

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
March 26, 2020
GCIC CONFERENCE ROOM, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:30 p.m. on March 26, 2020, pursuant to due and lawful notice. Commissioners Johnson, Pangelinan, McDonald, Flores-Brooks, and Guerrero were in attendance. The following matters were considered at the meeting under the agenda included as *Attachment "A"* hereto.

1. Approval of Minutes

The Chairperson announced that the first item of business on the agenda was approval of the minutes of February 19, 2020. Upon motion duly made, seconded, and unanimously carried, the Commission approved the minutes subject to correction.

The Chairperson announced that the next item of business on the agenda was approval of the minutes of February 27, 2020. Upon motion duly made, seconded, and unanimously carried, the Commission approved the minutes subject to correction.

2. Guam Power Authority

The Chairperson announced that the next item of business was Guam Power Authority [GPA] Docket 2020-11, Petition to Approve the Procurement of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, PUC Counsel Report, and Proposed Order. Legal Counsel Camacho stated this procurement was for Fuel Oil No. 6 primarily for the Cabras plants and that there is an existing contract with Mobil Oil Guam with an initial two-year that expires on August 31, 2020 with three additional 1-year extensions. Mobil Oil Guam declined to proceed with the first extension after August 31, 2020 and GPA is requesting authorization from the Commission to solicit for a new contract which is required by GPA's contract review protocol because this contract would likely cost more than the \$1.5 million review threshold. Legal Counsel Camacho stated that GPA's solicitation uses the multistep bid process and that the draft contract contains the standard contract clauses including quantity and quality assurances, security to supply permits, the responsibilities of the parties, a force majeure clause, and default and termination for convenience clauses. Legal Counsel Camacho stated that the minimum amount of fuel that would be provided under this new contract would be a range from 2 million to a maximum of 3 million barrels of fuel which is an acceptable range because GPA estimates that its baseload plants consume a total of 2 million barrels of Residual

Fuel Oil No. 6 annually, and because GPA anticipates a decreased need for the high-sulfur fuel oil during the contract's initial three-year term and he recommend that the Commission approve the solicitation, and that the Commission would have to approve the GPA's contract with the winning vendor. GPA General Manager [GM] Benavente stated that Mobil Oil Guam did not want to extend past the initial term because of the change in the requirement for all the tankers coming in to U.S. ports to utilize the low-sulfur fuel oils and they were unsure about the shipping cost and whether the existing contract would cover those costs. He stated that GPA must issue the solicitation urgently because a new contract must be in place prior to the expiration of the existing contract, and that this is really a short-term contract because, by 2023, GPA will not be burning residual fuel oil anymore. Commissioner Flores-Brooks moved to approve the proposed order authorizing the solicitation, which motion was seconded by Commissioner Pangelinan. The motion carried unanimously.

The Chairperson announced that the next item of business was GPA Docket 20-06 (In Re: GPA Net Metering Rider), Petition for PUC Approval for the Zeroing Out of Net Metering Annual Excess Credits, ALJ Report, and Proposed Order. The Chairperson requested that this matter be tabled until next month due to the absence of some of the Commissioners and the Commissioners agreed to this request.

The Chairperson announced that the next item of business was GPA Docket GPA Docket 20-12, Levelized Energy Adjustment Clause [LEAC] Filing for Period February-July 2020, ALJ Report, and Proposed Order, which the Commission would review as other business because it was not originally on the agenda, and because it is an important community matter. ALJ Horecky stated that GPA's Petition seeks to establish an interim LEAC factor, that the Commission previously approved a LEAC factor for the six month period from February through July, 2020 and set the factor at 0.134474 per kilowatt-hour. ALJ Horecky stated that GPA now requests that the Commission approve an interim LEAC factor reducing the LEAC from 0.134474 to 0.110039 per kilowatt-hour resulting in almost a 2.5 cent reduction per kilowatt-hour. ALJ Horecky stated that the interim factor is authorized by Tariff Z which allows GPA to petition for an interim factor whenever GPA believes that it will have a cumulative under or over recovery balance of more than \$2 million dollars and GPA is citing the decrease in world fuel prices which have resulted in new fuel price for residual fuel oil [RFO] of \$53.42, about a \$6.00 reduction. ALJ Horecky stated that he is comfortable with approving the reduction after reviewing GPA's Petition which indicates that the price-per-barrel as of February 20th was \$55.47, on March 20th it was \$51.75, and the projected price for April 20, 2020 is \$37.62, that as the months go on the price of the fuel GPA is using will likely continue to decrease, and he proposed in the order that the Commission keep this matter open and determine whether to keep the reduction for the entire period at the Commission's next meeting and that the Commission grant GPA's Petition so that the secondary fuel-recovery factor would be reduced by about 2.5 cents for meters read on or after April 1st, 2020, and that the Commission require GPA to file updated fuel prices with the Commission by April 21st, 2020. GPA GM Benavente

stated that the fuel oil prices have been dropping and that GPA is not sure where the bottom is yet, that \$37 per barrel is GPA's projected price for the next tanker that GPA is going to buy which will arrive on Guam in April, 2020, and GPA would like to make the new interim LEAC factor effective April 1, 2020 in the billing cycle for this month.

Commissioner Flores-Brooks inquired how long GPA expects the new LEAC factor to last during the balance of the remaining LEAC term, and GPA GM stated that GPA was projecting to continue the new LEAC factor to July 31, 2020 and that GPA would be filing a new LEAC on June 15, 2020 for the next LEAC period from August 1, 2020 thru January 31, 2021, and he stated that GPA can file another interim LEAC Petition if it needs to make another adjustment. Commissioner Flores-Brooks inquired when GPA's next fuel purchase would be and GPA GM Benavente stated that it would probably be next week but the actual date of the purchase depends on how much RFO GPA is consuming monthly. Commissioner McDonald inquired as to whether the Commission should keep the matter open or permit GPA to refile for another interim LEAC adjustment and GPA GM Benavente stated his preference to leave it open, and ALJ Horecky stated that the Commission should review this matter during the Commission's May, 2020 meeting, and that he could amend the proposed order to reflect this. Commissioner McDonald moved to approve the petition and amend the proposed order to state the May, 2020 meeting for the adjustment instead of April 1, 2020, which motion was seconded by Commissioner Guerrero. The motion carried unanimously.

3. Guam Waterworks Authority

The Chairperson announced that the next item of business was Guam Waterworks Authority [GWA] Docket 20-04, Petition for Approval of the Contract with Red Rock Consulting PTY LTD. for the Upgrade of GWA's Enterprise Resource Planning System, PUC Counsel Report, and Proposed Order. Legal Counsel Camacho stated that GWA's existing software is twenty-two years old, it is one version behind the current version, GWA's employees must develop and use manual workaround applications to perform tasks and create reports on its outdated software, and GWA seeks to migrate its existing ERP software to new modern browser-based digital platform called JDE(E1). Legal Counsel Camacho stated that Oracle is the only company offering the JDE(E1) software and DXC Red Rock is the only contractor with the proprietary rebuilt JDE(E1) configuration information plan featuring engineering construction in the Western Pacific region and he stated that the contract review protocol applies here because the \$5,286,305.00 contract amount exceeds GWA's \$1 million review threshold. Legal Counsel Camacho stated that the contract cost is reasonable because the typical cost for an average mid-sized business software upgrade is between 3% to 7% of its annual revenue, and the contract cost in this case is in the lower, middle of this range, and because GWA is not only upgrading its existing Oracle licenses, but GWA is purchasing additional licenses, support infrastructure, and professional services as well. Legal Counsel Camacho stated GWA obtained a \$500,000.00 federal grant for the upgrade,

GWA applied for a second federal grant on April 2020, and that GWA will pay for the non-grant funded cost of the contract using its bond internal CIP and revenue funds. Legal Counsel Camacho stated that GWA's use of sole source procurement to acquire this contract was prudent because no other digital platform or software system will be suitable or acceptable to meet its needs and the use of any other software product will likely result in licensure and development implementation cost that are significantly higher than the upgrade of its existing software with the JDE(E1) digital platform, and it would also likely result in protracted and significant disruption of GWA's to provide its utility services. Legal Counsel Camacho stated that GWA's upgrade to the JDE(E1) digital platform is necessary because GWA's existing software is 22 years old and GWA's band-aid fixes to it are becoming less and less efficient for the conduct of GWA's business, and he recommended that the Commission approve GWA's contract with DXC Red Rock. GWA GM Bordallo stated that GWA is not only undertaking a technical upgrade of the software but also a transformational upgrade to some of its business processes.

Commissioner Flores-Brooks expressed her opposition to GWA's use of the sole source method of procurement to acquire the contract and inquired why GWA want to retain the JD Edwards product when the market has experienced great technological change over the last 22 years. GWA GM Bordallo stated that GWA examined other options and determined that if it acquired a different software manufacturer, the licensing cost will be significantly higher and he stated that the new software is an Oracle product and GWA's main software system for our customer care and database CCMB is also an Oracle product and GWA determined that compatibility issues are best resolved using another Oracle product instead of starting from scratch with another software manufacturer. Commissioner Guerrero inquired whether GWA made a cost comparison with another software product and GWA GM Bordallo stated that GWA did and that GWA determined that the cost would be hundreds of thousands of dollars more. A discussion ensued between Commissioner Guerrero and GWA GM Bordallo over Commissioner Guerrero visiting GWA to observe its existing software issues. The Chairperson inquired as to whether the new platform will make GWA more efficient and result in savings to the ratepayers and GWA GM Bordallo stated that it would. Commissioner Flores-Brooks inquired as to whether GWA's existing software system would continue to be supported by its manufacturer after the end of this month and GWA GM Bordallo stated that he was not sure of the exact date, and that the system will still run after that, however, GWA will not be able to obtain any factory support for any technical issues, and he stated that GWA applied for the federal grant for the transition last year, GWA was awarded the grant, and GWA did an initial discovery phase which took several months of them investigating, learning our business processes and coming up with the assessment of what it would cost in order for us to move forward. Commissioner Flores-Brooks inquired as to how GWA obtained the federal grant when the procurement was sole sourced and GWA GM Bordallo stated GWA informed the grantor about the potential to go into sole source and they were in

agreement in terms of the cost saving, so, they were okay with it. Commissioner McDonald inquired as to the potential funds GWA might obtain from the second federal grant it applied for and GWA GM Bordallo stated that GWA does not currently know what the amounts would be approved but about 50% of the total project cost are usually covered by grants and that GWA would have to match the remaining 50% amount of the project cost.

