton Fidirát, Taotao Hiyong yan Hinirát

*Senadot Mark Forbes, Gehilu
Kabisiyon Mayurát*

5 NOV 2001

Speaker Antonio R. Unpingco
I Mina' Bente Sais Na Liheslaturan Guahan
155 Hesler Street
Hagåtña, Guam 96910

Dear Mr. Speaker:

The Committee on Rules, General Governmental Operations, Reorganization and Reform, and Federal, Foreign and General Affairs, to which Bill No. 157, was referred, wishes to report its findings and recommendations **TO DO PASS BILL NO. 157, as substituted:** "Act to add a new Article 13 to Division 1 of Title 5 of the Guam Code Annotated, relative to providing special rules and regulations for the Guam Telephone Authority privatization process and the public disclosure of information relating to such process; and to amend §4 of P.L. 24-36."

The voting record is as follows:

TO PASS

1

NOT TO PASS

0

ABSTAIN

0

TO PLACE IN INACTIVE FILE

0

TO REPORT OUT

10

Copies of the Committee Report and other pertinent documents are attached. Thank you and si Yu'os ma'ase for your attention to this matter.


MARK FORBES

Attachments



MINA 'ENTE SAIS NA LIHESLATURAN GUAHAN

Kumitehan Areklamento, Hinanao Gubetnamenton Hinirát, Rifotma yan Rinueba,
yan Asunton Fidirát, Taotao Hiyong yan Hinirát

*Senadot Mark Forbes, Gehilu
Kabisiyon Mayurát*

MEMORANDUM

TO: Committee Members

FROM: Chairman

SUBJECT: Committee Report- BILL NO. 157, as substituted: "Act to add a new Article 13 to Division 1 of Title 5 of the Guam Code Annotated, relative to providing special rules and regulations for the Guam Telephone Authority privatization process and the public disclosure of information relating to such process; and to amend §4 fo P.L. 24-36."

Transmitted herewith for your information and action is the report on Bill No. 157, as substituted, from the Committee on Rules, General Governmental Operations, Reorganization and Reform, and Federal, Foreign and General Affairs.

This memorandum is accompanied by the following:

1. Committee Voting Sheet
2. Committee Report
3. Bill No. 157, as substituted
4. Public Hearing Sign-in Sheet
5. Fiscal Note/Fiscal Note Waiver
6. Notice of Public Hearing

Please take the appropriate action on the attached voting sheet. Your attention and cooperation in this matter is greatly appreciated.

Should you have any questions regarding the report or accompanying documents, please do not hesitate to contact me.

Thank you and si Yu'os ma'ase.


MARK FORBES

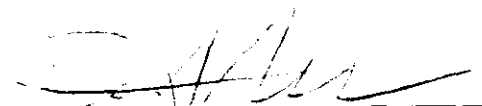
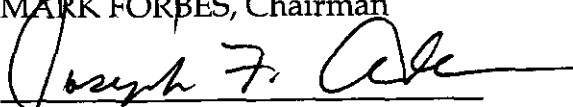
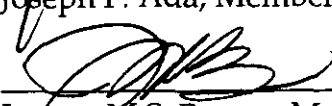

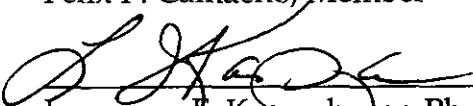

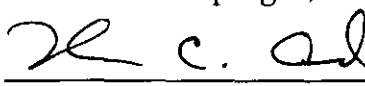
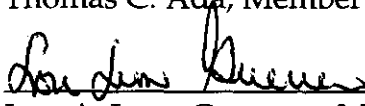
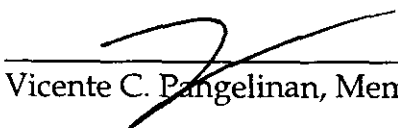
Attachments

Committee on Rules, General Governmental Operations, Reorganization and Reform, and Federal,
Foreign and General Affairs

I Mina' Bente Sais Na Liheslaturan Guåhan

Voting Record

BILL NO. 157, as substituted: "Act to add a new Article 13 to Division 1 of Title 5 of the Guam Code Annotated, relative to providing special rules and regulations for the Guam Telephone Authority privatization process and the public disclosure of information relating to such process; and to amend §4 fo P.L. 24-36."

