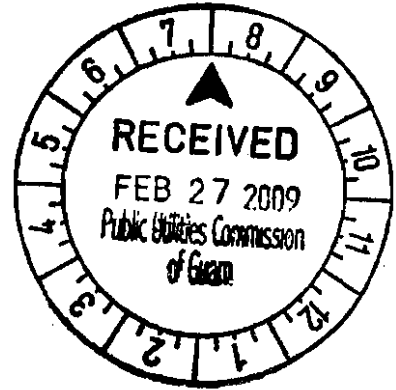


GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
FEBRUARY 05, 2009
SUITE 207 GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special business meeting commencing at 6:00 p.m. on February 05, 2009, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, and Pangelinan were in attendance. The following matters were considered at the meeting under the agenda made *Attachment A* hereto.

1. Guam Power Authority

On January 20, 2009, the Guam Power Authority [GPA] filed a request with the Commission that it authorize GPA to enter into a credit agreement and collateralization agreement with Cathay Bank for payment of an outstanding \$20 million loan at an interest rate of six and one-half percent per annum. On February 04, 2009, GPA filed a formal Petition for Contract Review in Docket No. 94-04, requesting that the PUC approve the Amended and Restated Credit Agreement between GPA and Cathay Bank, and Assignment of Deposit Account. This matter comes before the Commission in accordance with prior proceedings in this docket concerning the GPA Commercial Paper Program, and pursuant to the Contract Review Protocol for the Guam Power Authority. That Protocol requires that the PUC approve any externally funded debt obligation of GPA.

PUC Counsel gave a report to the Commission concerning the background and history of the Guam Power Authority Commercial Paper Program, which had previously been the subject of Commission Orders in this docket dated May 14, 1998 and July 2, 1998. The aforementioned loan documents will enable GPA to pay off the \$20 million loan over a (3) three year period at an interest rate of 6 ½% annum. GPA has indicated that, as collateral for the term loan with Cathay Bank, it transferred certain funds from its Self Insurance Fund into the account at the Bank. The Chairman raised the concern that GPA should notify the PUC in the future of any use of the Self Insurance Funds. As part of the Order herein, the Administrative Law Judge is to institute further regulatory proceedings in Docket 07-10 concerning program protocols and parameters for the Self Insurance Fund. In such proceedings, GPA and GCG shall report to the Commission concerning the current status and use of the Self Insurance Funds, and address relevant issues concerning adoption of permanent program

protocols and parameters by this Commission. Upon consideration of the application of GPA, the Restated Credit Agreement and Assignment Deposit Account, and other relevant documents on file in this docket, good cause appearing, upon motion duly made, seconded and unanimously carried, the Commission adopted the ORDER APPROVING COMMERCIAL PAPER PROGRAM, made *Attachment B* hereto.

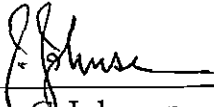
2. PUC Website

The Chairman indicated that the Commissioners had met with A. J. Rosario, the principal of ICON Corp., website consultant to the PUC. He indicated that Mr. Rosario had proposed to pay and upgrade the PUC website at the initial cost of an \$8000 retainer and payments of \$750 per month. Commissioner McDonald stated that he believed such amounts were too high. Commissioner Pangelinan moved to authorize the Chairman to negotiate a contract with A. J. Rosario/ICON and to sign the contract on behalf of the Commission. Upon motion duly made, seconded and unanimously carried, the Commission authorized the Chairman to negotiate a contract with ICON and to sign said contract on behalf of the Commission.

3. Other Business

The Chairman discussed the need to schedule dates annually as "Regular" meetings for the Commission. After further discussion by the Commissioners, it was suggested that regular meetings should be scheduled in the months of February, May, August and November of each year. Upon motion duly made, seconded and unanimously carried, the Commission approved the scheduling of regular meetings for February, May, August and November of each year, on the 3rd Friday of each month.

The Commission further discussed various matters including: the travel policy of the PUC, to be further addressed at a future meeting, a report on the Pacific Telecommunications Conference, a possibility of having a Commission shirt, with logo, for wear at meetings, provision of nameplates for Commissioners, a library for the Commission, and future conferences of regulatory interest for Commissioners. Upon motion duly made, seconded and unanimously carried, the meeting was adjourned.



Jeffrey C. Johnson.
Chairman

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**SPECIAL MEETING
SUITE 206 GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
12:00 p.m. February 5, 2009**

Agenda

1. Guam Power Authority

- Docket 94-04, Contract Review of Settlement with Cathay Bank concerning debt obligation and Proposed Order;

2. Other Business



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF

The Application of the
Guam Power Authority to Issue
Commercial Paper Notes

Docket No. 94-04

ORDER APPROVING COMMERCIAL PAPER PROGRAM

On November 16, 1995, the Commission by order authorized the Guam Power Authority ("GPA") to undertake a tax-exempt commercial paper program to fund short-term cash requirements. Pursuant to the Commission's Order in Docket 94-04 dated May 14, 1998, subject to the terms and conditions set forth in the Commission's Order in Docket 94-004 dated July 2, 1998 (collectively, and together with the order described in the immediately preceding sentence, the "Prior Order"), and Chapter 8, Title 12, Guam Code Annotated (the "Act"), GPA has issued and may issue tax-exempt commercial paper notes (the "Original Notes") in an amount not to exceed \$30,000,000 to finance and refinance maintenance and operation costs of GPA (the "Projects"). In connection with said issuance GPA has entered into (i) an indenture, dated as of August 1, 1998, by and between GPA and Bank of Guam, as trustee, (ii) an issuing and paying agent agreement, dated as of August 1, 1998, by and between GPA and Bankers Trust Company, as issuing and paying agent, and (iii) a credit agreement, dated as of August 1, 1998, by and between GPA and KBC Bank N.V., New York Branch ("KBC"), pursuant to which KBC has provided a line of credit (the "KBC Line of Credit") providing liquidity for the Original Notes. Pursuant to the Prior Order, the commercial paper program, under terms approved by the Prior Order, was authorized for a period of five years with an option to extend the program after a period of two years for an additional five years, for a potential seven-year program term.

In November 2004, in connection with the expiration of the KBC Line of Credit and in order to continue the financing and refinancing of the Projects through a commercial paper program, GPA determined to provide a substitute source of liquidity in the form of a line credit provided by Cathay Bank and a letter of credit provided by the Federal Home Loan Bank of San Francisco (the "Cathay Line of Credit"). In connection with the provision of such Cathay Line of Credit, GPA determined that (i) notes (the "Notes") issued pursuant to such commercial paper program after the substitution of the Cathay Line of Credit would be issued pursuant to Section 8241 of the Act, pursuant to which the Board (as defined in the Act) may at any time or from time to time incur indebtedness (in addition to bonds (as defined in the Act) authorized to be issued pursuant to the Act) for any lawful purpose for any period not exceeding five (5) years, subject to the requirements and limitations set forth therein, (ii) interest on the Notes from and after such substitution would not be excludable from gross income for federal income tax purposes and (iii) in connection with the issuance of the Notes and the provision of the Cathay Line of Credit certain amendments to documents and agreements executed in connection with the issuance of the Original Notes would be necessary and desirable. On November 5, 2004, the

Docket 94-04
Order Approving Commercial
Paper Program
February 5, 2009

Commission by order approved (1) the terms and conditions pursuant to which the Notes in an aggregate principal amount (together with the aggregate principal amount of any Original Notes) outstanding at any time not greater than \$20,000,000 were to be issued, including the terms and conditions of the Credit Agreement, dated as of November 1, 2004 (the "Original Credit Agreement"), between GPA and Cathay Bank (the "Bank"), pursuant to which the Cathay Line of Credit was to be provided, an amended and restated indenture, dated as of November 1, 2004, between GPA and the trustee for the Notes, and an amended and restated issuing and paying agent agreement, dated as of November 1, 2004, between GPA and the issuing and paying agent for the Notes, and (2) the extension of the term of the commercial paper program for an additional five-year period, for a total of twelve years.

Pursuant to such authorization, GPA and the Bank entered into the Original Credit Agreement. The obligation of GPA to repay any advances made by the Bank under the Original Credit Agreement was evidenced by a bank note, in the form attached thereto (the "Original Bank Note"). In connection with the Original Credit Agreement, Ambac Assurance Corporation ("Ambac") issued surety bonds securing the payment of the Notes and the Original Bank Notes. The expiration date of the Original Credit Agreement was extended pursuant to the First Amendment to Credit Agreement, dated as of November 3, 2005, the Second Amendment to Credit Agreement, dated as of October 1, 2008 (the "Second Amendment"), and four letter agreements, each between GPA and the Bank. By September 2008, all of the Notes had been paid at maturity by GPA using the proceeds of advances under the Original Credit Agreement, and the dealer for the Notes informed GPA and the Bank that due to adverse market conditions the dealer was unable to sell new Notes to roll over the Notes that had matured. Pursuant to the Second Amendment, on October 3, 2008, GPA and the Bank agreed that (i) GPA would suspend its efforts to roll over the Notes and (ii) the Bank would not be obligated to make any further advances under the Original Credit Agreement.

On November 6, 2008, the Bank notified GPA of the occurrence and continuance of an event of default under the Original Credit Agreement arising from the ratings downgrade of Ambac, and of the Bank's resulting acceleration of all advances and all of the other obligations of GPA owed under the Original Credit Agreement, which have been accruing interest at the default rate under the Original Credit Agreement of 15% per annum. On November 21, 2008, the Bank, GPA and Ambac entered into a forbearance letter agreement, pursuant to which the Bank agreed to forbear from exercising its remedies under the Original Credit Agreement until December 13, 2008, while GPA and Ambac negotiated a \$15 million loan from Ambac. The Bank subsequently agreed to refinance the obligations of GPA under the Original Credit Agreement pursuant to the terms and conditions of an amended and restated credit agreement (the "Restated Credit Agreement"), pursuant to which GPA is to repay the Bank for the \$20,000,000 term loan in monthly installments over a three-year term, plus interest payable monthly at the Bank's bank rate. In connection with the execution and delivery of the Restated Credit Agreement, Ambac has agreed to issue a surety bond to secure GPA's obligations under the Restated Credit Agreement. In such connection, the Bank has also required GPA to set aside \$5,000,000 in a deposit account at the Bank, which is to be assigned to the Bank and Ambac pursuant to an Assignment of Deposit Account. GPA has now applied to the Commission for

Docket 94-04
Order Approving Commercial
Paper Program
February 5, 2009

approval of the terms and conditions pursuant to which the term loan relating to the Notes is to be repaid over a three-year term.

The proposed form of the Restated Credit Agreement and the Assignment of Deposit Account have been presented to the Commission at this meeting and are attached hereto as Exhibit A and Exhibit B, respectively. This matter comes before the Commission pursuant to the Prior Order referenced above and the Contract Review Protocol for the Guam Power Authority (issued on May 26, 2007). In accordance with Par. 1d thereof, all externally funded loan obligations of the Authority and other financial obligations require prior PUC approval under 12 GCA 12004.

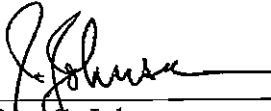
The Commission having duly considered the application of GPA and the information presented on GPA's behalf and having determined the execution and delivery of the Restated Credit Agreement and the Assignment of Deposit Account are in the best interest of GPA's ratepayers, **IT IS ORDERED AS FOLLOWS:**

1. The terms and conditions pursuant to which the term loan relating to the Notes is to be repaid and included in Exhibit A and Exhibit B hereto are hereby approved; provided, however, that any material modification or amendment of any of those documents from the form of those exhibits shall be subject to prior Commission review and approval. GPA shall have the responsibility of bringing any such material modification or amendment to the Commission's attention. GPA's obligations to the Bank under the Restated Credit Agreement shall be insured by a surety bond issued by Ambac.
2. The permissible term of the commercial paper program, under terms approved by the Prior Order and this Order, is hereby extended for an additional period of three years, for a potential fifteen year program term.
3. In the event that the "term rate" paid by GPA on interest for the Term loan exceeds six and one half percent (6.5%) per annum, GPA shall immediately notify the Commission of such event, with full details.
4. GPA's Petition herein indicates that it transferred funds from its Self Insurance Fund into an account at the Bank, which funds will serve in part as collateral for the term loan. GPA's self insurance surcharge program is the subject of ongoing proceedings before the Commission in Docket 07-10. GPA and the PUC's Regulatory Consultant, Georgetown Consulting Group, have previously been ordered to develop program protocols and parameters for the self insurance fund as a part of Phase II of the proceedings in Docket 07-10.¹ Further regulatory proceedings shall be instituted by the Administrative Law Judge in Docket 07-10 to require that GPA and GCG report to the Commission and provide information concerning the current status and use of the self insurance funds and to address all relevant issues concerning adoption of permanent program protocols and parameters by the Commission.