Commissioner Pangelinan inquired as to whether the software upgrade was commonly used in the utility industry and GWA GM Bordallo stated that he was not sure what percent of the market uses the software, and that DEXC Red Rock's portion of the software, which is geared towards infrastructure development, engineering, and construction, is important to GWA because it is CIP-intensive and will be so for the next five years due to GWA's CIP plan. Commissioner Pangelinan inquired as to whether the new software was state of the art and GWA GM Bordallo stated that its current and state of the art, and that is why GWA needs to migrate to it because the work arounds that GWA is currently using are very cumbersome. Commissioner McDonald inquired as to how long it would take GWA to complete its migration to the new software and GWA GM Bordallo stated that it would take a three-year period, one year for implementation and two years of technical support to get GWA through the transformation and enhance its business processes. The Chairperson inquired whether GWA would lose its grant if the Commission did not improve the contract and GWA GM Bordallo stated that it might because GWA has a deadline to spend the grant funds. A discussion ensued between the Commissioners concerning the provisions of the proposed order. Commissioner Pangelinan moved to approve the proposed order granting the GWA's Petition, which motion was seconded by Commissioner McDonald. The motion received three votes for and two votes against approval. The motion did not carry with three aye votes and two nay votes from Commissioners Flores-Brooks and Guerrero.

The Chairperson announced that the next item of business was GWA Docket 20-03, Petition for Approval of the Issuance and Sale of Guam Waterworks Authority Water & Wastewater System Revenue Bonds and to Approve the Associated Documents, GCG Report, ALJ Report, and Proposed Order. ALJ Horecky stated that GWA's contract review protocol requires that any matter involving bonds or the use of bond funds must be approved by the Commission, that Public Laws 28-71, 31-45, and 32-69 give GWA the authority to issue \$670 million in bonds for infrastructure improvements, that GWA has issued \$536 million in bonds, and that GWA can issue up to \$134 million in bonds. ALJ Horecky stated that GWA seeks to issue \$134 million in bonds to use on court ordered projects that were previously authorized by the Legislature, and that GWA is also asking to refund 2013 series bonds to obtain certain bond savings. ALJ Horecky stated that after the court ordered projects are completed, there is an additional \$12 million amount for GWA's water loss programs which are required by the Commission's order in the GWA rate case, and there is another \$13 million for environmental safety, compliant system capacity, operational efficiency, and other

requirements. ALJ Horecky stated that the CCU and GEDA have approved the additional bonds and the refunding of the 2013 bonds. ALJ Horecky stated that Georgetown's report indicates that refunding the bonds is estimated to be \$135 million, that the remaining principle on those bonds is \$119 million, and that there will be an estimated gross savings of \$15.3 million from the refunding, and that Georgetown recommends that the Commission approve the bond refunding. ALJ Horecky recommends that the Commission approve GWA's Petition and the new bond indenture, which is called the 7th Supplemental Indenture, which is part of the proposed order, and he stated that the part of the order that authorizes the refunding also requires a net present value savings from the funding of at least 2%. ALJ Horecky stated that GWA must obtain the Commission's approval for the projects listed in Exhibit A and for any use of excess bond proceeds, and, pursuant to a prior order, the Commission will not review the court ordered projects. GWA GM Bordallo stated that currently, there is no consent decree but GWA is in discussions with EPA and the projects they are going to require are consistent with the projects that GWA has in its 20-year master plan and its 5-year CIP, that GWA's CIPs were previously approved by the Commission in GWA's rate plan, that due to the historically low interest rates in the bond market, the bond refunding will result in significant savings for the ratepayers over time, and he stated that GWA is late in completing its court-ordered projects and GWA needs these bond funds to complete those projects.

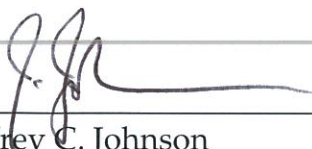
The Chairperson inquired who GWA would be sending to the bond market and GWA GM Bordallo stated that GWA would send its senior management team, and that they would be accompanied by representatives from GEDA and BBMR would be addressing the general credit of the Government of Guam which affects GWA's bond ratings, and that CD and Barclays would also be assisting GWA. Commissioner Flores-Brooks inquired as to how long the bond refunding amortization period would be and whether GWA would bear the cost of reissuance. GWA GM Bordallo stated that the amortization period would not be extended and remain the same and he affirmed that GWA would bear the reissuance cost but it would be less because GWA would be doing the refunding with the 2020 New Money Bond and the costs would be apportioned. Commissioner Flores-Brooks moved to approve the proposed order, which motion was seconded by Commissioner McDonald. The motion carried with four ayes and one nay vote from Commissioner Guerrero.

4. Administrative Matters.

The Chairperson announced that the next item of business was the proposed rules for conducting the Commission's meeting via video-conference. Commissioner Pangelinan stated that he prepared the proposed rules in response to the pandemic emergency caused by COVID-19 and to comply with the Government of Guam's executive orders mandating social distancing and other pandemic protective measures. Commissioner Pangelinan stated that the proposed rules allow any of the Commissioners to attend a Commission meeting via video-conference if they make

that request to the Chairperson at least two days prior to the meeting, and that it would be necessary to select one of the many electronic platforms to conduct meetings via video-teleconferencing, and to train the Commissioners and the Commission's staff how to use it. Commissioner Pangelinan stated that there is a statute that permits the attendance of board members via video-teleconferences that requires the agency to adopt rules and regulations allowing it and he recommends that the Commission adopt the proposed rules that he drafted for this purpose and provide them to the Attorney General's Office as required by the statute. The Chairperson stated that the Commission could also use the Fadian facility for teleconferencing if the Commission desired to. Commissioner Guerrero expressed his concern that he was not getting the agency documents for the Commission's meeting in sufficient time to read and fully understand them before the Commission's meetings and a discussion ensued between the Commissioners regarding the timing of the LEAC petition. ALJ Horecky stated that his only concern was that the Commission is required to publish a notice of the meeting that identifies the location of the meeting at least ten days prior to the meeting and he was uncertain what affect changing a meeting to video-teleconferencing forty-eight hours prior to the meeting would have on the notice. Legal Counsel Camacho stated that his concern was that 5 G.C.A. §41322 allows a disabled or ill Commissioner to attend a meeting via teleconference but that statute also requires compliance with the Open Government law which specifically prohibits, in 5 G.C.A. §8015 which prohibits the deliberation or making decisions on public business via electronic communications and that this last statute was not suspended by any of the emergency executive orders, and that at least one Commissioner would still have to be at the meeting location to comply with that law. Commissioner Pangelinan stated that these rules would only apply for the duration of the pandemic emergency. A discussion ensued between the Commissioners concerning the restrictions imposed by the Government of Guam in response to the pandemic emergency. Commissioner Pangelinan moved to approve the proposed rules, which motion was seconded by Commissioner Flores-Brooks. The motion carried unanimously.

There being no further administrative matters or business, the Commissioners moved to adjourn the meeting.



Jeffrey C. Johnson
Chairperson

ATTACHMENT A
THE GUAM PUBLIC UTILITIES COMMISSION
NOTICE OF PUBLIC MEETING

NOTICE IS HEREBY GIVEN that the Guam Public Utilities Commission [PUC] will conduct a regular business meeting, commencing at 6:30 p.m. on March 26, 2020, at Suite 202 GCIC Building, 414 W. Soledad Ave., Hagatna.

The following business will be transacted:

Agenda

1. **Approval of Minutes of February 19 and February 27, 2020**
 2. **Guam Power Authority**
 - **GPA Docket 20-11, Petition to Approve the Procurement of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, PUC Counsel Report, and Proposed Order**
 - **GPA Docket 20-06 (In Re: GPA Net Metering Rider), Petition for PUC Approval for the Zeroing Out of Net Metering Annual Excess Credits, ALJ Report, and Proposed Order**
 3. **Guam Waterworks Authority**
 - **GWA Docket 20-04, Petition for Approval of the Contract with Red Rock Consulting PTY LTD. for the Upgrade of GWA's Enterprise Resource Planning System, PUC Counsel Report, and Proposed Order**
 - **GWA Docket 20-03, Petition for Approval of the Issuance and Sale of Guam Waterworks Authority Water & Wastewater System Revenue Bonds and to Approve the Associated Documents, GCG Report, ALJ Report, and Proposed Order**
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4. **Administrative Matters**
 5. **Other Business**

Further information about the meeting may be obtained from the PUC's Administrator Lou Palomo at 472-1907. Those persons who require special accommodations, auxiliary aids, or services to attend the meeting should also contact Ms. Palomo.

This Notice is paid for by the Guam Public Utilities Commission

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GPA DOCKET 20-11

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO APPROVE
THE PROCUREMENT OF RESIDUAL
FUEL OIL NO. 6 FOR THE BASELOAD
POWER GENERATING PLANTS.

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to Approve the Procurement of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants.¹
2. GPA requests approval of its solicitation for a contract for the supply of Residual Fuel Oil No. 6 for its Cabras baseload power generating plants.²

BACKGROUND

3. GPA requires the use of Residual Fuel Oil No. 6 to operate its Cabras baseload power generating plants and it estimates that annually, GPA requires at least one million barrels to approximately two million barrels of Residual Fuel Oil No. 6 to operate those plants.³
4. GPA's existing Residual Fuel Oil No. 6 Contract is with Mobil Oil Guam [Mobil], and this contract has an initial term of two years which will expire in August 31, 2020, and three optional terms of one year each. GPA sought to exercise one or all of the optional terms of the contract with Mobil, but Mobil declined and stated its preference to participate in a new solicitation of the contract.⁴

¹ GPA Petition to Approve the Procurement of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, GPA Docket 20-11, dated March 10, 2020 [GPA Petition] at 1.

² Id., at 1. NOTE: Page Numbers are the PDF page numbers and not the page numbers used in the actual Petition or its Exhibits.

³ Id., at 2 and 12.