	<u>TO PASS</u>	<u>NOT TO PASS</u>	<u>ABSTAIN</u>	<u>INACTIVE FILE</u>	<u>TO REPORT OUT</u>
 MARK FORBES, Chairman	_____	_____	_____	_____	<input checked="" type="checkbox"/>
 Joseph F. Ada, Member	_____	_____	_____	_____	<input checked="" type="checkbox"/>
 Joanne M.S. Brown, Member	_____	_____	_____	_____	<input checked="" type="checkbox"/>
 Eddie B. Calvo, Member	_____	_____	_____	_____	<input checked="" type="checkbox"/>
_____ Felix P. Camacho, Member	_____	_____	_____	_____	_____
 Lawrence F. Kasperbauer, Ph. D., Member	_____	_____	_____	_____	<input checked="" type="checkbox"/>
 Kaleo S. Moylan, Member	<input checked="" type="checkbox"/>	_____	_____	_____	<input checked="" type="checkbox"/>
_____ Antonio R. Unpingco, Ex-Officio Member	_____	_____	_____	_____	<input checked="" type="checkbox"/>
 Thomas C. Ada, Member	_____	_____	_____	_____	<input checked="" type="checkbox"/>
 Lou A. Leon Guerrero, Member	_____	_____	_____	_____	<input checked="" type="checkbox"/>
 Vicente C. Pangelinan, Member	_____	_____	_____	_____	<input checked="" type="checkbox"/>

I MINA' BENTE SAIS NA LIHESLATURAN GUÅHAN

**COMMITTEE ON RULES, GENERAL GOVERNMENTAL
OPERATIONS, REORGANIZATION AND REFORM, AND
FEDERAL, FOREIGN AND GENERAL AFFAIRS**

SENATOR MARK FORBES, CHAIRMAN

**COMMITTEE REPORT
ON
BILL NO. 157, as substituted**

“Act to add a new Article 13 to Division 1 of Title 5 of the Guam Code Annotated, relative to providing special rules and regulations for the Guam Telephone Authority privatization process and the public disclosure of information relating to such process; and to amend §4 fo P.L. 24-36.”

I. OVERVIEW

The Committee on Rules, General Governmental Operations, Reorganization and Reform, and Federal, Foreign and General Affairs held a series of roundtable discussions on August 15, 16, and 17, 2001 and a public hearing at 10 a.m. on August 30 and 31, 2001 at in the Public Hearing Room, I Liheslaturan Guahan. Public notice was given in the August 24 and 30, 2001 editions of the Pacific Daily News.

Senators present at the roundtable discussions were:

- Senator Mark Forbes, Chairman
- Senator Tom Ada, Member
- Senator Vicente Pangelinan, Member
- Senator Frank Aguon Jr., Member

Senators present at the public hearing were:

- Senator Mark Forbes, Chairman
- Senator Joanne Brown, Member
- Senator Tom Ada, Member
- Senator Vicente Pangelinan, Member
- Senator Lou Leon Guerrero, Member
- Senator Frank Aguon Jr., Member

II. SUMMARY OF TESTIMONY

Individuals appearing before the Committee to present oral and written testimony on the bill are as follows:

- Vince Arriola, General Manager, Guam Telephone Authority
- Robert Hager, attorney for privatization process, Patton Boggs
- Rick Stolbach, attorney for privatization process, Patton Boggs
- Carl Thorsen, financial adviser for privatization process, Price Waterhouse Coopers
- Christopher Stahl, president, GIPR Inc., GTA procurement advisor
- Veronica Ahern, GTA Washington counsel
- Joel Steadley, KPMG Consulting, Employee Financial Advisor

The hearing on Bill No. 157 took place in the form of a discussion on changes needed to the bill. In Section 2.2, it was suggested that "trade journals" should be added to the list of publications and that a specific time be substituted for "reasonable time". It was also suggested that the Legislature's fairness advisor be allowed to blow the whistle despite the confidentiality clause.

In Section 11, it was suggested that "seven legislative days" be changed to "90 calendar days" and that if the Legislature fails to act on the agreement within that period, the agreement is automatically disapproved, and that the Legislature disapproving the agreement isn't "acting in bad faith".

III. FINDINGS AND RECOMMENDATION

The Committee on Rules, General Governmental Operations, Reorganization and Reform, and Federal, Foreign and General Affairs finds that Bill No. 157, as substituted, is needed to ensure that the GTA privatization process has enough safeguards that the public's interest is kept as the top priority.

Accordingly, the Committee on Rules, General Governmental Operations, Reorganization and Reform, and Federal, Foreign and General Affairs, to which Bill No. 157 was referred does hereby submit its findings and recommendations to I Mina' Bente Sais Na Liheslaturan Guahan **TO DO PASS BILL NO. 157, as substituted**, "Act to add a new Article 13 to Division 1 of Title 5 of the Guam Code Annotated, relative to providing special rules and regulations for the Guam Telephone Authority privatization process and the public disclosure of information relating to such process; and to amend §4 fo P.L. 24-36."