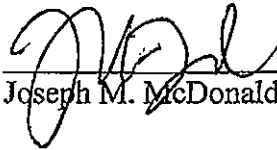
¹ On April 25, 2008, GCG submitted its "Report on GPA Self-Insurance Reserve Protocol and Practices" to the Commission. On May 19, 2008, GPA filed its Response to Self Insurance Report.

Docket 94-04
Order Approving Commercial
Paper Program
February 5, 2009

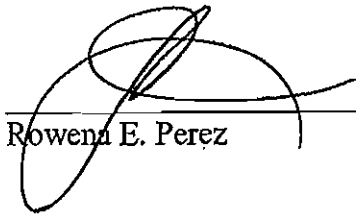
Dated this 5th day of February 2009.



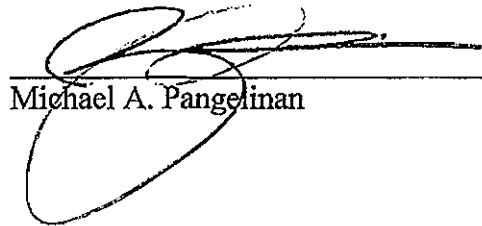
Jeffrey C. Johnson
Chairman



Joseph M. McDonald



Rowena E. Perez



Michael A. Pangelinan

DRAFT OF
01/23/09

AMENDED AND RESTATED CREDIT AGREEMENT

BETWEEN

GUAM POWER AUTHORITY

AND

CATHAY BANK

DATED AS OF FEBRUARY 1, 2009

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AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT, dated as of February 1, 2009 (this "*Agreement*"), and effective from the time of its execution and delivery, is between GUAM POWER AUTHORITY, a public corporation of Guam (the "*Authority*"), and CATHAY BANK, a banking corporation organized under the laws of the State of California (the "*Bank*"), and amends and restates that certain Credit Agreement, dated as of November 1, 2004 (as heretofore amended, the "*Original Credit Agreement*"), between the Authority and the Bank.

RECITALS

WHEREAS, pursuant to that certain Amended and Restated Indenture dated as of August 1, 1998, and amended and restated as of November 1, 2004 (as the same may be further amended and supplemented from time to time in accordance with the provisions of this Agreement, the "*Indenture*"), the Authority heretofore authorized the issuance of its Commercial Paper Notes (Taxable) (the "*Notes*"), to provide proceeds for the purposes therein described, including up to \$20,000,000.00 principal amount of Notes for the purpose of providing working capital for the Authority;

WHEREAS, in order to provide liquidity for the payment of the principal of and interest on the Notes when due, the Authority heretofore requested the Bank to provide a line of credit in the amount of \$21,800,000, of which (i) up to \$20,000,000.00 would be available to be advanced in respect of the principal amount of the Notes, and (ii) up to \$1,800,000.00 would be available to be advanced in respect of the interest on the Notes;

WHEREAS, the Bank provided the Authority with such requested line of credit pursuant to the Original Credit Agreement;

WHEREAS, the obligation of the Authority to repay any Advances made by the Bank under the Original Credit Agreement was evidenced by a bank note, in the form attached thereto (the "*Original Bank Note*");

WHEREAS, the Insurer (as hereinafter defined) heretofore issued its Municipal Bond Insurance Policy No. 15341BE (the "*Notes Surety Bond*") and its Amended and Restated Surety Bond No. SF0120BE securing the payment of the Notes and the Original Bank Note, respectively;

WHEREAS, the Expiry Date of the Original Credit Agreement was extended pursuant to the First Amendment to Credit Agreement, dated as of November 3, 2005, the Second Amendment to Credit Agreement, dated as of October 1, 2008 (the "*Second Amendment*"), and four letter agreements, each between the Authority and the Bank;

WHEREAS, by September 2008, all of the Notes had been paid at maturity by the Authority using the proceeds of Advances under the Original Credit Agreement and the Dealer informed the Authority and the Bank that due to adverse market conditions it was unable to sell new Notes to roll over the Notes that had matured.

WHEREAS, pursuant to the Second Amendment, on October 3, 2008 the Authority and the Bank agreed that (i) the Authority would suspend its efforts to roll over the Notes and (ii) the Bank would not be obligated to make any further Advances under the Original Credit Agreement;

WHEREAS, on November 6, 2008, the Bank notified the Authority of the occurrence and continuance of an event of default under the Original Credit Agreement arising from the ratings downgrade of the Insurer, and of the Bank's resulting acceleration of all Advances and all of the other obligations of the Authority owed under the Original Credit Agreement, which have been accruing interest at the Default Rate;

WHEREAS, on November 21, 2008, the Bank, the Authority and the Insurer entered into a Forbearance Letter Agreement, pursuant to which the Bank agreed to forbear from exercising its remedies under the Original Credit Agreement until December 13, 2008, while the Authority and the Insurer negotiated a \$15 million loan from the Insurer;

WHEREAS, the Bank subsequently agreed to refinance the obligations of the Authority under the Original Credit Agreement pursuant to the terms and conditions of this Agreement;

WHEREAS, in connection with the execution and delivery of this Agreement, the Insurer has agreed to issue the Bank Note Surety Bond (as hereinafter defined), to secure the Authority's obligations under this Agreement; and

WHEREAS, in reliance upon the provisions hereof and of the Bank Note Surety Bond, the Bank is willing to enter into this Agreement with the Authority;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the Authority and the Bank hereby agree as follows:

ARTICLE I

DEFINITIONS; CONSTRUCTION

Section 1.1. Definitions; Accounting Terms and Determinations. (a) The following terms, as used herein, have the following respective meanings:

"*Act*" has the meaning set forth in Section 1.01 of the Indenture.

"*Advance*" means each advance made by the Bank to the Authority pursuant to the Original Credit Agreement, and shall consist of Principal Advances and Interest Advances.

"*Agreement*" means this Amended and Restated Credit Agreement, dated as of February 1, 2009, between the Authority and the Bank, as amended, modified or supplemented from time to time, in accordance with the provisions hereof.

"*Assignment of Deposit Account*" means the Assignment of Deposit Account, dated as of February 1, 2009, between the Authority and the Bank, as amended, modified or supplemented from time to time, in accordance with the provisions hereof.

"Authority" means the Guam Power Authority, a public corporation of Guam, and its successors.

"Bank" means Cathay Bank.

"Bank Note" means the promissory note of the Authority, substantially in the form of Exhibit A hereto, evidencing the indebtedness resulting from the making of the Advances and delivered to the Bank pursuant to Section 3.1 hereof, as such promissory note may be modified or extended from time to time, and any promissory note issued in exchange or replacement therefor.

"Bank Note Surety Bond" means the Second Amended and Restated Surety Bond No. SF0120BE issued by the Insurer, securing the payment of the Bank Note.

"Bank Rate" means the Term Rate; provided that from and after the occurrence of an Event of Default, the Bank Rate shall mean the Default Rate; *provided, further* that the Bank Rate shall never exceed the Maximum Bank Rate.

"Bond Indenture" means that certain Indenture dated as of December 1, 1992, by and between the Authority and Bank of America National Trust and Savings Association, as the same may be amended and supplemented from time to time in accordance with the provisions of this Agreement.

"Bonded Debt" of any Person means, at any date, Debt of such Person that is evidenced by bonds, debentures, notes or other similar instruments (excluding Debt payable solely from a designated revenue source that does not constitute a general obligation of the Authority to which its full faith and credit are pledged).

"Bonds" means the Authority's Bonds issued under the Bond Indenture.

"Business Day" means a day on which (a) banks located in Los Angeles, California are not required or authorized by law or executive order to close for business, and (b) The New York Stock Exchange is not closed.

"Closing Date" means the date on which all of the conditions precedent set forth in Section 3.1 of this Agreement have been satisfied after this Agreement has been executed and delivered by the Authority and the Bank.

"Collateral Account" means the deposit account (Account No. _____) of the Authority held by the Bank and pledged by the Authority to secure the Obligations, and all amounts on deposit therein and all proceeds thereof.

"Commitment" means the commitment of the Bank to make Advances to the Authority pursuant to the Original Credit Agreement in the aggregate amount not to exceed the sum of the Interest Portion and the Principal Portion.

"Dealer" means Goldman, Sachs & Co. in its capacity as Note dealer and any other Dealer appointed by the Authority pursuant to the Indenture, and their successors and assigns.

"Dealer Agreement" means the Dealer Agreement, dated as of August 1, 1998, and the Amendment to Dealer Agreement, dated as of November 1, 2004, each among the Authority, the Guam Economic Development Authority and the Dealer and any Dealer Agreement entered into among the Authority, the Guam Economic Development Authority and any other Dealer, as the same may be further amended, supplemented or extended from time to time pursuant to the terms thereof and hereof.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments (excluding, however, any of the foregoing that is payable solely from a designated revenue source that does not constitute a general obligation of such Person and other nonrecourse indebtedness of such Person), (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered), (iv) all obligations of such Person as lessee under capital leases, (v) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (vi) all Debt of others guaranteed by such Person.

"Default" means any event or condition that constitutes an Event of Default or that with the giving of notice or the lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means fifteen percent (15%) per annum.

"Event of Default" is defined in Section 7.1 hereof.

"Indenture" is defined in the Recitals hereof.

"Insurer" means Ambac Assurance Corporation, a Wisconsin stock insurance corporation.

"Interest Advance" means an Advance (or portion thereof) to pay the interest due on Notes at maturity.

"Interest Payment Date" is defined in Section 2.2(b) hereof.

"Interest Portion" means the portion of the Commitment under the Original Credit Agreement available for the payment of interest on the Principal Portion of the Notes corresponding to up to 270 days of accrued interest at a maximum rate of twelve percent (12%) per annum, based on a year of 360 days and the actual number of days elapsed. The Interest Portion initially was \$1,800,000.00.

"Issuing and Paying Agent" means Deutsche Bank Trust Company Americas as Issuing and Paying Agent for the Notes under the Issuing and Paying Agent Agreement, or any successor issuing and paying agent for the Notes appointed in accordance with the Issuing and Paying Agent Agreement.

"Issuing and Paying Agent Agreement" means the Amended and Restated Issuing and Paying Agent Agreement dated as of August 1, 1998, and amended and restated as of November 1, 2004 between the Authority and the Issuing and Paying Agent, as the same may be amended and supplemented from time to time.

"Lien" means, with respect to any asset, a mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Maximum Bank Rate" means the lesser of (a) 25% per annum or (b) the Maximum Lawful Rate.

"Maximum Interest Rate" means the lesser of (a) 15% per annum or (b) the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"Moody's" means Moody's Investors Service, Inc. and its successors and assigns.

"Notes" means the Authority's Commercial Paper Notes (Taxable) issued under the Indenture.

"Notes Surety Bond" is defined in the Recitals hereof.

"Obligations" means all obligations and all liabilities of the Authority under this Agreement, including, but not limited to, its obligations to make all payments of principal of and interest on the Term Loan required by Section 2.2 hereof.

"Original Credit Agreement" is defined in the Recitals hereof.

"Outstanding" when used (i) with respect to the Notes, shall have the meaning assigned to such term in the Indenture, and (ii) with respect to Advances, means all Advances made by the Bank pursuant the Original Credit Agreement and not repaid by the Authority.

"Participant" is defined in Section 8.6 hereof.

"Participation" is defined in Section 8.6 hereof.

"Payment Office" means the Bank's office located at the Los Angeles, California address indicated in Section 8.7 hereof, or such other office as the Bank may designate from time to time.

"Person" means an individual, a corporation, a partnership, an association, a limited liability partnership or company, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Prime Rate" means, on any given day, the rate of interest publicly announced by the Bank from time to time at its offices in Los Angeles, California as its *"prime rate,"* regardless of whether such rate is actually charged to any customer of the Bank. Each determination of the Prime Rate by the Bank shall be conclusive and binding on the Authority.

"Principal Advance" means an Advance (or portion thereof) to pay the principal amount of Notes due at maturity.