⁴ Id., at 1 and 3.

5. GPA seeks to solicit for a new contract to supply Residual Fuel Oil No. 6 for its baseload power generating plants and it seeks a contract with an initial term of three years commencing September 1, 2020 and ending on August 31, 2023 with two additional one-year extension options, upon the mutual agreement of the parties.⁵
6. On February 21, 2020, the Guam Consolidated Commission on Utilities ["CCU"] issued Resolution No. 2020-06 authorizing GPA's management, subject to the PUC's approval, to solicit for a contractor to supply Residual Fuel Oil No. 6 to GPA's Baseload Power Generating Plants.⁶
7. On March 16, 2020, PUC Legal Counsel issued his report.

DETERMINATIONS

8. GPA's contract review protocol requires that any GPA contract that exceeds the amount of \$1,500,000 requires prior PUC approval and which shall be obtained before the procurement process is begun.⁷ Here, GPA must obtain the PUC's authorization to solicit for a contract to supply Residual Fuel Oil No. 6 for its Baseload Power Generating Plants because GPA estimates that the contract cost will exceed the \$1.5 million review threshold.⁸
 9. GPA seeks to use the multi-step invitation for bids solicitation method to solicit for a contract to supply Residual Fuel Oil No. 6 to its Baseload Power Generating Plants.⁹ Said procurement method is authorized by 5 G.C.A. §5211(h) and 2 G.A.R., Div. 4, Chap. 3, §3109(a).
 10. GPA's draft contract for the supply of Residual Fuel Oil No. 6 to GPA's Baseload Power Generating Plants, which is part of the solicitation, contains all the standard contract clauses, including quantity and quality assurances, security of supply, permits and responsibilities, force majeure, disputes, default, and termination for convenience.¹⁰
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⁵ Id., at 13.

⁶ Id., at 3-4.

⁷ Contract Review Protocol for GPA, Order dated February 15, 2008, Administrative Docket at 1.

⁸ GPA Petition at 3.

⁹ Id., at 4.

¹⁰ Id., at 6-7.

11. The solicitation and draft contract define the minimum quantity of fuel oil to be delivered to the plant annually as one million barrels and the maximum amount to be delivered as two million barrels. This is an acceptable range because GPA estimates that its baseload plants will consume a total of two million barrels of Residual Fuel Oil No. 6 for the first two years of the initial contract term, and one-million-five-hundred-thousand barrels of Residual Fuel Oil No. 6 for the third year of the initial contract term.¹¹ Further, GPA's estimates indicate a decreasing need for High Sulfur Fuel Oil [HSFO] over the contract's initial three year term. Specifically, GPA intends to purchase one-million-five-hundred-thousand barrels of HSFO for the first year, five-hundred-thousand barrels of HSFO for the second year, and no barrels of HSFO for the third year. This trend is a positive one because GPA will be utilizing more of the less environmentally harmful Low Sulfur Fuel Oil over the initial contract term.
12. GPA's request is reasonable, prudent and necessary.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition to Approve the Procurement of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, the PUC Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition to Approve the Procurement of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants is hereby approved.
2. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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¹¹ Id., at 13.

PUC Order
GPA's Application to Approve
the Residual Fuel Oil No. 6 for the
Baseload Generating Plants
GPA Docket 20-11
March 26, 2020

Dated this 26th day of March, 2020.

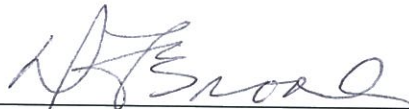


Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner

Rowena E. Perez-Camacho
Commissioner




Doris Flores Brooks
Commissioner



Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner



Pete Guerrero
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 20-12
)
The Guam Power Authority Levelized)
Energy Adjustment Clause (LEAC)) **ORDER**
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)
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INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to set an Interim LEAC Factor effective April 1, 2020.¹
2. GPA seeks to reduce the LEAC Factor from \$.134474/kWh to \$.110039/kWh for meters read on or after April 1, 2020.²

BACKGROUND

3. On January 30, 2020, the PUC set a LEAC factor of \$.134474/kWh for meters read on or after February 1, 2020.³ That factor would normally remain in effect for a six-month period, or until July 31, 2020.
4. However, GPA Rate Tariff, Rate Schedule "Z", provides: "In the event that GPA has a cumulative under [or over] recovery balance of more than \$2 million or if the under [over] recovery balance is projected to exceed \$2 million during the six-month levelized period.....the Fuel Recovery Charge may be adjusted to recover such deficit, subject to PUC approval."⁴
5. GPA indicates that the basis for its interim LEAC adjustment request is that "the average market price of residual fuel oil and diesel to be used in the current period was approved at \$59.14/bbl and the current projection for April 1, 2020 to July 31,

¹ GPA Petition to Set the Interim LEAC Factor effective April 1, 2020, GPA Docket 20-12, filed March 24, 2020.

² Id.

³ PUC Order, GPA Docket 20-03, dated January 30, 2020.

⁴ Guam Power Authority Schedule "Z", Levelized Energy Adjustment Clause (LEAC), Issued March 21, 1994, Revised March 31, 2012.

2020, is \$53.42/bbl. The project under-recovery is expected to decrease to zero by July 31, 2020.”⁵

6. The current under-recovery balance is about \$1M.⁶
7. In Resolution No. 2020-06, the Guam Consolidated Commission on Utilities approved GPA's request to set an Interim LEAC Factor Rate and authorized GPA to petition the PUC.⁷

DETERMINATIONS

8. CCU resolution No. 2020-08 recognizes that GPA may petition PUC for an Interim LEAC rate “if the over recovery balance is projected to exceed \$2 million during the six-month levelized period.”⁸ GPA takes the position that its over-recovery balance will exceed \$2 million during the current six-month.
9. The calculation of the proper fuel pricing must be determined based upon the updated average of the Morgan Stanley Fuel Forecast prices for the five-day period occurring ten days before the PUC March 26, 2020, meeting date.
10. GPA has submitted the Morgan Stanley Asian Morning Call fuel pricing for the five-day period of March 12, 2020, through March 18, 2020, indicating that fuel prices have fallen since the last LEAC factor was approved by the PUC, effective February 1, 2020.⁹
11. GPA has produced a chart in its filing: “LEAC Update—GPA Fuel Purchases (Per Barrel). That chart indicates that its price per barrel as of February 20, 2020, was \$55.47. The fuel price on March 20 was \$51.75, and the projected price by April 20, 2020 will be \$37.62.
12. It is evident that a reduction in the LEAC factor is warranted at the present time. Attached to the ALJ Report as Exhibit A is GPA's calculation indicated that the LEAC Factor should be changed to \$.110039/kWh for meters read on or after April 1, 2020.

⁵ GPA Petition, p. 1.

⁶ Guam Consolidated Commission on Utilities Resolution No. 2020-08, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission for Interim Adjustment in the Levelized Energy Adjustment Clause, dated March 24, 2020.

⁷ Id.

⁸ Id.

⁹

ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered the Interim LEAC Filing of GPA and the PUC Administrative Law Judge Report, and after discussion at a duly noticed regular meeting held on March 26, 2020, for good cause shown and on motion duly made, seconded and carried by affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS that:

1. The secondary Fuel Recovery Factor of \$.110039/kWh shall be effective for meters read on or after April 1, 2020.
2. The current singular LEAC factors are hereby adjusted, effective April 1, 2020, as shown in the following table:

LEAC

Delivery Classification \$ per kWh

Secondary -	\$ 0.110039
Primary - 13.8 KV	\$ 0.106727
Primary - 34.5 KV	\$ 0.106420
Transmission - 115 KV	\$ 0.105110


For the entire LEAC period, these changes represent a 10.67% decrease in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month.

3. This Docket shall remain open; the PUC retains jurisdiction over this matter for the purpose of considering at its May 28, 2020, Meeting, whether the LEAC Factor should be further reduced due to declining fuel prices.
4. GPA shall file updated fuel prices with the PUC by April 21, 2020, and May 19, 2020, in accordance with established PUC procedure.
5. GPA should file for a change in the LEAC factors to be effective August 1, 2020, on or before June 15, 2020.

6. As requested by GPA, the forecast of the Working Capital Fund Requirement will remain the same, so there will not be a change in the Working Capital Surcharge for the period of February 1, 2020, through July 31, 2020.
7. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

Dated this 26th day of March, 2020.



Jeffrey C. Johnson
Chairman

Rowena E. Perez-Camacho
Commissioner

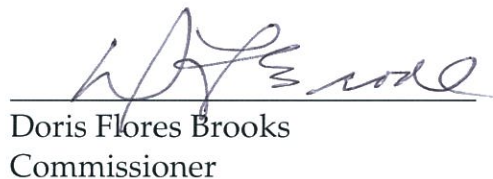


Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner



Doris Flores Brooks
Commissioner



Pedro S.N. Guerrero
Commissioner

26 MAR 2020

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

REQUEST BY THE GUAM)	
WATERWORKS AUTHORITY FOR)	GWA DOCKET 20-03
APPROVAL OF THE ISSUANCE OF)	
WATER AND WASTEWATER SYSTEM)	
REVENUE BONDS, DEBT SERVICE)	
COVERAGE RATIO AND)	
ASSOCIATED DOCUMENTS)	
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ORDER

By its petition filed on February 3, 2020, as amended on February 28, 2020, Guam Waterworks Authority ("GWA") petitioned the Commission for authority to issue up to \$134,000,000 in bonds for the purpose, among others, of financing new capital projects, and an additional amount of bonds to redeem or retire a portion of GWA's outstanding Water and Wastewater System Revenue Bonds, Series 2013 (the "2013 Bonds"). Also, in keeping with the Rate Stipulation adopted by the Commission on February 27, 2020, the targeted minimum voluntary debt service coverage ratio from and after the date hereof shall be 1.40, but shall not be a prerequisite to issuing bonds.