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Before the

**Committee on Rules,
General Governmental Operations, Reorganization and Reform,
And Federal, Foreign and General Affairs**

Testimony of

**Vincent P. Arriola
General Manager
Guam Telephone Authority**

August 30, 2001

Good Morning, Mr. Chairman, Senators and Ladies and Gentlemen. I am Vince Arriola, General Manager of GTA. With me at the table are the members of the Guam Telephone Authority Privatization Team. Before I begin, I'd like to ask each of them to introduce themselves, their organizations and their functions within the Team.

We are here before you today to present for your approval a Request for Proposals for the Privatization of the Guam Telephone Authority. Legislation approving the issuance of the RFP, as well as legislation providing for special rules for the process of privatization, are also before you today in the form of Bill Nos. 156 and 157. I'm sure you have many questions you would like to ask us, but first, with your indulgence, I would like to give a brief overview of the RFP and, more importantly, why we are here today.

The privatization of GTA presents an opportunity to establish Guam as a telecommunications center as it has never been before. On Guam, we have all the raw materials necessary to grow the telecommunications and information sector -- educated and dedicated employees, sophisticated cable and satellite links to the rest of the world, and a state-of-the-art network on island. But we have lacked an organization with the power and the authority to bring all the facets together. The privatization of GTA will give us that, by giving the people of Guam a strategic partner in telecommunications development.

The privatized GTA will not lose sight of GTA's commitment to the people of Guam. The RFP makes it clear that the privatization will only go forward if it meets the objectives, which the Legislature endorsed in the Privatization Plan of Action, specifically:



1. Address GTA employee issues.
2. Contain rates and improve services.
3. Retain local identification.
4. Assure GTA's future viability.
5. Sustain telecommunications growth
6. Minimize the financial exposure of the Government of Guam
7. Receive fair value for GTA's assets and business.

The RFP is the culmination of a lengthy process that was accelerated last year with the adoption of the action plan. Since then the GTA privatization team has helped prepare GTA with privatization by:

- conducting extensive due diligence on GTA's operating and financial standing;
- reviewing the current legal issues involved with privatization;
- preparing the RFP and process legislation;
- seeking employee input and addressing their concerns in the RFP and process legislation;
- coordinating with Rural Utilities Service (RUS), Public Utilities Commission, the Legislature, and other agencies with an interest in privatization.

The structure of the RFP is this. First, we provide a short summary that highlights the objectives mentioned above. Section II is a profile of Guam, highlighting the key indicators that make Guam an attractive place for telecommunications investment. Section II also includes an overview of Guam laws and GTA's regulatory environment. Section III is an overview of GTA, describing our services, products and capabilities and most importantly, our educated and dedicated employees. Section IV contains financial information about GTA.

Section V describes Guam's objectives for the privatization of GTA, including the "strategic partnership" approach by which the strategic partner satisfies the objectives. It is important to note here that the RFP specifically states that the highest price offered for GTA may not be successful if an alternative offer better meets the objectives of the government.

Section VI describes the transaction terms, conditions and requirements, including the qualifications for any successful offeror, which include substantial financial resources, a record of financial success, and technical and business expertise and experience. It is anticipated that there will be a lump sum payment of at least \$60 million in addition to the assumption of GTA's liabilities. Further, Section VI deals with the "Mandatory Requirements", those essential

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August 30, 2001

elements to any successful bid, including first of all, employee safeguards. The successful offeror will offer employment to all full time employees working at GTA at the time of employment, with an employment agreement with a minimum term of 5 years and a promise of no forced lay-offs. The offeror must also provide pension benefits, with appropriate credit towards vesting, at terms that are comparable or better than those currently offered by GTA and the Government of Guam.

Section VI also includes the requirements that the successful offeror contain rates and improve service by meeting certain quality of service standards, and retain local identification by demonstrating a long term commitment to Guam, in the form of a business or capital investment plan that provides opportunities for employment and advancement to Guam residents. It is also important that there be local participation in management and ownership of GTA.

Section VII contains the proposal requirements, spelling out the offeror qualifications, financial proposal, employment and rate plans and other factors that must be included in the proposals.

Section VIII describes the proposal evaluation process, noting that it is the intent of GovGuam to sell the assets and business of GTA to the offeror who submits the "best value" offer, which includes not only price but ability to meet the objectives set forth by the legislature.

There are numerous attachments to the RFP which provide even greater detail than included in the RFP itself. I understand that it is a complicated document, and that is why I have brought the members of the Privatization Team here to answer your questions. I hope that in the course of this hearing we can explore all aspects of the RFP, satisfy any concerns you may have and convince you that it is in the best interests of the people of Guam for you to approve this document and allow us to release it to prospective bidders.

Thank you. We'll be happy to answer your questions.