"Principal Portion" means the portion of the Commitment under the Original Credit Agreement available for the payment of the principal of Notes. The Principal Portion initially was \$20,000,000.00.

"Project" shall have the meaning given such term in the Indenture.

"Rating Agency" means Moody's or S&P.

"Related Documents" means and includes the Notes, the Indenture, the Bond Indenture, the Bank Note, the Assignment of Deposit Account, the Issuing and Paying Agent Agreement and the Dealer Agreement, collectively.

"Revenues" shall have the meaning given such term in the Bond Indenture.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Supplement" or *"Supplements"* means any and all extensions, renewals, modifications, amendments, supplements and substitutions.

"Surety Bonds" means the Notes Surety Bond and the Bank Note Surety Bond.

"Taxes" is defined in Section 2.2(h) hereof.

"Term Loan" means the loan made by Bank to the Authority pursuant to Section 2.1 herein in the initial principal amount of \$20,000,000.

"Term Loan Fee" is defined in Section 2.2(k)(i) hereof.

"Term Loan Maturity Date" means February __, 2012, subject to extension as set forth in Section 2.2(a) hereof.

"Term Rate" means a rate per annum equal to the greater of (a) the Prime Rate plus 2% per annum or (b) six and one-half percent (6.5%) per annum.

(b) *Gender; Plural.* All references made herein (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

(c) *Accounting Terms and Determinations.* Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, consistently applied.

ARTICLE II

ADVANCES; PAYMENTS

Section 2.1. Term Loan. The Authority hereby acknowledges and agrees that Advances relating to the Principal Portion in the amount of \$20,000,000.00 were outstanding and unpaid as of the date of execution and delivery of this Agreement. In order to refinance such unpaid Advances, the Authority and the Bank hereby agree the such Advances shall be converted into a loan (the "Term Loan") in the initial principal amount of \$20,000,000.00, extended by the Bank to the Authority pursuant to the terms and conditions of this Agreement.

Section 2.2. Repayment of Term Loan.

(a) *Repayment of Principal.* Unless paid earlier pursuant to Section 2.2(d) hereof, the principal of the Term Loan shall be payable in monthly installments ("*Monthly Payments*") on the first day of each calendar month (commencing March 1, 2009) and on the Term Loan Maturity Date. Except for the final Monthly Payment due and payable on the Term Loan Maturity Date, each Monthly Payment shall be equal to \$416,666.67; *provided* that the final Monthly Payment shall be in an amount equal to the entire then outstanding principal amount of the Term Loan due and payable on the Term Loan Maturity Date.

(b) *Payment of Interest; Delinquent Payments.*

(i) The Authority shall pay interest on the Term Loan, in arrears on the first day of each calendar month (commencing March 1, 2009) and on the Term Loan Maturity Date (each, an "*Interest Payment Date*"), at a rate per annum equal to the Bank Rate; *provided that*, upon the occurrence of an Event of Default, the Authority shall pay interest on the unpaid principal of the Term Loan and all other Obligations at a rate per annum equal to the Default Rate.

(ii) If the Authority shall fail for five (5) or more days to pay when due (whether at maturity, on demand, by reason of acceleration or otherwise) any amount due and payable hereunder, each such unpaid amount (to the extent permitted by applicable law) shall bear interest for each day from the date it was so due until paid in full at a rate per annum equal to the Default Rate, payable on demand.

(c) *Increased Costs.*

(i) If the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation, implementation or administration thereof by, any court, central bank or other administrative or governmental authority (in each case,

whether or not having the force of law), or compliance by the Bank with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (A) change the basis of taxation of payments to the Bank of any amounts payable hereunder (except for taxes on the overall net income of the Bank), (B) impose, modify or deem applicable any reserve, special deposit or similar requirement against maintaining the Term Loan, or assets held by, or deposits with or for the account of, the Bank or (C) impose on the Bank any other condition regarding this Agreement, and the result of any event refined to in clause (A), (B) or (C) above shall be to increase the cost to the Bank of maintaining the Term Loan or to reduce the amount of any sum received or receivable by the Bank hereunder, then, upon 30 days' written notice to the Authority by the Bank, the Authority shall pay to the Bank such additional amount or amounts as will compensate the Bank for such increased costs or reductions in amount.

(ii) If the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline or directive of, or any change in the interpretation, implementation or administration thereof by, any court, central bank or other administrative or governmental authority, or compliance by the Bank with any directive of or guidance from any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement that either (A) affects or would affect the amount of capital to be maintained by the Bank or (B) reduces or would reduce the rate of return on the Bank's capital to a level below that which the Bank could have achieved but for such circumstances (taking into consideration the Bank's policies with respect to capital adequacy), then upon 30 days' written notice to the Authority by the Bank, the Authority shall pay to the Bank such additional amount or amounts as will compensate the Bank for such cost of maintaining such increased capital or such reduction in the rate of return on such Bank's capital; *provided, however*, that the Authority shall be obligated under this clause (ii) to compensate the Bank for such increased costs and reductions arising pursuant to this clause (ii) as a result of the imposition, modification or applicability of any capital adequacy requirements only to the extent such capital adequacy requirements are in excess of the capital adequacy requirements applicable to lines of credit set forth in the report dated July, 1988 and entitled "*International Convergence of Capital Measurement and Capital Standards*" issued by the Basle Committee on Banking Regulations and Supervisory Practices.

(iii) All payment of amounts referred to in clauses (i) and (ii) above shall bear interest thereon if not paid within 30 days of such notice until payment in full thereof at an interest rate per annum equal to the Default Rate in effect from time to time, payable on demand. A certificate as to such increased cost, increased capital or reduction in return incurred by the Bank as a result of any event mentioned in clause (i) or (ii) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the Authority and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank may make such reasonable estimates, assumptions, allocations and the like that the Bank in good faith determines to be appropriate.

(d) *Prepayment.*

(i) The Authority may prepay any amounts from time to time owing to the Bank pursuant to Section 2.2(a) hereof, together with accrued interest on the prepayment amount to the date when such prepayment amount is paid, in part on any Business Day upon written notice delivered to the Bank not later than 11:00 a.m. (California time) at least one Business Day prior to the date of such prepayment in part, or in whole on any Business Day upon written notice (A) delivered to the Bank at least 90 days prior to the date of such prepayment in whole or (B) delivered to the Bank not later than 11:00 a.m. (California time) at least one Business Day prior to the date of prepayment in whole and upon payment of a prepayment fee in the amount of \$50,000.00; *provided* that each prepayment in part shall be in a principal amount equal to \$100,000.00 or an integral multiple of \$1,000.00 in excess of \$100,000.00. Each such prepayment notice shall specify the prepayment date and the amount of such prepayment and shall not be subject to any conditions.

(ii) Upon payment to the Bank of the principal amount to be prepaid as stated in clause (i) above, together with accrued interest to the date of such prepayment, (A) the outstanding Obligations of the Authority under Section 2.2(a) hereof shall be reduced by the principal amount of such payment and (B) interest shall cease to accrue on the amount so paid.

(e) *Crediting of Interest on Bank Note.* Whenever a payment of interest is due to the Bank pursuant to Section 2.2(b) hereof on amounts owing to the Bank, the Authority shall be deemed to have made such payment in full if (i) the Authority has made the payment of interest then due in the amounts required by this Agreement and (ii) such payment has been received by the Bank.

(f) *Payments and Computations.*

(i) The Authority will make each payment hereunder, under the Bank Note and under the other Related Documents, not later than 12:00 noon (California time) on the day when due, in lawful money of the United States of America and in immediately available funds to the Bank at the Payment Office. All such payments shall be made by the Authority without defense, set-off or counterclaim. Whenever any payment to be made under this Agreement or any such Related Document shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in the computation of interest or fees, as the case may be. All computations of interest hereunder and under the Bank Note shall be made by the Bank on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. All computations of fees payable hereunder shall be calculated on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) elapsed. Each determination by the Bank of interest, fees or any other amounts due hereunder shall be conclusive and binding for all purposes in the absence of manifest error.

(ii) If the Bank does not receive any payment in full under the Bank Note on the date such payment is due hereunder, the Bank may exercise its rights under the Bank Note Surety Bond.

(g) *Determination of Interest Rate.* The Bank shall give prompt notice to the Authority of the applicable interest rate determined by the Bank for purposes of Section 2.2(b) hereof.

(h) *Taxes.* All payments made by the Authority hereunder shall be made free and clear of and without deduction for any present or future income, stamp or other taxes, levies, imposts, deductions, charges, fees, withholdings, restrictions or conditions of any nature now or hereafter exposed, levied, collected, withheld or assessed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (whether pursuant to United States federal, state or local law or foreign law) and all interest, penalties or similar liabilities, excluding taxes on the overall net income of the Bank (such non-excluded taxes are hereinafter collectively referred to as the "*Taxes*"). If the Authority shall be required by law to deduct or to withhold any Taxes from or in respect of any amount payable hereunder, (i) the amount so payable shall be increased to the extent necessary so that, after making all required deductions and withholdings (including taxes on amounts payable to the Bank pursuant to this sentence), the Bank receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) the Authority shall make such deductions or withholdings and (iii) the Authority shall pay the full amount deducted or withheld to the relevant taxation authority in accordance with applicable law. Whenever any taxes are payable by the Authority, as promptly as possible thereafter, the Authority shall send the Bank an official receipt or other documentation satisfactory to the Bank evidencing payment to such taxation authority. The Authority will indemnify the Bank for the full amount of Taxes (including any Taxes on amounts payable to the Bank under this paragraph) paid by the Bank and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto upon written demand by the Bank.

(i) *Deferred Interest.* For any period during which the Term Loan is outstanding and as to each monthly interest period, in the event that the amount of interest which would be payable on the Term Loan hereunder exceeds the amount of interest which would be payable on the Term Loan if calculated at the Maximum Interest Rate, the amount of such excess shall not be payable on the Interest Payment Date for such monthly interest period as interest on the Term Loan but shall be deferred ("*Deferred Interest*"). *Deferred Interest* occurring on any Interest Payment Date (i) shall, to the extent permitted by law, bear interest (compounded monthly on each Interest Payment Date) at a rate per annum equal to the Bank Rate plus 2% (computed on the basis of a year of 360 days for the actual number of days elapsed) until paid in full and (ii) shall become payable, together with interest thereon, to the extent permitted by law, on the next succeeding Interest Payment Date or Dates to the extent the interest (including *Deferred Interest* and, to the extent permitted by law, interest on *Deferred Interest*) payable on the Term Loan (if any) for the monthly interest period ending on such Interest Payment Date does not exceed the Maximum Interest Rate for such monthly interest period. All amounts of interest (calculated at the Bank Rate) payable on the Term Loan, including without limitation, *Deferred Interest* (and interest thereon, to the extent permitted by law) shall be insured by the Bank Note Surety Bond.

(j) *Bank Note.* The Term Loan made by the Bank shall be evidenced by a single Bank Note substantially in the form of Exhibit A hereto. The Bank Note shall be payable to the order of the Bank and in a principal amount equal to Twenty Million Dollars (\$20,000,000.00) less the sum of the principal payments made thereon in accordance with this Agreement. The Bank is hereby authorized to record the date and amount of each payment or prepayment of principal thereof, on the schedule annexed to and constituting a part of the Bank Note, and any such recordation shall constitute *prima facie* evidence of the accuracy of the information so recorded. The Bank Note shall (A) be dated the Closing Date, (B) be stated to mature on the Term Loan Maturity Date, and (C) provide for the payment of interest in accordance with Section 2.2(b) and 2.2(i) hereof.

(k) *Fees, Etc.*

(i) *Term Loan Fee.* The Authority agrees to pay to the Bank a Term Loan fee equal to the sum of (i) \$200,000.00 plus (ii) \$[44,000.00] representing the initial fees of outside counsel to the Bank, plus (iii) the amount of reasonable disbursements of outside counsel to the Bank, plus (iv) an Insurer documentation and consent fee of \$[3,000.00] (such amounts collectively being referred to as the "*Term Loan Fee*"). The Term Loan Fee shall be payable in advance on the Closing Date.

(ii) *Amendment Fees.* Notwithstanding the foregoing provisions of this subparagraph (k), any fees due in connection with any amendment of this Agreement shall be determined by the Bank in its sole discretion.