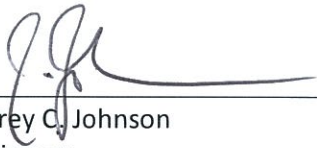
The Commission has examined the petition, the prior Stipulation and the findings and recommendations of its regulatory consultant and Administrative Law Judge. After discussion at a duly convened Commission meeting on March 26, 2020 and upon specific findings and on motion duly seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. The order in form attached ("Debt Order") approving long-term debt (the "2020 Bonds") shall be and is hereby adopted by the Commission.
2. A portion of the proceeds of the 2020 Bonds authorized by the Debt Order is authorized to be used to redeem or retire a portion of the outstanding 2013 Bonds, provided that such redemption or retirement results in a net present value savings to GWA of at least two percent (2%), as more specifically described in the Debt Order.
3. GWA is reminded that it must obtain prior Commission approval of the projects listed in Exhibit A to the Debt Order (the "Projects") before procurement can begin on such Projects or before bond proceeds can be expended or committed on them, except for such Projects otherwise approved by the Commission as conforming with the Court Order or Amendments thereto of the United States District Court of Guam. Any reprogramming of Projects and/or associated proceeds of the 2020 Bonds for other projects shall be subject to prior Commission approval.
4. GWA must obtain prior approval to use any excess proceeds of the 2020 Bonds or contingency funds not previously committed to an approved new project before such excess proceeds of the 2020 Bonds or contingency funds can be expended or committed.

5. No implied approval is provided by the Commission regarding revenue and expense pro-forma statements utilized in the financing if such statements have not been previously approved by the Commission.
6. The Commission authorizes its Chairman to approve any changes to the maximum principal amount of the 2020 Bonds to be issued and other matters not inconsistent with the terms of this Order.
7. As soon as possible after the refunding is completed, GWA shall provide PUC with the details and results of the refunding.
8. In ninety (90) days after such refunding bonds have been issued, GWA shall submit a petition to the Commission indicating the manner in which actual savings shall be allocated, and the purposes for which GWA intends to expend the savings from this bond issuance.
9. GWA shall provide quarterly reports in a manner approved by the Commission 45 days after the close of each quarter on the actual uses of the 2020 Bonds.
10. GWA is further required to take the refunding and the savings pursuant thereto into account when the 2021 update to the 5-year Financial Plan is provided to the PUC and GCG to determine the next step of the 5-Year Financial Plan implementation
11. From the date of issuance of this order and until otherwise modified by this Commission, the voluntary target debt service coverage ratio to be maintained by GWA for the purpose of setting just and reasonable rates shall be a minimum of 1.40x calculated consistent with GWA's indenture. The foregoing target minimum debt service coverage ratio shall not constitute a condition precedent to the issuance of any bonds (including the 2020 Bonds) and shall not be deemed to modify or affect any provisions of the Indenture.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

Dated this 26th day of March 2020.



Jeffrey C. Johnson
Chairman

Rowena E. Perez-Camacho
Vice Chairwoman



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner



Doris Flores Brooks
Commissioner

Pedro S.N. Guerrero
Commissioner

BEFORE THE GUAMPUBLIC UTILITIES COMMISSION



REQUEST BY THE GUAM)	
WATERWORKS AUTHORITY FOR)	GWA DOCKET 20-03
APPROVAL OF THE ISSUANCE OF)	
WATER AND WASTEWATER SYSTEM)	
REVENUE BONDS AND TO APPROVE)	
THE ASSOCIATED DOCUMENTS)	
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ORDER APPROVING LONG-TERM DEBT

On October 27, 2005, this Commission adopted an Order in Docket No. 05-10 (the "2005 Order") approving certain aspects of the proposal of the Guam Waterworks Authority ("GWA") to issue and sell long-term debt in the form of revenue bonds (the "Bonds") pursuant to Article 2 of Chapter 14 of Title 12 of the Guam Code Annotated (the "Act") for the purposes of financing certain additions and improvements to the water and wastewater systems of GWA (collectively, the "System").

The proposed form of an indenture pursuant to which the Bonds were proposed to be issued in one or more series (the "General Indenture") was presented to the Commission at that time. In accordance with the Act, the terms and conditions pursuant to which the Bonds were to be issued, and included in the General Indenture, were approved by the Commission pursuant to the 2005 Order.

GWA executed and delivered the General Indenture, dated as of December 1, 2005, and issued one series of Bonds on December 7, 2005, having the terms and issued for the purposes authorized and approved by Orders of the Commission heretofore adopted (the "2005 Bonds").

On October 29, 2010, this Commission approved an Order in GWA Docket 10-03 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the purposes of financing certain additions and improvements to the System. GWA issued one series of Bonds on November 23, 2010, having the terms and issued for the purposes authorized and approved by Orders of the Commission heretofore adopted (the "2010 Bonds").

On November 18, 2013, the Commission approved an Order in GWA Docket 14-01 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the purposes of financing certain additions and improvements to the System. GWA issued one series of Bonds on December 12, 2013, in the aggregate principal amount of \$172,630,000, having the terms and issued for the purposes authorized and approved by Orders of the Commission theretofore adopted (the "2013 Bonds").

On June 26, 2014, the Commission approved an Order in GWA Docket 14-05 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the purposes of redeeming or retiring all or a portion of the outstanding 2005 Bonds and 2010 Bonds. GWA issued two series of Bonds on August 7, 2014, in the principal amount of \$70,000,000 (tax-exempt Bonds) and \$15,600,000 (taxable Bonds), respectively, having the terms and issued for the purposes authorized and approved by Orders of the Commission theretofore adopted.

On December 10, 2015, the Commission approved an Order in GWA Docket 15-10 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the purposes of financing certain additions and improvements to the System. GWA issued one series of Bonds on February 24, 2016 in the aggregate principal amount of \$143,310,000, having the terms and issued for the purposes authorized and approved by Orders of the Commission theretofore adopted.

On September 12, 2017, the Commission approved an Order in GWA Docket 17-10 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the purposes of redeeming or retiring all or a portion of the outstanding 2010 Bonds. GWA issued one series of Bonds on December 20, 2017 in the aggregate principal amount of \$107,660,000, having the terms and issued for the purposes authorized and approved by Orders of the Commission theretofore adopted.

GWA has now applied to the Commission for approval of the issuance of one or more additional series of Bonds in an aggregate principal amount not to exceed \$134,000,000 (the “Additional Bonds”) for the purposes of financing certain additions and improvements described in Exhibit A to this Order (the “Projects”), together with an additional principal amount (the “Refunding Bonds” and, together with the Additional Bonds, the “2020 Bonds”) sufficient to provide funds for the purpose of redeeming or retiring a portion of GWA’s outstanding 2013 Bonds (the “Bonds to be Refunded”), in each case subject to the limitations provided in Section 4 of Public Law 28-71, as amended by Public Law 30-145, and by Public Law 32-069 (including Section 3 thereof) (as amended, the “GWA Bonds Law”), and of the terms and conditions pursuant to which such Additional Bonds and Refunding Bonds are to be issued.

The proposed form of supplemental indenture pursuant to which the 2020 Bonds are proposed to be issued (the “Supplemental Indenture”) has been presented to the Commission (together with certain financial and other relevant information) and is attached hereto, together with the General Indenture, as Exhibit B.

By the Commission, having duly considered the application of GWA and the information presented on GWA’s behalf, and having determined that the issuance of the 2020 Bonds for such purposes is just and reasonable, and subject to the GWA Bonds Law, it is ordered as follows:

1. The issuance of the 2020 Bonds and the terms and conditions pursuant to which the 2020 Bonds are to be issued and included in Exhibit B are hereby approved; provided, however, that any material modification or amendment of the Supplemental Indenture shall be subject to the Commission’s prior review and approval. GWA shall have the responsibility of bringing any such material modification or amendment to the Commission’s attention.
2. For the purpose of financing the Projects, GWA is authorized to borrow funds under the terms and conditions described in Exhibit B. The principal amount of Additional Bonds that may be issued may not exceed \$134,000,000, and shall be the amount projected to be necessary to implement the Projects, and provide for costs of issuance and such other costs as applicable, including original issue discount, a credit enhancement fee, underwriters’ discount, a debt service reserve fund deposit (or a surety bond in

accordance with the Indenture) and capitalized interest. As provided in the GWA Bonds Law, the Additional Bonds shall bear interest at such rate or rates and shall be sold for such price or prices as shall result in a net yield to the bondholders not exceeding seven and one-half percent (7.5%) per annum. Original issue discount and credit enhancement each shall not be used unless it results in a lower yield on such Additional Bonds, as evidenced by a certificate of GWA. Capitalized interest shall not exceed an amount sufficient to pay interest on the Additional Bonds for the period to and including May 1, 2022. The Additional Bonds shall have a final maturity not later than 30 years from their date of issuance.

3. The principal amount of Refunding Bonds that may be issued may not exceed an aggregate principal amount sufficient to provide funds for the redemption or retirement of the Bonds to be Refunded, and provide for costs of issuance and such other costs of retirement or redemption of the Bonds to be Refunded. As provided in the GWA Bonds Law, the Refunding Bonds shall have a final maturity not later than the final maturity of the Bonds to be Refunded; the Refunding Bonds shall be issued and sold pursuant to the Indenture and in compliance with the Act; and the present value of debt service on the Refunding Bonds shall be at least two percent (2%) less than the present value of debt service on the Bonds to be Refunded, using the yield on the Refunding Bonds as the discount rate. All obligation of GWA to pay debt service on, and the redemption price of, the Bonds to be Refunded shall be discharged concurrently with the issuance of the Refunding Bonds; and thereafter, the Bonds to be Refunded shall be payable solely from and secured solely by an escrow established for such purpose in accordance with the Indenture.
 4. Underwriters' discount (not including original issue discount) shall not exceed one percent (1.0%) of the original aggregate principal amount of the 2020 Bonds. Other costs of issuance (including, but not limited to, fees and disbursements of bond counsel, printing fees, rating agency fees, initial trustee's fees, consulting engineer fees and the fee of the Guam Economic Development Authority) or any portion thereof payable from 2020 Bonds designated as tax-exempt shall not exceed two percent (2.0%) of the original principal amount of such 2020 Bonds.
-

Dated this 26th day of March 2020.

Jeffrey C. Johnson
Chairman

Rowena E. Perez-Camacho
Vice Chairwoman

Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner

Doris Flores Brooks
Commissioner

Pedro S.N. Guerrero
Commissioner

EXHIBIT A
PROJECTS LIST



EXHIBIT A - TABLE OF PROJECTS FUNDED BY SERIES 2020A BONDS

GWA Cat	Project #	Description	Series 2020A Funding Amount (\$000)		
			FY2020	FY2021	FY2022
EE	EE 09-02	Electrical Upgrade - Water Wells	\$ 90		
EE	EE 09-04	Electrical Upgrade -Water Booster	\$ 150		
EE	EE 09-05	Electrical Upgrade - Other Water	\$ 100		
EE	EE 09-07	SCADA Improvements – Phase 2	\$ 45		
EE	EE 09-08	SCADA Improvements – Phase 3	\$ 25		
EE	MP-Gen-EE-01	SCADA Implementation Phase A2 – Initial Project Completion	\$ 2,000	\$ 2,250	
MISC	MP-Gen-Misc-01	GWA Systems Planning	\$ 500		
MISC	MP-Gen-Misc-02B	WRMP Update (Interim Update)	\$ 200		
MISC	MP-Gen-Misc-04	Information Technology Improvements	\$ 400		
MISC	MP-Gen-Misc-05	GWA Infrastructure Improvements	\$ 500		
MISC	MP-Gen-Misc-07	Mobile Equipment Replacement Program	\$ 800		
MISC	MP-Gen-Misc-08	General Plant Improvements	\$ 1,000		
MISC	MP-Gen-Misc-09	Security and Resilience Program	\$ 100		
PW	PW 05-06	Water Booster Pump Station		\$ 500	
PW	PW 05-13	Deep Well Rehabilitation	\$ 350		
PW	PW 05-14	New Deep Wells at Down Hard	\$ 500		
PW	PW 05-15	Rehabilitation of Asan Springs	\$ 550		
PW	PW 09-03	Water Distribution System Pipe Replacement and Upgrades	\$ 500	\$ 500	\$ 1,250
PW	PW 09-11	Water System Reservoirs 2005 Improvements	\$ 25,000		
PW	PW 11-02	Ugum Water Treatment Plant Reservoir	\$ 7,500		
PW	PW 12-06	Tank Replacement Piti & Hyundai	\$ 6,500		
PW	MP-PW-Pipe-04	Hyundai Well Piping	\$ 500		
PW	MP-PW-Pipe-05	Kaiser Zone Looping	\$ 300		
PW	MP-PW-Pipe-06	Mangilao Pressure Zone Realignment	\$ 300		
PW	MP-PW-Pipe-07	Mataguac BPS Suction Piping		\$ 500	
PW	MP-PW-Pipe-10	Miscellaneous Piping Projects	\$ 100	\$ 100	
PW	MP-PW-Pipe-11	Miscellaneous Piping Connections	\$ 100	\$ 100	
PW	MP-PW-Pipe-12	Rehabilitation and Replacement Program	\$ 1,000	\$ 1,000	
PW	MP-PW-Pipe-13	2-Inch Pipe Replacement Program	\$ 1,730	\$ 800	
PW	MP-PW-Pipe-15	PRV Rehab and Replacement	\$ 500	\$ 1,000	
PW	MP-PW-Pipe-16	Valve Exercise, Repair, and Replacement Program	\$ 250		
PW	MP-PW-Pipe-17	Cross Island Highway Piping		\$ 100	
PW	MP-PW-Tank-22	Existing Tank Inspections	\$ 150		
PW	MP-PW-Tank-23	Recurring Tank Inspections	\$ 200	\$ 200	
PW	MP-PW-BPS-01	Rehabilitate and Replace BPSs	\$ 209		
PW	MP-PW-BPS-02	Nimitz Hill Upper BPS	\$ 48		
PW	MP-PW-SWTP-02	Ugum SWTP Intake Modifications	\$ 1,000		
PW	MP-PW-SWTP-03	Ugum SWTP Reliability Improvements	\$ 1,000		
PW	MP-PW-Well-01	Well Rehabilitation Program	\$ 200	\$ 1,500	
PW	MP-PW-Well-05	Wellhead Protection Program	\$ 250		
PW	MP-PW-Well-06	Well Repair Program	\$ 250	\$ 250	
PW	MP-PW-Misc-02	Master Meter Implementation and Ongoing Meter Replacement	\$ 500	\$ 250	
WW	WW 05-04	Wastewater System Planning	\$ 150		
WW	WW 09-06	Wastewater Collection System Repl/ Rehabilitation	\$ 100		
WW	MP-WW-Pipe-01	Gravity Pipe Rehabilitation/Replacement Program	\$ 170		
WW	MP-WW-Pipe-02	Barrigada Pump Station Pipe Rehabilitation/Replacement			
WW	MP-WW-Pipe-03	Route 1 Piti Pipe Rehabilitation/Replacement	\$ 340		
WW	MP-WW-Pipe-04	Southern Link Pump Station Pipe Rehabilitation/Replacement	\$ 657		
WW	MP-WW-Pipe-17	Mamajanao Capacity Replacement	\$ 400		
WW	MP-WW-Pipe-26	Finile Drive Rehabilitation - Agat	\$ 813		
WW	MP-WW-Pipe-27	Septic/Cesspool System Reduction Program			\$ 350

EXHIBIT A - TABLE OF PROJECTS FUNDED BY SERIES 2020A BONDS

GWA Cat	Project #	Description	Series 2020A Funding Amount (\$000)		
			FY2020	FY2021	FY2022
WW	MP-WW-MH-01	Manhole Rehabilitation Program	\$ 350		
WW	MP-WW-FM-01	Force Main Rehabilitation/Replacement Program		\$ 100	
WW	MP-WW-FM-02	Replace Yigo Lift Station Force Main		\$ 200	
WW	MP-WW-FM-03	Route 1 Asan Force Main Rehabilitation/Replacement	\$ 2,124		
WW	MP-WW-FM-04	Hagåtña WWTP Force Main Rehabilitation/Replacement	\$ 6,500		
WW	MP-WW-Pump-01	Lift Station Rehabilitation/Replacement Program	\$ 1,420	\$ 6,500	
WW	MP-WW-Pump-02	Tumon Basín - Fujita Lift Station Analysis	\$ 6,000	\$ 3,000	
WW	MP-WW-Pump-03	Replacement of Former Navy Pump Station (Donut Hole)	\$ 1,301		
WW	MP-WW-WWTP-08	Northern District WWTP Completion		\$ 7,500	
	Subtotal by Fund Source		\$ 75,722	\$ 26,350	\$ 1,600
	Grand Total by Fund Source		\$		103,672

GWA Cat **Description**
 PW Potable Water
 WW Wastewater
 EE SCADA Electrical

EXHIBIT B

[Indenture, Seventh Supplemental Indenture]

GUAM WATERWORKS AUTHORITY

and

BANK OF GUAM,
as Trustee,

and

U.S. BANK NATIONAL ASSOCIATION,
as Co-Trustee

SEVENTH SUPPLEMENTAL INDENTURE

Dated as of [[CLOSING MONTH] 1, 2020]

Relating to

\$(2020A PAR)
Guam Waterworks Authority
Water and Wastewater System Revenue Bonds
Series 2020A

\$(2020B PAR)
Guam Waterworks Authority
Water and Wastewater System Revenue Refunding Bonds
Series 2020B (Taxable)

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THIS SEVENTH SUPPLEMENTAL INDENTURE, made and entered into and dated as of [[CLOSING MONTH] 1, 2020], by and among the GUAM WATERWORKS AUTHORITY, a duly organized public corporation of the government of Guam (the “Authority”), BANK OF GUAM, a domestic banking corporation duly organized and existing under and by virtue of the laws of Guam, having a corporate trust office in Guam, and being qualified to accept and administer the trusts hereby created and to do business within Guam, as trustee (the “Trustee”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States of America and qualified to accept and administer the trusts hereby created, as co-trustee (the “Co-Trustee”),

W I T N E S S E T H:

WHEREAS, pursuant to Article 2, Chapter 14 of Title 12 of the Guam Code Annotated (the “Act”), the Authority is authorized to issue and sell revenue bonds to raise funds for the purpose of acquiring, constructing, improving, equipping, maintaining, repairing, renewing, replacing, reconstructing or insuring the System (as defined in the Indenture), or any part thereof, or for the purpose of refunding any such bonds or any other prior obligations of the Authority, or for any combination of such purposes;

WHEREAS, the Authority has determined to issue revenue bonds for such purposes and to that end has duly entered into that certain Indenture, dated as of December 1, 2005 (the “Indenture”), between the Authority and the Trustee, to secure the payment of the principal thereof and the interest and premium, if any, thereon, and the observance of the covenants and conditions therein contained;

WHEREAS, revenue bonds may be issued pursuant to the Indenture and one or more indentures supplemental thereto (“Supplemental Indentures”), from time to time, in an aggregate principal amount not limited except as therein provided, and said revenue bonds are to be designated as the “Guam Waterworks Authority Water and Wastewater System Revenue Bonds” (the “Bonds”);

WHEREAS, the Authority, the Trustee and the Co-Trustee have heretofore entered into a Supplemental Indenture dated as of December 1, 2005 pursuant to which \$101,175,000 aggregate principal amount of Bonds further designated as “Series 2005 Bonds” were issued, a Supplemental Indenture dated as of November 1, 2010, pursuant to which \$118,825,000 of Bonds further designated as “Series 2010 Bonds” were issued, a Third Supplemental Indenture dated as of December 1, 2013, pursuant to which \$172,630,000 of Bonds further designated as “Series 2013 Bonds” were issued, a Fourth Supplemental Indenture dated as of August 1, 2014, pursuant to which \$85,600,000 of Bonds further designated as “Series 2014 Bonds” were issued, a Fifth Supplemental Indenture dated as of February 1, 2016 pursuant to which \$143,310,000 aggregate principal amount of Bonds further designated as “Series 2016 Bonds” were issued, and a Sixth Supplemental Indenture dated as of December 1, 2017 pursuant to which \$107,660,000 aggregate principal amount of Bonds further designated as “Series 2017 Bonds” were issued;