Section 2.3. Obligations Absolute. The Obligations of the Authority under this Agreement shall be absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances: (i) any lack of validity, legality or enforceability of this Agreement, the Notes or any other Related Document; (ii) any amendment or waiver of or any consent to departure from all or any of the Related Documents; (iii) any statement to other document presented under this Agreement proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; (iv) the existence of any claim, set-off, defense or other rights which the Authority may have at any time against the Issuing and Paying Agent (or any persons or entities for whom the Issuing and Paying Agent may be acting), any holder of a Note, the Bank or any other Person, whether in connection with this Agreement, the transactions contemplated herein or in the Related Documents or any unrelated transaction; or (v) any other circumstance which might, constitute a legal or equitable discharge of any obligations hereunder (whether or not similar to any of the foregoing), it being agreed that the obligations hereunder shall not be discharged except by the performance thereof strictly in accordance with the terms of this Agreement, including, without limitation, the payment in full as herein provided of all amounts owing hereunder. Nothing herein contained shall affect the Authority's rights under Section 8.4 hereof.

Section 2.4. Pledge of Revenues; Collateral Account; Limited Obligation. Subject and subordinate to the prior pledge of Revenues under the Bond Indenture to secure the payment of the Bonds, and with respect to Obligations not constituting the Term Loan, to the prior pledge of

Revenues under the Indenture to secure the payment of the Notes, the Authority hereby irrevocably pledges to the Bank, and grants to the Bank a security interest in, all of the Revenues to secure the payment of all principal of and interest on the Obligations in accordance with their terms and the terms of this Agreement. Said pledge shall constitute a Lien on and security interest in such Revenues and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery of the Revenues or further act. The Authority hereby pledges to the Bank, and grants to the Bank a security interest in, to secure the payment of all principal of and interest on the Obligations, the proceeds of all obligations issued by the Authority to refund Obligations.

In addition to the pledge of Revenues provided above, the Obligations of the Authority hereunder shall be secured by all amounts on deposit in the Collateral Account, held by the Bank and pledged by the Authority to the Bank pursuant to the Assignment of Deposit Account.

The obligations of the Authority under this Agreement are limited obligations and are payable, both as to principal and interest, solely from the Revenues and the Collateral Account and other moneys described above, and the Authority is not obligated to make any payments hereunder except from such moneys. The obligations of the Authority hereunder are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and the Collateral Account and other moneys to the extent described above. NEITHER THE PRINCIPAL OF THE TERM LOAN NOR ANY INTEREST THEREON NOR ANY OTHER OBLIGATION OF THE AUTHORITY UNDER THIS AGREEMENT CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE GOVERNMENT OF GUAM.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.1. Conditions Precedent to Effectiveness. This Agreement shall become effective when each of the following conditions precedent has been fulfilled in a manner satisfactory to the Bank:

(a) *Delivery of Documents.* The Bank shall have received on or before the Closing Date the following, each in form and substance satisfactory to the Bank and its counsel and, unless indicated otherwise, dated the Closing Date:

- (i) this Agreement, duly executed and delivered by the Authority;
- (ii) the Bank Note payable to the order of the Bank, duly executed and delivered by the Authority;
- (iii) the Assignment of Deposit Account, duly executed and delivered by the Authority;
- (iv) a photocopy of the execution copy of the Notes Surety Bond, which shall be in form and substance satisfactory to the Bank and its counsel;

(v) the Bank Note Surety Bond, duly executed and delivered by the Insurer, in form and substance satisfactory to the Bank and its counsel;

(vi) a certificate of a duly authorized officer of the Authority certifying as to the incumbency and signature of each of the officers of the Authority authorized to sign this Agreement and the Assignment of Deposit Account;

(vii) a copy of the resolution of the governing board of the Authority authorizing the execution and delivery of this Agreement, the Bank Note and the Assignment of Deposit Account, certified by a duly authorized officer of the Authority on the Closing Date, which certificate shall state that such resolution has not been amended, modified or rescinded and is in full force and effect on the Closing Date;

(viii) an opinion of counsel to the Authority, as to the validity and enforceability of this Agreement, the Bank Note and the Assignment of Deposit Account, and the validity and perfection of the security interest granted under the Assignment of Deposit Account, in substantially the form attached hereto as Exhibit C;

(ix) a certificate of the Insurer consenting to the executing and delivery of this Agreement; and

(x) an executed opinion of counsel to the Insurer, dated the Closing Date, addressed to the Bank, in form and substance satisfactory to the Bank, as to (i) the due authorization, execution and delivery of the Surety Bonds and (ii) the legality, validity, binding effect and enforceability of the Surety Bonds.

(b) *Representations; Defaults.* The following statements shall be true and correct on and as of the Closing Date, and the Bank shall have received a certificate signed by an authorized officer of the Authority, dated the Closing Date, stating that:

(i) the representations of the Authority contained in Section 6 hereof are true and correct in all material respects on and as of the Closing Date as though made on and as of such date; and

(ii) no Default or Event of Default shall have occurred and be continuing or would result from the issuance of the Notes or the making of any Advance.

(c) *Legality; Material Adverse Change.* As of the Closing Date, the Bank shall have reasonably determined that (i) neither the making of the Term Loan nor the consummation of any of the transactions contemplated by any of the Related Documents will violate any law, rule, guideline or regulation (or interpretation or administration thereof) applicable to the Authority, the Bank or this Agreement and (ii) no material adverse change in the financial condition, business, assets, liabilities or prospects of the Authority shall have occurred.

(d) *Payment of Fees and Interest on Advances.* The Bank shall have received payment in full of the Term Loan Fee pursuant to Section 2.2(k)(i) hereof, together with payment of the additional amount of \$_____, representing the unpaid interest accrued on the Advances under the Original Credit Agreement through the Closing Date.

(e) *Collateral Account.* The Authority shall cause \$5,000,000.00 to be deposited in the Collateral Account.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY

Section 4.1. Representations and Warranties. The Authority hereby represents and warrants to the Bank as follows:

(a) *Organization, Powers, Etc.* The Authority (i) is a public corporation of Guam validly organized and existing under and by virtue of the laws of Guam, (ii) has full power and authority to own its properties and carry on its business as now conducted and (iii) has full power and authority to execute (or adopt, if applicable), deliver and perform its obligations under the Notes.

(b) *Authorization, Absence of Conflicts, Etc.* The execution (or adoption, if applicable), delivery and performance of this Agreement and the Related Documents and the issuance and performance of the Notes and the Bank Note (i) have been duly authorized by the Authority, (ii) do not and will not, to any material extent, conflict with, or result in violation of any applicable provision of law, including the Act, or any order, rule or regulation or any court or other agency of government and (iii) do not and will not, to any material extent, conflict with, result in a violation of or constitute a default under, the Indenture or any other resolution, agreement or instrument to which the Authority is a party or by which the Authority or any of its property is bound.

(c) *Governmental Consent or Approval.* The execution, delivery and performance of this Agreement and the Related Documents and the issuance and performance of the Notes and the Bank Note do not and will not require registration with, or the consent or approval of, or any other action by, any federal, state or other governmental authority or regulatory body other than those which have been made or given and are in full force and effect; *provided* that no representation is made as to any blue sky or securities law of any jurisdiction.

(d) *Binding Obligations.* This Agreement and the Related Documents are valid and binding obligations of the Authority, enforceable against the Authority in accordance with their terms subject to any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally or limitations of remedies against public corporations of Guam.

(e) *Litigation.* There is no action or investigation pending or, to the knowledge of the Authority, threatened against the Authority before any court or administrative agency which questions the validity of any act or the validity of any proceeding taken by the Authority in connection with the execution and delivery of this Agreement, the Related Documents, the Bonds or the Notes or wherein an unfavorable decision, ruling or finding would in any way adversely affect the validity or enforceability of this Agreement, the Related Documents, the Bonds or the Notes. There is no action pending or to the knowledge of the Authority, threatened,

which questions the validity of the Act or the Revenues nor is there any pending initiative or referendum qualified for the ballot which would seek to amend, annul, modify or replace the Act or to diminish or reallocate the Revenues.

(f) *Financial Condition.* All of the Authority's financial statements to date, and all financial statements relating to the Revenues to date, copies of which have been furnished to the Bank, have been prepared in conformity with generally accepted accounting principles (except as noted therein) and consist of a balance sheet and a statement of revenue and expenditures and changes in fund balances. All of such financial statements accurately present, in all material respects, the financial condition of the Authority, including the Revenues, as of the dates thereof, and other than as disclosed to the Bank, there has been no material adverse change in the business or affairs of the Authority or of the Revenues since the date the last such report was so furnished.

(g) *Amendments.* None of the Related Documents has been amended except by such amendments or supplements as have been delivered to the Bank prior to execution by it of this Agreement.

(h) *Security.* The pledge in favor of the Bank contained in Section 2.4 is a valid and binding pledge of and Lien on the Revenues, the Collateral Account and the proceeds of obligations issued by the Authority to refund the Term Loan, subject only to the prior rights of the Bondholders and the Noteholders as and to the extent described in Section 2.4, subject to any applicable bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally or limitations of remedies against public corporations or autonomous instrumentalities of the government of Guam.

(i) *No Defaults.* Except as previously disclosed to the Bank in writing, the Authority is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in the Indenture or any other resolution, agreement or instrument to which it is a party which would have a material adverse effect on the ability of the Authority to perform its obligations hereunder or under the Related Documents or which would affect the enforceability hereof or thereof.

(j) *Debt Service.* The Authority is legally authorized to perform the covenant set forth in Section 6.4 hereof.

(k) *Related Documents.* As of the Closing Date, the representations of the Authority in all of the Related Documents are true and correct in all material respects.

(l) *Accuracy and Completeness of Information.* All data, certificates, reports, financial statements, documents and other information furnished to the Bank by or on behalf of the Authority on or prior to the Closing Date in connection with the transactions contemplated hereby were, at the time same were so furnished, complete and correct in all material respects to the extent necessary to give the Bank true and accurate knowledge of the subject matter thereof and did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading.

(m) *Legislation.* No legislation has been enacted which in any way materially adversely affects or which prohibits (i) the issuance or delivery of the Notes, (ii) the execution and delivery of this Agreement, the Bank Note or any of the Related Documents to which the Authority is a party, (iii) the creation, organization or existence of the Authority or the titles to office of any officers thereof executing this Agreement or any of the Related Documents or (iv) the power of the Authority to carry out its obligations under this Agreement or any of the Related Documents to which the Authority is a party.

(n) *No Tax or Fee.* None of the execution or delivery of this Agreement or the making of the Term Loan will give rise to any tax or fee imposed by any local or state agency or governmental body.

(o) *Immunity from Jurisdiction.* The Authority has no immunity from the jurisdiction of any court of competent jurisdiction or from any legal process therein which could be asserted in any action to enforce the obligations of the Authority under this Agreement, the Bank Note, the Assignment of Deposit Account, the Indenture, the Issuing and Paying Agent Agreement or the Notes.

Section 4.2. Survival of Representations; Successors and Assigns. All statements contained in any certificate, financial statement or other instrument delivered to the Bank by any authorized officer of the Authority pursuant to or in connection with this Agreement (including, but not limited to, any such statement made in or in connection with any amendment hereto) shall constitute representations made under this Agreement.

ARTICLE V

AFFIRMATIVE COVENANTS OF THE AUTHORITY

Until the termination of this Agreement and the payment in full to the Bank of all amounts payable to the Bank hereunder, the Authority hereby covenants and agrees that it will:

Section 5.1. Reports and Other Information.

(a) *Notice of Default.* As promptly as practical after the chief fiscal officer of the Authority shall have obtained knowledge of the occurrence of an Event of Default or an Event of Termination, provide to the Bank the written statement of the Authority setting forth the details of such event and the action which the Authority proposes to take with respect thereto.

(b) *Annual and Quarterly Reports.* Within one hundred and eighty (180) days after the end of each fiscal year of the Authority, provide the Bank audited financial statements of the Authority, and within 45 days after the end of each fiscal quarter of the Authority, provide the Bank with unaudited financial statements of the Authority, in each case consisting of a balance sheet and a statement of revenues, expenditures and changes in fund balances of the Authority, including the Revenues for such period, setting forth in comparative form the corresponding figures (if any) for the preceding period, all in reasonable detail, and with respect to the annual report only accompanied by an unqualified opinion of a nationally recognized independent certified public accounting firm stating that (i) they have been prepared in accordance with generally accepted accounting principles consistently applied and (ii) nothing has come to the

attention of the auditors which would indicate that an Event of Default or an Event of Termination has occurred under this Agreement, and with respect to both annual reports and quarterly reports accompanied by a certification from the chief fiscal officer of the Authority addressed to the Bank stating that neither an Event of Default nor an Event of Termination has occurred which was continuing at the end of such fiscal year or on the date of such certification, or, if such an event has occurred and was continuing at the end of such fiscal year or on the date of such certification, indicating the nature of such event and the action which the Authority proposes to take with respect thereto.