WHEREAS, it is now desirable and necessary and in the best interests of the Authority to authorize the issuance of \$[2020A PAR] aggregate principal amount of Bonds further designated as “Series 2020A Bonds” (the “Series 2020A Bonds”) to raise funds for the purposes of financing the Series 2020A Project (as defined herein), funding capitalized interest on the Series 2020A Bonds, making a deposit into the Bond Reserve Fund, and paying costs of issuance, [and \$[2020B PAR] aggregate principal amount of Bonds further designated as “Series 2020B Bonds” (the “Series 2020B Bonds” and, together with the Series 2020A Bonds, the “Series 2020 Bonds”) to raise funds for the purposes of refunding [a portion of] the remaining Outstanding Series 2013 Bonds and paying related costs of issuance and of such refunding];

WHEREAS, pursuant to and subject to the terms and conditions set forth in Public Law No. 28-71, as amended by Public Law Nos. 30-145 and 32-069, the Legislature of Guam (as required by Section 50103(k) of Title 12, Guam Code Annotated (the “GEDA Law”)) approved the terms and conditions of the issuance of said Series 2020 Bonds, so long as the Series 2020 Bonds meet the requirements set forth in the Act;

WHEREAS, the Guam Economic Development Authority has approved the issuance and sale of said Series 2020 Bonds as required by the GEDA Law;

WHEREAS, all acts, conditions and things required by the laws of the United States of America and the laws of Guam to exist, to have happened and to have been performed precedent to and in connection with the issuance of said Series 2020 Bonds exist, have happened, and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to issue said Bonds for the purpose, in the manner and upon the terms herein provided;

WHEREAS, no Event of Default (as defined in the Indenture) has occurred or is now occurring;

NOW, THEREFORE, THIS SEVENTH SUPPLEMENTAL INDENTURE WITNESSETH, in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2020 Bonds by the owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee and the Co-Trustee as follows:

ARTICLE XXXVII

DEFINITIONS

SECTION 37.01 Definitions. Unless the context otherwise requires, the terms defined in the Indenture shall, for all purposes of this Supplemental Indenture and of any certificate, opinion or other document herein mentioned, have the meanings specified in the Indenture.

In addition, unless the context otherwise requires, the terms defined in this Section shall for all purposes of the Indenture and this Supplemental Indenture and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

“Bond Year” means, with respect to the Series 2020 Bonds, the period of twelve consecutive months ending on [CLOSING DATE ANNIV] of each year if Series 2020 Bonds are or will be Outstanding in such twelve-month period; provided that the first Bond Year shall commence on the date of delivery of the Series 2020 Bonds and end on [CLOSING DATE + 1 YEAR].

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

[“Escrow Agent” means, with respect to the Series 2020A Bonds, the Co-Trustee in its capacity as Escrow Agent under the 2013 Escrow Agreement.]

[“2013 Bond Escrow Fund” means the fund by such name established pursuant to the 2013 Escrow Agreement.]

["2013 Escrow Agreement" means, with respect to the Series 2020B Bonds, that certain Escrow Agreement, dated as of [Month] 1, 2020, executed by the Authority and the Co-Trustee, as escrow agent thereunder, relating to the refunding of the Series 2013 Bonds to be refunded.]

"Series 2020 Bonds" means the \$[2020A PAR] aggregate principal amount of Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2020A [and \$[2020B PAR] aggregate principal amount of Guam Waterworks Authority Water and Wastewater System Refunding Revenue Bonds, Series 2020B (Taxable).]

"Series 2020 Project" means, with respect to the Series 2020 Bonds, the acquisition, construction, improvement, equipping, maintenance, repair, renewal, replacement and reconstruction of those certain parts of the System to be funded with proceeds of the Series 2020 Bonds.

"Series 2020 Serial Bonds" means the Series 2020 Bonds designated as Serial Bonds by Section 30.02, and for which no Mandatory Sinking Account Payments are provided.

"Series 2020 Term Bonds" means the Series 2020 Bonds designated as Term Bonds by Section 30.02, and for which Mandatory Sinking Account Payments are provided.

ARTICLE XXXVIII

AUTHORIZATION AND TERMS OF THE SERIES 2020 BONDS

SECTION 38.01 Authorization of Series 2020 Bonds. One Series of Bonds is hereby authorized and created under the Act to raise funds for the Project Costs of the Series 2020 Project, including to fund capitalized interest on the Series 2020 Bonds and to pay the Costs of Issuance of such Series 2020 Bonds, and to make a deposit into the Bond Reserve Fund. Such Series of Bonds is further designated as the "Guam Waterworks Authority Water and Wastewater System Revenue Bonds Series 2020." The aggregate principal amount of Series 2020 Bonds which may be issued and Outstanding under this Supplemental Indenture shall not exceed \$[2020 PAR].

The Series 2020 Bonds shall be treated as a single Series under the Indenture.

SECTION 38.02 Terms of Series 2020 Bonds; Appointments; Designations.

(a) The Series 2020 Bonds shall be issued as fully registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. The Series 2020 Bonds shall be dated their date of delivery, and interest thereon (based on a 360-day year of twelve thirty-day months) shall be payable on January 1 and July 1 of each year, commencing [January 1/July 1, 20__] (each, an "Interest Payment Date" for the Series 2020 Bonds).

(b) The Series 2020 Bonds shall mature on the dates and in the amounts and shall bear interest at the rates per annum specified in the following table:

Maturity Date	Principal Amount	Interest Rate
	\$	%

(c) [The Series 2020 Bonds maturing on July 1, 20[___] through and including July 1, 20[___] are Serial Bonds, and the Series 2020 Bonds maturing on July 1, 20[___] and July 1, 20[___] are Term Bonds.]

(d) The Principal Payment Period for the Series 2020 Bonds shall be the twelve calendar months next preceding each maturity date or Mandatory Sinking Account Payment date for such Bonds.

(e) The Record Date for all scheduled payments of principal of and interest on the Series 2020 Bonds shall be the 15th day of the calendar month next preceding the date each such payment is due, whether or not such 15th day is a Business Day.

(f) The Co-Trustee is hereby appointed Paying Agent for the Series 2020 Bonds and Registrar for the Series 2020 Bonds, and the Co-Trustee's corporate trust office in Los Angeles, California, is hereby designated as the Principal Office of the Co-Trustee. The Trustee is hereby appointed Depository for the Series 2020 Construction Account and the Series 2020 Capitalized Interest Account.

(g) The principal of and premium, if any, on each Series 2020 Bond shall be payable in lawful money of the United States of America to the Owner of such Bond, upon the surrender of such Bond at the Principal Office of any Paying Agent for such Bond. The interest on each Series 2020 Bond shall be payable in like lawful money to the person whose name appears on the bond registration books of the Registrar for such Bond as the Owner of such Bond as of the close of business on the Record Date for such Bond preceding the Interest Payment Date, whether or not such Record Date is a Business Day, such interest to be paid by check or mailed by first class mail to such Owner at such address as appears on such registration books or at such address as such Owner may have filed with the Registrar for that purpose. Upon the written request of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Series 2020 Bonds, payment of interest on and principal (including Redemption Price) of such Bonds shall be made by wire transfer from the Paying Agent to the registered owner of such Bonds. Any such principal payment by wire transfer shall nevertheless be subject to prior surrender of the Series 2020 Bonds with respect to which such payment is made. Each payment of interest or principal on Series 2020 Bonds, whether by check, draft or wire transfer, shall be accompanied by information specifying for each maturity of such Bonds with respect to which such payment is being made, the amount and the CUSIP number (if available).

(h) Each Series 2020 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the Record Date preceding any Interest Payment Date to the Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before [_____] 15, 2020], in which event it shall bear interest from its date of delivery; provided,

however, that if, at the time of authentication of any Series 2020 Bond, interest is in default on Outstanding Bonds of such Series, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds of such Series.

(i) The Series 2020 Bonds shall be subject to redemption as provided in Section 30.03.

(j) The Registrar for the Series 2020 Bonds shall assign each Series 2020 Bond authenticated and registered by it a distinctive letter, or number, or letter and number, and shall maintain a record thereof which shall be available to the Authority for inspection.

(k) The Series 2020 Bonds, the Registrar's certificate of authentication and registration and the form of assignment to appear thereon shall be in substantially the forms set forth in Exhibit A hereto, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

SECTION 38.03 Terms of Redemption of the Series 2020 Bonds.

(a) Extraordinary Optional Redemption. The Series 2020 Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole, or in part so that the reduction in Annual Debt Service for the Series 2020 Bonds for each Bond Year after such redemption shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the System or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the System, under the circumstances and upon the conditions and terms set forth in the Indenture, at the greater of par or Amortized Value, plus accrued interest to the date fixed for redemption, without premium. "Amortized Value" means on any interest payment date, the then current value of the bond amortizing the original issue premium over the period ending on the first call date using the constant yield method.

(b) Optional Redemption. The Series 2020 Bonds maturing on or after [July] 1, 20[] are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available moneys, on any date on or after [July] 1, 20[], as a whole, or in part by such maturities or portions of maturities as shall be determined by the Authority (or by lot within a maturity in the absence of such a determination), at a redemption price equal to the principal amount of each Series 2020 Bond called for redemption plus interest accrued to the date fixed for redemption, without premium.

(c) Mandatory Sinking Account Redemption. The Series 2020 Term Bonds maturing on July 1, 20[] are subject to redemption prior to their stated maturity in part, by lot, on July 1 of each year from Mandatory Sinking Account Payments, commencing July 1, 20[], at a redemption price equal to their principal amount, plus accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the amounts, as set forth below:

<u>Date</u>	<u>Amount</u>
-------------	---------------

†

† Final maturity.

(d) Mandatory Sinking Account Redemption. The Series 2020 Term Bonds maturing on January 1, 20[] are subject to redemption prior to their stated maturity in part, by lot, on July 1 of each year from Mandatory Sinking Account Payments, commencing July 1, 20[], at a redemption price equal to their principal amount, plus accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the amounts, as set forth below:

<u>Date</u>	<u>Amount</u>
	\$

†

† Final maturity.

SECTION 38.04 Special Covenants as to Book-Entry Only System for Series 2020 Bonds. Except as otherwise provided in subsections (b) and (c) of this Section 30.04, all of the Series 2020 Bonds initially issued shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the interest on any Series 2020 Bond registered in the name of Cede & Co. shall be made on each interest payment date for such Series 2020 Bonds to the account, in the manner and at the address indicated in or pursuant to the Representation Letter.

(a) The Series 2020 Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of each portion of each series of Series 2020 Bonds, representing the aggregate principal amount of the Series 2020 Bonds of such portion, series and maturity. Upon initial issuance, the ownership of all such Series 2020 Bonds shall be registered in the registration records maintained by the Registrar pursuant to Section 2.05 hereof in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the Co-Trustee, the Registrar, the Authority and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2020 Bonds registered in its name for the purposes of payment of the principal or redemption price of and interest on such Series 2020 Bonds, selecting the Series 2020 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondowners hereunder, registering the transfer of Series 2020 Bonds, obtaining any consent or other action to be taken by Bondowners of the Series 2020 Bonds and for all other purposes whatsoever; and the Trustee, the Co-Trustee, the Registrar, the Authority and any paying agent shall not be affected by any notice to the contrary. Neither the Trustee, the Co-Trustee, the Authority nor any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 38.04, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Series 2020 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Bondowner, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2020 Bonds, (iii) any notice which is permitted or required to be given to Holders of Series 2020 Bonds hereunder, (iv) the

selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2020 Bonds, or (v) any consent given or other action taken by DTC as Holder of Series 2020 Bonds. The Paying Agent shall pay all principal of and premium, if any, and interest on the Series 2020 Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the Authority's obligations with respect to the principal of and premium, if any, and interest on the Series 2020 Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee and Co-Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Series 2020 Bonds will be transferable to such new nominee in accordance with subsection (f) of this Section 38.04.

(b) In the event that the Authority elects to discontinue the book-entry system for any Series 2020 Bonds, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, such Series 2020 Bonds will be transferable in accordance with subsection (f) of this Section 38.04. DTC may determine to discontinue providing its services with respect to the Series 2020 Bonds at any time by giving written notice of such discontinuance to the Authority or the Trustee and Co-Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 2020 Bonds will be transferable in accordance with subsection (f) of this Section 38.04. Whenever DTC requests the Authority, the Trustee and the Co-Trustee to do so, the Trustee, the Co-Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Series 2020 Bonds then Outstanding. In such event, the Series 2020 Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section 38.04, and thereafter, all references in this Supplemental Indenture to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(c) Notwithstanding any other provision of this Supplemental Indenture to the contrary, so long as all Series 2020 Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Series 2020 Bond and all notices with respect to each such Series 2020 Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(d) The Co-Trustee is hereby authorized and requested to execute and deliver the Representation Letter and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Supplemental Indenture.

(e) In the event that any transfer or exchange of Series 2020 Bonds is authorized under subsection (b) or (c) of this Section 38.04, such transfer or exchange shall be accomplished upon receipt by the Registrar from the registered owner thereof of the Series 2020 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.03 and 2.04 of the Indenture. In the event Series 2020 Bond certificates are issued to Holders other than Cede & Co., its successor as nominee for DTC as holder of all the Series 2020 Bonds, another securities depository as holder of all the Series 2020 Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.03 and 2.04 of the Indenture shall also apply to, among other things, the registration, exchange and transfer of the Series 2020 Bonds and the method of payment of principal of, premium, if any, and interest on the Series 2020 Bonds.

SECTION 38.05 Waiver of Brokerage Confirmations. The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or another applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Co-Trustee shall furnish the Authority and the Trustee periodic cash transaction statements which shall include detail for all investment transactions made by the Co-Trustee.

ARTICLE XXXIX

ISSUANCE OF SERIES 2020 BONDS; APPLICATION OF PROCEEDS; FUNDS AND ACCOUNTS

SECTION 39.01 Issuance of Series 2020 Bonds. At any time after the execution and delivery of this Seventh Supplemental Indenture, the Authority may sell and execute and the Registrar for the Series 2020 Bonds shall authenticate and, upon the Order of the Authority, deliver the Series 2020 Bonds in an aggregate principal amount not to exceed \$[2020 PAR].

SECTION 39.02 Application of Proceeds of Series 2020 Bonds and Other Moneys. The net proceeds received by the Authority from the sale of the Series 2020 Bonds in the amount of \$160,364,807.98 shall be deposited with the Trustee, who shall forthwith transfer or apply such proceeds in the following manner, as directed by a Request of the Authority:

(a) The Trustee shall deposit in the Series 2020 Capitalized Interest Account, the amount of \$[_____];

(b) the Trustee shall deposit in the Series 2020 Costs of Issuance Account, the amount of \$[_____];

(c) the Trustee shall deposit in the Series 2020 Construction Account the amount of \$[_____];

(d) the Trustee shall transfer to the Co-Trustee, for deposit in the Bond Reserve Fund, the amount of \$[_____], which shall bring the total amount on deposit therein to \$[_____], which shall be at least equal to the Bond Reserve Requirement; and

(e) [the Co-Trustee, as Escrow Agent, shall deposit \$[_____] in the 2013 Bond Escrow Fund established pursuant to the 2013 Escrow Agreement for the purpose of refunding the Series 2013 Bonds to be refunded, as described in the 2013 Escrow Agreement.]

SECTION 39.03 Establishment of Funds and Accounts.

(a) To ensure the proper application of such portion of proceeds from the sale of the Series 2020 Bonds, including to pay Costs of Issuance of the Series 2020 Bonds, there is hereby established within the Construction Fund the "Series 2020 Costs of Issuance Account", which shall be held by the Trustee, as Depositary therefor. Any of such funds that remain on deposit in the Series 2020 Costs of Issuance Account 180 days after the Closing Date shall be transferred and deposited in the Revenue Fund and the Series 2020 Costs of Issuance Account shall be closed.

(b) To ensure the proper application of such portion of proceeds from the sale of the Series 2020 Bonds to be applied to pay Project Costs of the Series 2020 Project, there is hereby established within the Construction Fund the "Series 2020 Construction Account", which shall be held by the Trustee, as Depositary therefor. The monies set aside and placed in the Series 2020

Construction Account to be applied to the Project Costs of the Series 2020 Project shall be expended for the purposes of the Series 2020 Project and shall not be used for any other purpose whatsoever.

(i) Before any payment from the Series 2020 Construction Account shall be made by the Depositary, the Authority shall file or cause to be filed with the Depositary a requisition of the Authority (each a "Requisition"), such Requisition to be signed by the Chairperson or the General Manager or by any other officer of the Authority duly authorized by resolution of the Board for that purpose and to include (1) the item number of such payment; (2) the name and address of the person to whom each such payment is due, which may be the Authority in the case of reimbursement for costs theretofore paid by the Authority; (3) the respective amounts to be paid; (4) the purpose by general classification for which each obligation to be paid was incurred; and (5) that obligations in the stated amounts have been incurred by the Authority and are presently due and payable and that each item thereof is a proper charge against the Series 2020 Construction Account and has not been previously paid from said Account.

(ii) When the Authority determines that the Series 2020 Project has been completed, a Certificate of the Authority shall be delivered to the Depositary by the Authority stating: (1) the fact and date of such completion; (2) that all of the Project Costs of the Series 2020 Project have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Series 2020 Construction Account is to be maintained in the full amount of such claims until such dispute is resolved); and (3) that the Depositary is to transfer the remaining balance in the Series 2020 Construction Account, less the amount of any such retention, to the Co-Trustee for deposit to the Bond Reserve Fund, to the extent of any deficiency therein, and then to the Debt Service Fund.

(c) To ensure the proper application of such proceeds from the sale of the Series 2020 Bonds to be applied to pay Capitalized Interest on the Series 2020 Bonds, there is hereby established within the Series 2020 Construction Account the "Series 2020 Capitalized Interest Account," which shall be held by the Trustee as Depositary therefor. The Depositary shall transfer all money in the Series 2020 Capitalized Interest Account to the Co-Trustee, and the Co-Trustee shall apply such money to pay interest due on the Series 2020 Bonds (which amount in respect of proceeds of the Series 2020 Bonds initially deposited therein shall not exceed the amount sufficient to pay interest on the Series 2020 Bonds to and including September 30, 20[]) in accordance with the following schedule, provided that any amounts remaining in the Series 2020 Capitalized Interest Account after the final transfer shall be transferred to the Co-Trustee for deposit in the Debt Service Fund and the Depositary shall close the 2020 Capitalized Interest Account:

Series 2020 Capitalized Interest Schedule

<u>Date</u>	<u>Capitalized Interest Transfer Amount</u>
July 1, 20[]	\$[]
January 1, 20[]	[]
July 1, 20[]	[]
January 1, 20[]*	Balance

* Final transfer

(d) As provided in Section 5.05 of the Indenture, the Series 2020 Bonds shall be payable from the Debt Service Fund, and, in accordance with Section 5.06 of the Indenture, the Series 2020 Bonds shall be secured by the Bond Reserve Fund. Pursuant to Section 5.06 of the

Indenture, to the extent that moneys in the Bond Reserve Fund exceed the Bond Reserve Fund Requirement, income derived from the investment of the proceeds of the Series 2020 Bonds in the Bond Reserve Fund prior to the completion of the Series 2020 Project shall be deposited in the Series 2020 Construction Account; otherwise such income shall be transferred and deposited in the Revenue Fund.

ARTICLE XL

TAX COVENANTS

SECTION 40.01 2020 Rebate Account.

(A) The Trustee, as Depositary for the Revenue Fund, shall establish and maintain within the Rebate Fund a separate subaccount designated as the “2020 Rebate Account.” There shall be deposited in the 2020 Rebate Account from amounts in the Operation and Maintenance Fund or other lawfully available moneys such amounts as are required to be deposited therein pursuant to the Tax Certificate delivered by the Authority in connection with the issuance of the Series 2020 Bonds. All money at any time deposited in the 2020 Rebate Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement for the Series 2020 Bonds (as defined in such Tax Certificate), for payment to the United States of America, and the United States of America is hereby granted a first lien on such money until such payment. All amounts required to be deposited into or on deposit in the 2020 Rebate Account shall be governed exclusively by this Section and by such Tax Certificate (which is incorporated herein by reference).

In the event that the amount in the 2020 Rebate Account exceeds the Rebate Requirement for the Series 2020 Bonds, upon the Request of the Authority, the Trustee shall transfer the excess from the 2020 Rebate Account to the Revenue Fund.