(c) *Annual Budgets.* Within thirty (30) days after the adoption thereof by the governing board of the Authority, provide the Bank with a copy of the annual budget and capital expense program of the Authority.

(d) *Disclosure Documents.* Within ten (10) days after the issuance of any securities by the Authority with respect to which a final official statement or other offering circular has been prepared by the Authority, provide the Bank with a copy of such official statement or offering circular.

(e) *Notice of Adverse Change.* Notify the Bank as soon as possible after the chief fiscal officer of the Authority acquires knowledge of the occurrence of (i) the filing of a complaint against the Authority in any court or administrative agency, where the amount claimed is in excess of Five Million Dollars (\$5,000,000.00), (ii) the filing of any action which could lead to an initiative or referendum which could annul, amend, modify or replace the Act or which could lead to the diminution or reallocation of the Revenues, (iii) any Default or Event of Default, together with a certificate of an Authorized Representative of the Authority setting forth the details of such Default or Event of Default and the action that the Authority proposes to take with respect thereto, (iv) any changes to the policies of the Guam Public Utilities Commission that could reasonably be expected to affect the rates and costs of the Authority, or (v) any other event which, in the reasonable judgment of the Authority, is likely to have a material adverse effect on the financial condition or operations of the Authority.

(f) *Other Information.* Provide to the Bank such other information respecting the business affairs, financial condition and/or operations of the Authority as the Bank may from time to time reasonably request.

Section 5.2. Inspections; Discussion. Permit the Bank or its representatives, at any reasonable time during normal business hours and from time to time at the request of the Bank (to the extent that the Authority has the legal ability to permit access thereto): to examine and make copies of and take abstracts from the records and books of account of the Authority and to discuss the affairs, finances and accounts of the Authority with the appropriate officers of the Authority; *provided that*, if required by the Authority, as a condition to the Bank being permitted by the Authority to conduct any such examination or discussion, the Bank shall certify to the Authority that the same is being made or conducted solely in order to assist the Bank in evaluating its position under this Agreement.

Section 5.3. Sources of Payments. Make, or cause to be made, such payments from the sources and in the manner provided in the Indenture and as are necessary to provide for the payment of the principal of and interest on the Term Loan when due.

Section 5.4. Preservation of Pledge. Take any and all actions necessary or reasonably requested by the Bank to maintain the pledges and grants of security interests described in Section 2.4.

Section 5.5. Taxes and Liabilities. Pay all its indebtedness and obligations promptly and in accordance with their terms and pay and discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default, which default could have a material adverse effect on the ability of the Authority to perform its obligations under this Agreement; *provided* that the Authority shall have the right to defer payment or performance of obligations to any Person other than the Bank so long as it is contesting in good faith the validity of such obligations by appropriate legal action and no final order or judgment has been entered with respect to such obligations.

Section 5.6. Other Obligations. The Authority will comply with and observe all other obligations and requirements set forth in the Indenture and each other Related Document to which it is a party (including, without limitation, all provisions therein for the benefit of the Bank) and in all statutes and regulations binding upon it relating to the Notes, this Agreement or any of the Related Documents.

Section 5.7. Litigation. The Authority shall promptly notify the Bank of the existence of any litigation which individually or in the aggregate could have a material adverse effect on (i) the financial condition or operations of the Authority, (ii) the Notes, (iii) the Obligations, (iv) its ability to satisfy its obligations under this Agreement, or (v) the enforceability or validity of any of the Related Documents.

Section 5.8. Surety Bonds. The Authority shall at all times maintain in full force and effect the Surety Bonds with respect to the Notes and the Bank Note.

Section 5.9. Rating of Insurer's Obligations. If the ratings assigned to the obligations insured by the Insurer shall drop below "A" by S&P or its equivalent or below "Baa1" by Moody's or its equivalent, the Authority will, if requested by the Bank, provide additional insurance or other credit enhancement in respect of the payment of principal of and interest on the Bank Note on terms comparable to the Bank Note Surety Bond or as the Bank may otherwise consent and in form and substance and from an insurer or other credit provider satisfactory to the Bank, at the expense of the Authority, to the extent that such insurer or other credit provider is reasonably available to the Authority.

Section 5.10. Incorporation by Reference. From and after the date hereof and so long as this Agreement is in effect, except to the extent compliance in any case or cases is waived in writing by the Bank, the Authority agrees that it will, for the benefit of the Bank, comply with, abide by, and be restricted by all the agreements, covenants, obligations and undertakings of the

Authority contained in the Related Documents, regardless of whether any indebtedness is now or hereafter remains outstanding thereunder, or the Related Documents shall have terminated all of which provisions, together with the related definitions, exhibits and ancillary provisions, are incorporated herein by reference, *mutatis mutandis*, and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety, and will be deemed to continue in effect for the benefit of the Bank irrespective of whether the Related Documents remain in effect, and without regard or giving effect to any amendment or modification of such provisions or any waiver of compliance therewith, no such amendment, modification or waiver to in any manner constitute an amendment, modification or waiver of the provisions thereof as incorporated herein unless consented to in writing by the Bank.

ARTICLE VI

NEGATIVE COVENANTS OF THE AUTHORITY

Until the termination of this Agreement and the payment in full to the Bank of all amounts payable to the Bank hereunder, the Authority hereby covenants and agrees that it will not:

Section 6.1. Compliance with Acts, Etc. Violate any laws, rules, regulations, or governmental orders to which it is subject, which violation involves a reasonable likelihood of materially and adversely affecting its financial condition.

Section 6.2. Amendments. Without the written consent of the Bank, (i) consent or agree to any rescission of or amendment to the Act which would materially reduce the amount of the Revenues or the obligations of the Authority hereunder or which would in any manner materially impair or materially adversely affect the rights of the Authority to the Revenues or the security of the Bank; or (ii) agree to the amendment of the Indenture such that payments to holders of Notes are materially impaired or reduced or the priority of the obligations of the Authority to the Bank hereunder is materially adversely affected in any way; or (iii) agree to any amendment of the Indenture whatsoever which will materially and adversely affect the rights or obligations of the Bank in respect thereof.

Section 6.3. Amendments to Related Documents. So long as this Agreement is in effect or any Advance is Outstanding, the Authority will not, without the prior written consent of the Bank, modify, amend, or supplement, or give any consent to any modification, amendment or supplement, or make any material waiver with respect to any of the Related Documents.

Section 6.4. Ratio of Revenues to Annual Debt Service. So long as this Agreement is in effect or any portion of the Term Loan remains unpaid, rates and charges for the sale or use of electric energy produced, transmitted, distributed or furnished from the System (as defined in the Bond Indenture) will be established, fixed, prescribed and collected so that such rates and charges will yield Net Revenues (as defined in the Bond Indenture) for the next twelve months equal to at least 1.30 times Annual Debt Service (as defined in the Bond Indenture) on the outstanding Bonds to be paid from Net Revenues during such period. Such rates and charges may be adjusted from time to time and classified as necessary, but such rates and charges shall not be reduced below the rates and charges then in effect unless the Net Revenues from such

reduced rates will at all times be sufficient to meet the requirements of this Section. All such rates and charges shall be payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. The debt service coverage ratio specified in this Section shall be at a minimum the debt service coverage ratio used by the PUC (as defined in the Bond Indenture), together with other appropriate factors, in setting rates. None of the electric energy owned, controlled or supplied by the Authority shall be furnished or supplied free to any person, but on the contrary shall always be sold or furnished so as to produce Revenues under the Bond Indenture.

Section 6.5. Additional Debt. Without the prior written consent of the Insurer and the Bank, the Authority shall not issue any Debt secured by a Lien on the Revenues other than (i) Bonds issued in accordance with the terms of the Bond Indenture and (ii) Debt secured by a Lien which is subordinate and junior in right of payment to the Lien which secures the Obligations hereunder.

Section 6.6. Preservation of Corporate Existence, Etc. The Authority shall take no action to terminate its existence as a public corporation of Guam.

ARTICLE VII

DEFAULT

Section 7.1. Events of Default. Each of the following events shall constitute an "*Event of Default*" hereunder:

(a) (i) The Authority shall fail to pay on the date when due any amount of principal of or interest on the Term Loan pursuant to this Agreement or the Bank Note; and (ii) such principal of or interest on such obligations of the Authority is not paid by the Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Bank Note Surety Bond; or

(b) (i) Any material provision of either Surety Bond at any time for any reason ceases to be valid and binding on the Insurer in accordance with the terms of such Surety Bond or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, or (ii) the validity or enforceability thereof is contested by the Insurer or any governmental agency or authority, or the Insurer denies that it has any or further liability or obligation under such Surety Bond; or

(c) A proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Insurer or for any substantial part of its property under any applicable bankruptcy law then in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of thirty (30) consecutive days or such court enters an order granting the relief sought in such proceeding or the Insurer shall institute or take any corporate action for the purpose of instituting any such proceeding; or the Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or reorganization law, or institute any

proceeding seeking to have entered against it an entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Insurer shall default in any payment or payments of amounts payable by it under any insurance policy or policies or surety bond or bonds (other than the Surety Bonds) when due and such default shall continue for a period of five (5) days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Insurer contests in good faith its liability under any such policy or policies or surety bond or bonds in light of the claim or claims made thereunder); or

(e) Either Surety Bond is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for Ambac Assurance Corporation without the Bank's prior written consent; or

(f) The Authority shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Bonded Debt of the Authority, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Bonded Debt, or pursuant to the provisions of any such indenture, contract or instrument, the maturity of any Bonded Debt of the Authority shall have been or, as a result of a payment default of any nature, may be accelerated or shall have been or, as a result of a payment default of any nature, may be required to be prepaid prior to the stated maturity thereof; or

(g) This Agreement, the Assignment of Deposit Account or the Indenture or any material provision hereof or thereof, or the Bank Note or any Note shall, for any reason, cease to be valid and binding on the Authority or in full force and effect or shall be declared to be null and void, in each case, pursuant to a final administrative determination or judicial decision from which there shall not exist any other right of appeal or against which a timely appeal shall not have been filed by the Authority; or the validity or enforceability of this Agreement, the Bank Note, the Assignment of Deposit Account, the Indenture or any Note shall be contested (i) by the Authority or (ii) by any governmental agency or authority having jurisdiction over the Authority, unless with respect to clause (ii) above, the same is being contested by the Authority in good faith and by appropriate proceedings; or the Authority shall deny that it has any or further liability or obligation under this Agreement, the Bank Note, the Assignment of Deposit Account, the Indenture or any Note; or

(h) The Authority shall become insolvent or admit in writing its inability to pay its debts as they mature or shall declare a moratorium on the payment of its debts or apply for, consent to or acquiesce in the appointment of a trustee, custodian, liquidator or receiver for itself or any part of its property, or shall take any action to authorize or effect any of the foregoing; or in the absence of any such application, consent or acquiescence, a trustee, custodian, liquidator or receiver shall be appointed for it or for a substantial part of its property or revenues and shall

not be discharged within a period of 60 days; or Guam or any other governmental authority having jurisdiction over the Authority imposes, a debt moratorium, debt restructuring or comparable restriction on repayment when due and payable of the principal of or interest on any Debt by the Authority; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the Authority (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and if instituted against it, shall be consented to or acquiesced in by it, or shall not be dismissed within a period of 60 days; or

(i) The Authority shall fail to pay, within ten calendar days after written demand by the Bank to it, any amount, other than the amounts referenced in paragraph (a) above, due and payable under this Agreement; or

(j) Any representation, certification or statement made by the Authority in this Agreement or in any Related Document or in any certificate, financial statement or other document delivered pursuant to this Agreement or any Related Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made; or

(k) The Authority shall default in the due performance or observance of any term, covenant or agreement contained in Section 5.1, 5.4, 5.8 or Article VI hereof; or

(l) The Authority shall default in the due performance or observance of any term, covenant or agreement contained in this Agreement and such default shall remain unremedied for 30 days after written notice thereof shall have been given to the Authority by the Bank; or

(m) The Authority shall default in the due performance or observance of any material term, covenant or agreement contained in any of the Related Documents and the same shall not have been cured within any applicable cure period; or

(n) The Authority shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Debt other than Bonded Debt of the Authority in excess of \$1,000,000.00, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Debt; or any other default under any indenture, contract or instrument providing for the creation of or concerning such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or pursuant to the provisions of any such indenture, contract or instrument the maturity of any Debt of the Authority in a principal amount in excess of \$1,000,000.00 shall have been or may be accelerated or shall have been or may be required to be prepaid prior to the stated maturity thereof; or

(o) Any provision of the Act or the Authority's charter is repealed, reenacted, amended or otherwise modified (whether directly or indirectly, and including, without limitation, by legislative or judicial action), and such repeal, reenactment, amendment or modification may

have an adverse effect on the power or authority of the Authority to establish rates or otherwise comply with the covenants of the Authority hereunder or under any Related Documents; or

(p) Any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$5,000,000.00 which are not fully insured shall be entered or filed against the Authority or against any of its property and remains unvacated, unbonded or unstayed for a period of 60 days; or

(q) Moody's or S&P shall have downgraded the claims-paying ability of the Insurer below "Baa3" or "BBB-", respectively, or shall have suspended or withdrawn either such rating; or

(r) the Collateral Account shall fail to have at least \$5,000,000.00 on deposit therein.

Section 7.2. Remedies.

(a) If an Event of Default specified in Section 7.1(a), 7.1(b), (c), (d) or (e) shall occur, then (A) automatically, the Term Loan, all interest thereon and all other Obligations hereunder and under the Bank Note shall immediately become due and payable, and (B) the Bank may pursue any other rights or remedies under this Agreement, the Assignment of Deposit Account, applicable law or otherwise.

(b) If an Event of Default described in Section 7.1(f) through (r), inclusive, shall occur, then the Bank may (A) by notice to the Authority, declare the Term Loan, all interest thereon and all other Obligations under this Agreement and under any Bank Note to be due and payable forthwith, whereupon the same shall immediately become due and payable, and (B) pursue any other rights or remedies under this Agreement, the Assignment of Deposit Account, applicable law or otherwise. Except as provided in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Amendments and Waivers. No amendment or waiver of any provision of this Agreement or the Assignment of Deposit Account nor consent to any departure by the Authority therefrom shall in any event be effective unless the same shall be in writing, and signed by the Bank and, with respect to any amendment, the Authority. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 8.2. Indemnification.

(a) To the extent permitted by law, the Authority hereby indemnifies and holds harmless the Bank from and against, and will on demand reimburse the Bank for, any and all claims, damages, losses, liabilities (whether asserted by cross-claim, claim for contribution, in tort, in contract or otherwise), costs or expenses whatsoever (including reasonable attorneys'

fees) that the Bank may incur (or that may be claimed against the Bank by any Person whatsoever, but not including the Authority):

(i) by reason of any untrue statement or alleged untrue statement of any material fact contained in the offering memorandum relating to the Notes, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading; or

(ii) by reason of or in connection with the execution, delivery or performance of this Agreement, the Bank Note, the Notes or any other Related Document, or any transaction contemplated by this Agreement, the Bank Note, the Notes or any other Related Document; *provided* that the Authority shall not be required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank.

In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(b) Promptly following receipt by the Bank of notice of the commencement of any action with respect to which a claim may be made against the Authority under this Section, the Bank shall notify the Authority in writing of the commencement of such action, but the omission to do so by the Bank shall not relieve the Authority from any liability which it may have to the Bank under this Section. The Authority shall be entitled to participate in the defense of any such action.

Section 8.3. Continuing Obligation. The obligations of the Authority under this Agreement shall continue until the date upon which all amounts owing to the Bank hereunder shall have been paid in full, including without limitation amounts payable under Sections 2.2(i) and 8.5 hereof, provided that the obligations of the Authority pursuant to Sections 2.2(c), 2.2(h) and 8.2 hereof shall survive the termination of this Agreement. This Agreement shall be binding upon the Authority and its successors and assigns and shall inure to the benefit of and be enforceable by the Bank and its successors, transferees and assigns, provided that the Authority may not assign all or any part of this Agreement without the prior written consent of the Bank.

Section 8.4. Limitation on Liability. As between the Authority and the Bank, the Authority assumes all rights of any act or omission of the Issuing and Paying Agent except as provided in this Section. Neither the Bank nor any of its officers or directors shall be liable or responsible to any Person for: (a) the use that may be made of the proceeds of any Advance or of any Note, or for any acts, omissions, errors, interpretations, delays in transmission, dispatch or delivery of any message or advice, however transmitted, of the Issuing and Paying Agent in connection with this Agreement or any of the other Related Documents; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Bank against presentment of documents that do not comply with the terms of this Agreement, including failure of any documents to bear any reference or adequate reference to this Agreement; or (d) any other circumstances whatsoever in making or failing to

make payment hereunder. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 8.5. Costs, Expenses and Taxes; Payment Instructions.

(a) The Authority shall pay, on the Closing Date, all reasonable costs and expenses of the Bank (including attorneys' fees and reasonable disbursements for outside counsel to the Bank) in connection with the preparation, execution and delivery of this Agreement, the Bank Note and any other documents or instruments that may be delivered in connection therewith. In addition, the Authority shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the Bank Note and any other documents or instruments that may be delivered in connection herewith, and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omitting to pay such taxes and fees, provided that the Bank agrees promptly to notify the Authority of any such taxes and fees that are incurred by the Bank. In addition, the Authority shall pay any and all reasonable fees and expenses incurred by the Bank subsequent to the Closing Date in connection with the performance and enforcement of the obligations of the Authority under this Agreement, the Bank Note, the documents or instruments that have been delivered in connection therewith and any amendments thereto or waivers thereof and the rights of the Bank with respect thereto (including the reasonable fees of outside counsel to the Bank plus any reasonable out-of-pocket disbursements of such counsel related thereto) within 30 days of receipt by the Authority of a statement thereof in reasonable detail. The Bank shall use its best efforts to notify the Authority of any such fees and expenses prior to the incurrence thereof.

All amounts due to the Bank pursuant to this Section shall be deemed Obligations hereunder and shall accrue interest from the date such amounts are due until paid at the Default Rate.

(b) Unless otherwise provided in this Agreement or in writing to the Authority by the Bank, the payment instructions on behalf of the Bank are by wire of immediately available funds to the Bank at

Cathay Bank
777 North Broadway
Los Angeles, California 90012
ABA #1222-03950
Beneficiary: Guam Power Authority
Loan No. 1186-04557
Attention: Note Department

Section 8.6. Assignment.

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last paragraph of this Section, be deemed to include the successors and assignees of such party, and all covenants, promises and agreements by or on behalf of the

Authority which are contained in this Agreement shall inure to the benefit of the successors and assigns of the Bank. The Authority may not transfer its rights or obligations under this Agreement without the prior written consent of the Bank. This Agreement is made solely for the benefit of the Authority and the Bank, and no other person or entity (other than the Insurer) shall have any right, benefit or interest under or because of the existence of this Agreement.

Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each, a "*Participant*") a participation or participations in all or any part of the Bank's rights and benefits under this Agreement or any Related Document on a participating basis but not as a party to this Agreement (a "*Participation*"), without the consent of the Authority, provided the Bank agrees to give the Authority notice of the granting of any Participation upon the effectiveness thereof and to cause such Participant to comply with Section 8.6(b) below. In the event of any such granting by the Bank of a Participation to a Participant, whether or not upon notice to the Authority, the Bank shall remain responsible for the performance of its obligations hereunder, and the Authority shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement and the Participant shall not be entitled to receive payment hereunder of any amount greater than the amount which would have been payable had the Bank not granted a participation hereunder.

(b) Any Participant organized under the laws of a jurisdiction outside the United States (a "*Foreign Lender*") as to which payments to be made under this Agreement or under the Notes are exempt from United States withholding tax or are subject to United States withholding tax at a reduced rate under an applicable statute or tax treaty shall provide to the Authority (i) a properly completed and executed United States Internal Revenue Service Form W-8ECI or W-8BEN or other applicable form, certificate or document prescribed by the Internal Revenue Service of the United States certifying as to such Foreign Lender's entitlement to such exemption or reduced rate of withholding with respect to payments to be made to such Foreign Lender under this Agreement and under the Notes (a "*Certificate of Exemption*") or (ii) a letter from any such Foreign Lender stating that it is not entitled to any such exemption or reduced rate of withholding (a "*Letter of Non-Exemption*").

If a Foreign Lender is entitled to an exemption with respect to payments to be made to such Foreign Lender under this Agreement (or to a reduced rate of withholding) and does not provide a Certificate of Exemption to the Authority, the Authority shall withhold taxes from payments to such Foreign Lender at the applicable statutory rates and the Authority shall not be required to pay any additional amounts as a result of such withholding; *provided* that all such withholding shall cease or be reduced, as appropriate, upon delivery by such Foreign Lender of a Certificate of Exemption to the Authority.

Section 8.7. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy, e-mail or similar writing) or by telephone (promptly confirmed in writing) and shall be given to such party, addressed to it, at its address or the telephone number set forth below or such other address or telephone number as such party may hereafter specify for the purpose by notice to each other party by notice hereunder. Each such notice, request or communication shall be effective (i) if given by mail, 10 days after such communication is deposited in the mails with first-class postage prepaid, addressed as aforesaid, (ii) if given by telephone or telecopy, when received by the party at its number specified below,

(iii) if given by e-mail, when received by the party at its e-mail address specified below, or (iv) if given by any other means, when delivered at the address specified below:

If to the Bank:

Cathay Bank
777 North Broadway
Los Angeles, California 90012
Attention: Shu-Yuan Lai
Telephone: (213) 346-3736
Facsimile: (213) 625-3915
E-mail: shuyuan_lai@cathaybank.com

With a copy to:

Cathay Bank
777 North Broadway
Los Angeles, California 90012
Attention: James Lin
Telephone: (213) 625-4713
Facsimile: (213) 625-3915
E-Mail: james_lin@cathaybank.com

If to the Authority:

Guam Power Authority
1911 Route 16
Harmon, Guam 96913
Attention: Controller
Telephone: (671) 648-3120/3066
Facsimile: (671) 648-3168
E-mail: rwegand@gpagwa.com

If to the Insurer:

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004-1538
Attention: Public Finance Surveillance
Telephone: (212) 208-3306
Facsimile: (212) 797-5725
E-mail: szuchorski@ambac.com

Section 8.8. No Waiver; Remedies. No failure on the part of the Bank 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. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 8.9. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 8.10. Consent by the Bank. Except as otherwise expressly set forth herein to the contrary, if the consent, approval, satisfaction, determination, judgment, acceptance or similar action (an "Action") of the Bank shall be permitted or required pursuant to any provision hereof or any provision of any other agreement to which the Authority is a party and to which the Bank has succeeded, such Action shall be required to be in writing and may be withheld or denied by the Bank in its sole discretion.

Section 8.11. Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES; PROVIDED, HOWEVER, THAT THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL BE GOVERNED BY THE LAWS OF GUAM.**

Section 8.12. Submission to Jurisdiction; Waiver of Jury Trial. The Authority hereby submits to the nonexclusive jurisdiction of the United States District Court for the Central District of California and of any California State court sitting in the City of Los Angeles for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Authority hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. **EACH OF THE AUTHORITY AND THE BANK HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

Section 8.13. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which shall be an original, with the same effect as if the signatures hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof duly executed by the other party hereto.

Section 8.14. Integration. This Agreement supersedes all prior undertakings and agreements, both written and oral, among the Authority and the Bank relating to the line of credit provided hereunder, including those contained in any commitment letter or term sheet between the Authority or the Bank.

Section 8.15. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 8.16. Source of Funds. The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Authority.

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IN WITNESS WHEREOF, the parties hereto have caused this Amended and Restated Credit Agreement to be executed and delivered by their duly authorized representatives as of the date first above written.

[SEAL]

GUAM POWER AUTHORITY

By _____
Joaquin C. Flores, P.E.
General Manager

ATTEST:

D. Graham Botha, Esq.
Legal Counsel

CATHAY BANK

By _____
Senior Executive Vice President

By _____
Vice President

EXHIBIT A

FORM OF BANK NOTE

GUAM POWER AUTHORITY BANK NOTE

\$20,000,000.00

Dated: February __, 2009

GUAM POWER AUTHORITY, a public corporation and autonomous agency of the government of Guam (the "*Authority*"), for value received, promises to pay to the order of CATHAY BANK, or its assigns (the "*Bank*"), on the earlier of the Term Loan Maturity Date or such other date or dates as set forth in the Agreement (as hereinafter defined), TWENTY MILLION DOLLARS (\$20,000,000.00) pursuant to the Amended and Restated Credit Agreement dated as of February 1, 2009 (the "*Agreement*"), by and between the Authority and the Bank, and to pay interest on the unpaid principal amount hereof on the dates and at the rates specified in the Agreement until such principal shall be paid. All payments of principal of and interest on this note shall be made in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts, in immediately available funds at the Bank to the credit of the account specified in the Agreement or such other account as the Bank may from time to time designate in writing. Capitalized terms used herein and not otherwise defined have the meanings given to such terms in the Agreement.

This note shall be governed in all respects by the Agreement and the terms of the Agreement are hereby incorporated herein by this reference.

The Authority hereby authorizes the Bank to make appropriate notations on Schedule 1 attached hereto of all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid; *provided, however*, that the Bank's failure to make any such notation or any defect therein shall not affect the obligation of the Authority to pay the full amount of the principal of and interest on the Term Loan.

This note is subject to prepayment prior to maturity as provided in the Agreement.

It is hereby certified, recited and declared by the Authority: (a) that this note has been authorized for valid public purposes which the Authority is empowered by law to undertake and perform; (b) that the Authority is authorized by law to issue and sell its securities to provide funds for such public purposes and for the payment of this note and the interest hereon; (c) that the Authority has, by official action, the Authority has pledged the Revenues to the payment of this note and the interest hereon, until such time as this note and the interest hereon are fully paid; (d) that the total principal amount of this note, together with all outstanding indebtedness of the Authority, is within every debt and other limit prescribed by the laws of Guam and by the Act; (e) that all other acts, conditions and things required to exist, to be done, to have happened and to be performed, precedent to and in the issuance of this note, do exist, have been done, have happened and have been performed, in full and strict compliance with the laws of the Guam; and (f) that no litigation is pending or threatened in any manner affecting the validity of this note or

the power of the Authority to make the same or in any manner challenging the status or existence of the Authority as a public corporation and autonomous agency of the government of Guam or its power to expend the proceeds of this note on the purposes intended.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES; PROVIDED, HOWEVER, THAT THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL BE GOVERNED BY THE LAWS OF GUAM.

IN WITNESS WHEREOF, Guam Power Authority has caused this note to be executed in its name by its General Manager, all as of the ____ day of February, 2009.

[SEAL]

GUAM POWER AUTHORITY

By _____

Joaquin C. Flores, P.E.
General Manager

ATTEST:

D. Graham Botha, Esq.
Legal Counsel

Schedule 1

| <u>Date</u> | Unpaid Principal of <u>Term Loan</u> | Amount of <u>Interest Paid</u> | Amount of Principal <u>Payment or Prepayment</u> |
|-------------|---|-----------------------------------|---|
| | \$20,000,000.00 | | |

EXHIBIT B

FORM OF ASSIGNMENT OF DEPOSIT ACCOUNT

EXHIBIT C

FORM OF OPINION OF COUNSEL TO THE AUTHORITY

February __, 2009

Cathay Bank
777 North Broadway, 3rd Floor
Los Angeles, California 90012

Re: Amended and Restated Credit Agreement, dated as of February 1, 2009,
by and between Cathay Bank and Guam Power Authority

Ladies and Gentlemen:

I have acted as Guam counsel to Guam Power Authority, a public corporation (the "Authority"), in connection with the Authority's execution and delivery of that certain Amended and Restated Credit Agreement, dated as of February 1, 2009 (the "Credit Agreement"), by and between Cathay Bank (the "Bank") and the Authority, which amends and restates that certain Credit Agreement, dated as of November 1, 2004, by and between the Authority and the Bank.

This opinion letter (this "Opinion") is being rendered at the request of the Bank. Except as otherwise indicated herein, capitalized terms used herein are defined as set forth in the Accord (see below) or, if not defined in the Accord, in the Credit Agreement.

In my role as Guam counsel for the Authority in connection with the execution and delivery of the Credit Agreement, I have received and reviewed the Credit Agreement and the Assignment of Deposit Account, in the forms furnished to me, but I have neither witnessed the execution thereof by any parties other than the Authority, nor examined executed originals or executed copies of such documents executed by any party other than the Authority, and I have made such other legal and factual examinations and inquiries as I have deemed necessary or advisable for the purpose of rendering this Opinion.

I have also examined Resolution No. 2009-02 adopted by the Consolidated Commission on Utilities on January 6, 2009, authorizing the Authority's execution and delivery of the Credit Agreement (the "Resolution"), and such other documents, opinions and matters of law and relevant fact, established through other sources as I have deemed appropriate in my professional judgment, as a basis for my opinions set forth below. In accordance with Guam practice, I have relied on certificates of public officials as I have deemed necessary.

In my examination, I have assumed: (a) the genuineness of all signatures; (b) the legal capacity and competency of natural persons; (c) the authenticity of all documents submitted to me as originals; (d) the conformity to original documents of all documents submitted to me as certified or photocopies; (e) the authenticity of the originals of such copies; (f) the due

authorization of each person executing any of the documents, whether individually or on behalf of an entity; (g) the absence of any applicable laws of any other jurisdiction which would preclude or otherwise restrict any of the transactions contemplated in the documents; and (h) the absence of any agreements or understandings between or among any of the parties to the documents or third parties that would expand, modify or otherwise affect the terms of the documents or the respective rights or obligations of the parties thereunder. My opinions herein are subject to the limitation and correctness of these and any other assumptions contained herein.

As to any facts material to this Opinion which I did not independently establish or verify, I have relied upon statements and representations of the Authority and representatives of the Authority. Except as otherwise explicitly stated herein, I have assumed the accuracy of, and relied without any independent investigation and with your approval and consent upon, the following statements, representations and opinions as if the same were made directly to me: (i) the representations of fact made by the Authority and the other parties thereto contained in the Credit Agreement; (ii) the statements contained in certain documents of government officials which I have deemed relevant for purposes of this Opinion; and (iii) the representations made by the Authority in various certificates of the Authority.

I have also assumed that the Bank is in compliance with all applicable licensing laws and holds or will hold any necessary or appropriate licenses as may be applicable to it or its affairs (if any) within Guam for purposes of enforcement of the Credit Agreement in the courts and any governmental agencies and authorities of Guam.

In addition, with respect to any opinion given herein, where the term "Actual Knowledge" is used, it shall mean, in addition to the meaning given to that term in the Accord, that the Primary Lawyer Group (as that term is defined in the Accord) have conducted no independent investigation with respect to the subject matter of such opinion and have not, during the course of my representation of the Authority in connection with the execution and delivery of the Credit Agreement and the Assignment of Deposit Account, received actual knowledge of any information which is contrary to the matters set forth in such opinion. The Primary Lawyer Group includes only D. Graham Botha.

This Opinion is governed by, and shall be interpreted in accordance with, the Legal Opinion Accord (the "Accord") of the American Bar Association Section of Business Law (1991). As a consequence, it is subject to a number of qualifications, exceptions, definitions, limitations on coverage and other limitations, all as more particularly described in the Accord, as well as certain other limitations, qualifications and exceptions expressed herein. This Opinion should be read in conjunction with the Accord which is specifically incorporated herein by reference.

With your express consent and approval, this Opinion is given as if the existing internal laws of Guam govern all documents, without regard to whether such documents so provide. Except as otherwise expressly limited herein, the law covered by this Opinion is limited to the Federal statutory law of the United States of America and the statutes, judicial decisions and administrative decisions of Guam. I am a member of the bar of Guam; I do not hold myself out

as being an expert in, and do not express any opinion as to, the laws of any jurisdiction other than the United States of America and Guam. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. I have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur.

Based upon and subject to the foregoing, the General Qualifications contained in the Accord and the further assumptions, limitations and qualifications set forth below, I am of the opinion that:

1. The Authority is a public corporation and has full corporate right, power and legal authority to enter into and perform the Credit Agreement and the Assignment of Deposit Account; to issue the Bank Note; and to carry out and consummate all of the transactions required of it as contemplated by the Credit Agreement and the Assignment of Deposit Account.

2. The Resolution was duly adopted on January 6, 2009 at a regular meeting of the Consolidated Commission on Utilities, duly called for such purpose, and has not been amended or repealed or modified and is in full force and effect.

3. The execution, delivery and performance of the Credit Agreement and the Assignment of Deposit Account was duly approved and authorized by the Authority. The Authority has duly executed and delivered the Credit Agreement and the Assignment of Deposit Account. Each of the Credit Agreement and the Assignment of Deposit Account is in full force and effect as of the date hereof, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. [THE OPINION IN THE LAST SENTENCE OF THIS PARAGRAPH MUST BE GIVEN BY CALIFORNIA COUNSEL AS WELL.]

4. The Credit Agreement creates the valid pledge that it purports to create of the Revenues.

5. The Assignment of Deposit Account is effective to create in favor of the Bank a security interest in the Collateral Account. The security interest in the Collateral Account, as a deposit account maintained with the Bank, has been perfected by control. [THIS OPINION MUST BE GIVEN BY CALIFORNIA COUNSEL AS WELL.]

6. The adoption of the Resolution, the execution and delivery of the Credit Agreement and the Assignment of Deposit Account, the consummation of the transactions contemplated by the Credit Agreement and the Assignment of Deposit Account and the compliance with the provisions thereof: (i) will not, to my Actual Knowledge, conflict with or constitute, on the part of the Authority, a breach of, or a default under, any existing law of Guam to which the Authority is subject, or any administrative regulation, court order or consent decree of the Government of Guam to which the Authority is subject, or any corporate resolution of the Authority; and (ii) will not, to my Actual Knowledge, conflict with or constitute a breach of, or a default under, any material agreement to which the Authority is a party or is otherwise subject, or

any formally issued written resolution of the Governor of Guam, or any formally adopted written resolution of the Guam Legislature.

7. To my Actual Knowledge, all approvals, consents or orders of any governmental authority, board, agency or commission having jurisdiction (except such approvals, consents or orders as may be required under any applicable securities laws), the obtaining of which would constitute a condition precedent to the performance by the Authority of its obligations under the Credit Agreement, the Assignment of Deposit Account have been obtained.

8. To my Actual Knowledge, there is no litigation or proceeding, pending or overtly threatened in writing (either in Guam, state or Federal courts): (i) to restrain or enjoin the execution or delivery of the Credit Agreement or the Assignment of Deposit Account or the issuance of the Bank Note or the collection or payment of Revenues or the pledge of the Collateral Account that are the source of security for the Bank Note, or (ii) in any way contesting or affecting the existence of the Authority or the title of any official of the Authority to such person's office, or (iii) seeking to restrain or to enjoin the execution or delivery of the Credit Agreement or the Assignment of Deposit Account or the issuance of the Bank Note, or the collection of Revenues of the Authority pledged or to be pledged to pay the principal of and interest or premium, if any, on the Bank Note, or the pledge thereof or the pledge of the Collateral Account, or in any way contesting or affecting the validity or enforceability of the Bank Note, the Credit Agreement or the Assignment of Deposit Account, or (iv) contesting the power of the Authority or its authority with respect to the Bank Note, the Credit Agreement or the Assignment of Deposit Account.

I express no opinion with respect to: (i) any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the Credit Agreement or the Assignment of Deposit Account, (ii) any Federal or state securities laws or regulations, (iii) any Federal, state, or territorial tax laws or regulations, including, without limitation, the tax consequences or effects of the transactions contemplated under the Credit Agreement or the Assignment of Deposit Account; (iv) the effect of any statute of limitations to the extent that any party fails to exercise its rights within the applicable limitations period with respect to the Credit Agreement or the Assignment of Deposit Account and any of the transactions contemplated thereby; (v) the enforcement of any provision contained in the Credit Agreement or the Assignment of Deposit Account to the extent such provision may be deemed in the nature of a penalty by the Guam courts; or (vi) the enforcement of any provision contained in the Credit Agreement or the Assignment of Deposit Account to the extent such provision seeks to apply an interest rate on indebtedness in excess of applicable limitations under Guam law.

In addition, my opinions set forth above are qualified to the extent that the enforceability of the obligations of the parties under the Credit Agreement or the Assignment of Deposit Account is subject to the effect of court decisions, invoking statutes or principles of equity, which have held that certain covenants and provisions of agreements are unenforceable where (a) the breach of such covenants or provisions imposes certain restrictions or burdens upon the debtor, such as the acceleration of indebtedness due under debt instruments, and it cannot be demonstrated that the enforcement of such restrictions or burdens is reasonably necessary for the

protection of the creditor, or (b) the creditor's enforcement of such covenants or provisions under the circumstances would violate the creditor's implied covenant of good faith and fair dealing. Accordingly, certain provisions of the Credit Agreement or the Assignment of Deposit Account may not be enforceable; nevertheless, such unenforceability will not render the Credit Agreement or the Assignment of Deposit Account invalid as a whole or preclude (i) judicial enforcement of the obligation to repay the principal, together with interest thereon (to the extent not deemed a penalty and/or not in excess of Guam statutes) of the Term Loan as provided in the Credit Agreement and the Assignment of Deposit Account, and (ii) the acceleration of the obligation to repay such principal, together with such interest, upon a material default in the payment of such principal or interest, and there exist, in the Credit Agreement and the Assignment of Deposit Account or pursuant to applicable law, legally adequate remedies for a realization of the principal benefits and/or security intended to be provided by the Credit Agreement and the Assignment of Deposit Account.

I bring to your attention that any provision of the Credit Agreement or the Assignment of Deposit Account or any underlying or related agreements providing that certain calculations and/or certifications and/or determinations will be conclusive and binding, will not be effective if the same are fraudulent or erroneous on their face and will not necessarily prevent judicial inquiry into the merits of any claim by an aggrieved party with respect thereto.

This Opinion is furnished to you in my capacity as legal counsel for the Authority. No attorney-client relationship has existed or exists between me and you in connection with the execution and delivery of the Credit Agreement or the Assignment of Deposit Account or by virtue of this Opinion. I disclaim any obligation to update this Opinion. This Opinion is delivered to you, is solely for your benefit, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person without in each instance my prior written consent. Your acceptance upon delivery of this Opinion shall be deemed to conclusively establish that you have consented to and approved the limitations, qualifications and exceptions contained herein.

This Opinion, when signed, is the final embodiment of my opinion and no prior drafts or discussion of this document or the contents of such drafts may be considered in interpreting this Opinion.

This Opinion speaks only as of the date first set forth above and is limited to the matters set forth herein and no opinion should be implied or inferred beyond the matters expressly stated herein. I assume no obligation to advise you of any changes that may occur in the applicable law hereafter, whether or not material, or of any other matter that hereafter may be brought to my attention.

Very truly yours,

D. Graham Botha, Esq.
GPA Legal Counsel

DRAFT OF
01/23/09

ASSIGNMENT OF DEPOSIT ACCOUNT

| Principal | Loan Date | Maturity | Loan No. | Call/Coll. | Account | Officer | Initials |
|-----------------|-----------|----------|----------|------------|---------|---------|----------|
| \$20,000,000.00 | 02-2009 | 02-2012 | | | | | |

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any items containing "****" has been omitted due to text length limitations.

Grantor: GUAM POWER AUTHORITY
1911 ROUTE 16
HARMON, GUAM 96913

Lender: CATHAY BANK
777 NORTH BROADWAY
LOS ANGELES, CALIFORNIA 90012

THIS ASSIGNMENT OF DEPOSIT ACCOUNT, dated as of February 1, 2009, is made and executed between GUAM POWER AUTHORITY ("Grantor") and CATHAY BANK ("Lender").

I. **ASSIGNMENT.** For valuable consideration, Grantor assigns and grants to Lender a security interest in the Collateral, including without limitation the deposit account described below, to secure the indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

II. **COLLATERAL DESCRIPTION.** The word "Collateral" means the following described deposit account ("Account"):

Time Deposit Account Number _____ with Lender with an approximate balance of \$5,000,000.00

together with (A) all interest, whether now accrued or hereafter accruing; (B) all additional deposits hereafter made to the Account; (C) any and all proceeds from the Account; and (D) all renewals, replacements and substitutions for any of the foregoing.

III. **RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

IV. **GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.** With respect to the Collateral, Grantor represents and promises to Lender that:

Ownership. Grantor is the lawful owner of the Collateral free and clear of all loans, liens, encumbrances, and claims except as disclosed to and accepted by Lender in writing.

Right to Grant Security Interest. Grantor has the full right, power and authority to enter into this Agreement and to assign and grant a security in the Collateral to Lender.

No Prior Assignment. Grantor has not previously assigned or granted a security interest in the Collateral to any other creditor.

No Further Transfer. Grantor shall not sell, assign, encumber or otherwise dispose of any of Grantor's rights in the Collateral except as provided in this Agreement.

No Defaults. There are no defaults relating to the Collateral, and there are no offsets or counterclaims to the same. Grantor will strictly and promptly do everything required of Grantor under the terms, conditions, promises and agreements contained in or relating to the Collateral.

Proceeds. Any and all replacement or renewal certificates, instruments, or other benefits or proceeds related to the Collateral that are received by Grantor shall be held by Grantor in trust for Lender and immediately shall be delivered by Grantor to Lender to be held as part of the Collateral.

Validity; Binding Effect. This Agreement is binding upon Grantor and Grantor's successors and assigns and is legally enforceable in accordance with its terms.

Financing Statements. Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect and continue Lender's security interest in the Collateral. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement. If Grantor changes Grantor's name or address, or the

**ASSIGNMENT OF DEPOSIT ACCOUNT
(Continued)**

Page 2

name or address of any person granting a security interest under this Agreement changes, Grantor will promptly notify the Lender of such change.

V. LENDER'S RIGHTS AND OBLIGATIONS WITH RESPECT TO THE COLLATERAL. While this Agreement is in effect, Lender may retain the rights to possession of the Collateral, together with any and all evidence of the Collateral, such as certificates or passbooks. This Agreement will remain in effect until (a) there no longer is any indebtedness owing to Lender; (b) all other obligations secured by this Agreement have been fulfilled; and (c) Grantor, in writing, has requested from Lender a release of this Agreement.

VI. LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

VII. LIMITATIONS ON OBLIGATIONS OF LENDER. Lender shall use ordinary reasonable care in the physical preservation and custody of any certificate or passbook for the Collateral but shall have no other obligation to protect the Collateral or its value. In particular, but without limitation, Lender shall have no responsibility (A) for the collection or protection of any income on the Collateral; (B) for the preservation of rights against issuers of the Collateral or against third persons; (C) for ascertaining any maturities, conversions, exchanges, offers, tenders or similar matters relating to the Collateral; nor (D) for informing the Grantor about any of the above, whether or not Lender has or is deemed to have knowledge of such matters.

VIII. RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of an Event of Default, or at any time thereafter, Lender may exercise any one or more of the following rights and remedies, in addition to any rights or remedies that may be available at law, in equity, or otherwise:

Accelerate Indebtedness. Lender may declare all indebtedness of Grantor to Lender immediately due and payable, without notice of any kind to Grantor.

Application of Account Proceeds. Lender may take directly all funds in the Account and apply them to the indebtedness. If the Account is subject to an early withdrawal penalty, that penalty shall be deducted from the Account before its application to the indebtedness, whether the Account is with Lender or some other institution. Any excess funds remaining after application of the Account proceeds to the indebtedness will be paid to Grantor as the interests of Grantor may appear. Grantor agrees, to the extent permitted by law, to pay any deficiency after application of the proceeds of the Account to the indebtedness. Lender also shall have all the rights of a secured party under the UCC, even if the Account is not otherwise subject to the UCC concerning security interests, and the parties to this Agreement agree that the provisions of the UCC giving rights to a secured party shall nonetheless be a part of this Agreement.

Transfer Title. Lender may effect transfer of title upon sale of all or part of the Collateral. For this purpose, Grantor irrevocably appoints Lender as Grantor's attorney-in-fact to execute endorsements, assignments and instruments in the name of Grantor and each of them (if more than one) as shall be necessary or reasonable.

Other Rights and Remedies. Lender shall have and may exercise any or all of the rights and remedies of a secured creditor under the provisions of the UCC, at law, in equity, or otherwise.

Deficiency Judgment. If permitted by applicable law, Lender may obtain a judgment for any deficiency remaining in the indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this section,

Election of Remedies. Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

Cumulative Remedies. All of Lender's rights and remedies, whether evidenced by this Agreement or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of

**ASSIGNMENT OF DEPOSIT ACCOUNT
(Continued)**

Page 3

Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and to exercise its remedies.

IX. AUTOMATIC RENEWAL FACILITIES. Grantor understands and agrees that so long as this Assignment is in effect, Grantor may not withdraw any of the funds in the Account. Grantor agrees that any certificate of deposit defined as Collateral shall be automatically renewed and extended for so long as the Indebtedness remains outstanding. Grantor hereby authorizes and directs Lender to cause such automatic renewal, extension or replacement without further instructions from Grantor until and unless the Indebtedness described herein is fully paid. Failure of Grantor to cooperate with Lender to cause such automatic renewal, extensions, or replacements or any attempt by Grantor to withdraw or remove the proceeds of the Collateral shall constitute an Event of Default hereunder and shall automatically authorize and empower Lender to accelerate the Indebtedness and apply all proceeds of the Collateral (including interest thereon) and to the extent necessary against the unpaid balance of the Indebtedness without further or other notice to the Grantor.

X. MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of California. The State of California is Lender's jurisdiction for purposes of the UCC.

Choice of Venue. If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of Los Angeles County, State of California.

Preference Payments. Any monies Lender pays because of an asserted preference claim in Grantor's bankruptcy will become a part of the Indebtedness and, at Lender's option, shall be payable by Grantor as provided in this Agreement.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

Power of Attorney. Grantor hereby appoints Lender as its true and lawful attorney-in-fact, irrevocably, with full power of substitution to do the following: (1) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral; (2) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral; (3) to settle or compromise any and all claims arising under the Collateral; and in the place and stead of Grantor, to execute and deliver its release and settlement for the claim; and (4) to file any claim or claims or to take any action or institute or take part in any

**ASSIGNMENT OF DEPOSIT ACCOUNT
(Continued)**

Page 4

proceedings, either in its own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be necessary or advisable. This power is given as security for the indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Lender.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Successors and Assigns. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the indebtedness.

Survival of Representations and Warranties. All representations, warranties and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's indebtedness shall be paid in full.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

Waive Jury. To the extent permitted by applicable law, all parties to this Agreement hereby waive the right to any jury trial in any action, proceeding or counterclaim brought by any party against any other party.

X. DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the UCC:

Account. The word "Account" means the Collateral Account, as defined in the Credit Agreement, and as described in Section II of this Agreement.

Agreement. The word "Agreement" means this Assignment of Deposit Account, as this Assignment of Deposit Account may be amended or modified from time to time, together with all exhibits and schedules attached to this Assignment of Deposit Account from time to time.

Borrower. The word "Borrower" means Guam Power Authority, its successors and assigns.

Collateral. The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in Section II of this Agreement.

Credit Agreement. The words "Credit Agreement" mean the Amended and Restated Credit Agreement, dated as of February 1, 2009, between Borrower and Lender, as the same may be amended or modified from time to time.

Event of Default. The words "Event of Default" mean Event of Default, as defined in the Credit Agreement, and in addition any of the events of default set forth in Section IX of this Agreement.

Grantor. The word "Grantor" means Borrower.

Indebtedness. The word "Indebtedness" means the Obligations, as defined in the Credit Agreement.

Lender. The word "Lender" means CATHAY BANK, its successors and assigns.

Note. The word "Note" means the Bank Note, as defined in the Credit Agreement, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions therefor.

Related Documents. The words "Related Documents" mean Related Documents, as defined in the Credit Agreement.

UCC. The word "UCC" means the Uniform Commercial Code of the State of California.

**ASSIGNMENT OF DEPOSIT ACCOUNT
(Continued)**

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IN WITNESS WHEREOF, THE PARTIES HERETO HAVE CAUSED THIS ASSIGNMENT OF DEPOSIT ACCOUNT TO BE EXECUTED AND DELIVERED BY THEIR DULY AUTHORIZED REPRESENTATIVES AS OF THE DATE FIRST ABOVE WRITTEN.

GRANTOR:

LENDER:

GUAM POWER AUTHORITY

CATHAY BANK

By _____
Joaquin C. Flores, P.E.
General Manager

By _____
Title: _____