(B) Notwithstanding any provisions of this Section, if the Authority shall provide to the Trustee an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on any Series of Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding Article IX of the Indenture, the covenants hereunder shall be deemed to be modified to that extent.

SECTION 40.02 Tax Covenants for Series 2020 Bonds. (A) The Authority intends that interest on the Series 2020 Bonds be excluded from gross income for federal income tax purposes, that the Series 2020 Bonds and the interest thereon be exempt from taxation by any state or political subdivision or the District of Columbia and that interest on the Series 2020 Bonds not be treated as a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. The Authority reserves the right to determine the desired tax status of any additional Series of Bonds.

(B) The Authority shall not use or permit the use of any proceeds of the Series 2020 Bonds or any other funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Authority in any manner, and shall not take or permit to be taken any other action or actions, which would cause any such Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(C) The Authority shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Series 2020 Bonds (or on any of them) shall be excluded from gross income for federal income tax purposes and that interest paid on the Series 2020 Bonds shall not be treated as a specific preference item for purposes of the federal individual and corporate alternative minimum taxes.

SECTION 40.03 Continuing Disclosure. The Authority hereby covenants and agrees to comply with the Series 2020 Continuing Disclosure Agreement, by and between the Authority and the Co-Trustee (the “Series 2020 Continuing Disclosure Agreement”), as it may from time to time hereafter be amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the requirements of the Series 2020 Continuing Disclosure Agreement shall not be considered an Event of Default and the Co-Trustee shall have no right to accelerate amounts due under the Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Outstanding Series 2020 Bonds may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations in this Section with respect to the Series 2020 Continuing Disclosure Agreement.

IN WITNESS WHEREOF, the GUAM WATERWORKS AUTHORITY has caused this Seventh Supplemental Indenture to be signed in its name by its duly authorized officers; and BANK OF GUAM and U.S. BANK NATIONAL ASSOCIATION, in token of their acceptance of the respective trusts created hereunder, and being hereby appointed by the GUAM WATERWORKS AUTHORITY to such trusts, have caused this Seventh Supplemental Indenture to be signed in their respective corporate names by one of their authorized officers, all as of the day and year first above written.

GUAM WATERWORKS AUTHORITY

By _____
Chairperson of the Board

By _____
General Manager

BANK OF GUAM, as Trustee

By _____
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION,
as Co-Trustee

By _____
Authorized Officer

Seventh Supplemental Indenture – Guam Waterworks Authority

The undersigned U.S. BANK NATIONAL ASSOCIATION, hereby accepts and agrees to perform the duties and obligations of Registrar and Paying Agent under this Seventh Supplemental Indenture.

U.S. BANK NATIONAL ASSOCIATION, as Registrar
and Paying Agent

By _____
Authorized Officer

Seventh Supplemental Indenture – Guam Waterworks Authority

The undersigned BANK OF GUAM, hereby accepts and agrees to perform the duties and obligations of Depositary under this Seventh Supplemental Indenture.

BANK OF GUAM, as Depositary

By _____
Authorized Officer

Seventh Supplemental Indenture – Guam Waterworks Authority

EXHIBIT A

FORM OF BOND

No. R-____

\$ _____

GUAM WATERWORKS AUTHORITY
WATER AND WASTEWATER SYSTEM REVENUE BOND,
SERIES 2020

INTEREST RATE

MATURITY DATE
[January 1/July 1], 20__

DATED DATE
[Closing Date]

CUSIP

Registered Owner: CEDE AND CO.

Principal Sum: Dollars

The GUAM WATERWORKS AUTHORITY, a duly organized public corporation of the government of Guam (herein called the "Authority"), for value received, hereby promises to pay (but only out of the Revenues pledged therefor as hereinafter mentioned) to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter mentioned), the principal sum specified above in lawful money of the United States of America; and to pay interest thereon, in like lawful money and solely from said Revenues, from the Interest Payment Date next preceding the date of authentication of this Bond unless this Bond is authenticated as of a day during the period from the Record Date preceding any Interest Payment Date to the Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before [_____] 15, 2020], in which event it shall bear interest from its date of delivery, until payment of such principal sum shall be discharged as provided in the indenture hereinafter mentioned, at the interest rate specified above per annum, payable on January 1 and July 1 in each year, commencing [_____] 1, 2020]; provided, however, that if, at the time of authentication of this Bond, interest is in default hereon, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment. The principal (or redemption price) hereof is payable upon surrender hereof at the Principal Office of U.S. Bank National Association (herein called the "Paying Agent") in Los Angeles, California (or such other office as may be subsequently designated), and the interest hereon is payable by check or draft mailed by first class mail to the person in whose name this Bond is registered at the close of business on the fifteenth day of the month immediately preceding an interest payment date, at such person's address as it appears on the bond registration books of U.S. Bank National Association (herein called the "Registrar"). Upon the written request of a registered owner of \$1,000,000 or more in aggregate principal amount of Series 2020 Bonds, payment of interest on and principal (including redemption price) of such Bonds will be made by wire transfer as provided in the Indenture; provided that any such principal payment shall nevertheless be subject to prior surrender of the Series 2020 Bonds with respect to which such payment is made.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Guam Waterworks Authority Water and Wastewater System Revenue Bonds" (herein called the "Bonds"), unlimited in aggregate principal amount, except as otherwise provided in the laws of the United States of America and the government of Guam and in the Indenture hereinafter mentioned, which issue of Bonds consists or may consist of one or more Series of varying dates, maturities, interest rates, and redemption and other provisions, all issued or to be issued pursuant to Article 2, Chapter 14 of Title 12 of the Guam Code Annotated, as amended, and that certain Indenture, dated as of December 1, 2005 (as heretofore and hereafter supplemented and amended, the "Indenture"), by and between the

Authority, Bank of Guam, as trustee (herein called the “Trustee”) and U.S. Bank National Association, as co-trustee (herein called the “Co-Trustee”). This Bond is also one of a duly authorized series of Bonds additionally designated “Series 2020” (herein called the “Series 2020 Bonds”), in the aggregate principal amount of [Par Written Out] Dollars (\$[2020 PAR]), all issued under the provisions of the Indenture and the Seventh Supplemental Indenture, dated as of [[CLOSING MONTH] 1, 2020], by and among the Authority, the Trustee and the Co-Trustee. Reference is hereby made to the Indenture (a copy of which is on file at said office of the Trustee), including all indentures supplemental thereto, for a description of the rights thereunder of the registered owners of the Bonds, of the nature and extent of the security and provisions for payment of the Bonds, of the rights, duties and immunities of the Trustee and other fiduciaries and of the rights and obligations of the Authority thereunder, to all the provisions of which Indenture the registered owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon (to the extent set forth in the Indenture) are payable solely from Revenues (as that term is defined in the Indenture) pledged as provided in the Indenture. Subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, said Revenues are pledged under the Indenture to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture and the payment of Credit Agreement Payments and Parity Payment Agreement Payments in accordance with their terms.

The Series 2020 Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole, or in part so that the reduction in Annual Debt Service for the Series 2020 Bonds for each Bond Year after such redemption shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the System or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the System, under the circumstances and upon the conditions and terms set forth in the Indenture, at the greater of par or Amortized Value, plus accrued interest to the date fixed for redemption, without premium. “Amortized Value” means on any interest payment date, the then current value of the bond amortizing the original issue premium over the period ending on the first call date using the constant yield method.

[The Series 2020 Bonds maturing on or after July 1, 20[___] are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available moneys, on any date on or after July 1, 20[___], as a whole, or in part by such maturities or portions of maturities as shall be determined by the Authority (or by lot within a maturity in the absence of such a determination), at a redemption price equal to the principal amount of each Series 2020 Bond called for redemption plus interest accrued to the date fixed for redemption, without premium.]

[The Series 2020 Bonds maturing on July 1, 20[___] and January 1, 20[___] are subject to redemption prior to their stated maturity in part, by lot, on July 1 of each year from Mandatory Sinking Account Payments, commencing July 1, 20[___] and July 1, 20[___], respectively, at a redemption price equal to the Mandatory Sinking Account Payment amount for such date set forth in the Indenture, plus accrued interest thereon to the date fixed for redemption, without premium.]

Notice of any redemption, identifying the Bonds or portions thereof to be redeemed, shall be given by the Registrar not less than 30 nor more than 60 days before the date fixed for redemption by first class mail to each of the registered owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Registrar on the date the Bonds to be redeemed are selected. Receipt of such notice by such registered owners shall not be a condition precedent to such redemption.

If this Bond is called for redemption and payment is duly provided herefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Series 2020 Bonds are issuable only in fully registered form in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, this Bond may be exchanged, at the Principal Office of the Registrar, in Los Angeles, California, or such other office as the Registrar shall designate, for a new fully registered Bond or Bonds, of the same Series, maturity and tenor and of any authorized denomination or denominations and for the aggregate principal amount of this Bond then remaining outstanding.

This Bond is transferable by the registered owner hereof, in person or by its attorney duly authorized in writing, at said office of the Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds, of the same Series and maturity and of any authorized denomination or denominations and for the same aggregate principal amount of this Bond then remaining outstanding, will be issued to the transferee in exchange therefor. The Registrar shall not be required to register the transfer of this Bond during the period established by the Trustee for the selection of Bonds for redemption or at any time after selection of this Bond for redemption.

The Authority, the Trustee, the Paying Agent and the Registrar may treat the registered owner hereof as the absolute owner hereof for all purposes, and neither the Authority, the Paying Agent nor the Registrar shall be affected by any notice to the contrary.

The Indenture and the rights and obligations of the Authority, the registered owners of the Bonds, the Trustee, the Registrar and other fiduciaries may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture, provided that no such modification or amendment shall (a) extend the fixed maturities of the Bonds, or extend the time for making any Mandatory Sinking Account Payments, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Owner of each Bond so affected, (b) reduce the aforesaid percentage of Owners of Bonds whose consent is required for the execution of any amendment or modification of this Indenture or permit the creation of any lien on the Revenues prior to or on a parity with the lien created by this Indenture or deprive the Owners of the Bonds of the lien created by this Indenture upon such Revenues, without in each case the consent of the Owners of all of the Bonds then Outstanding.

The Bonds are limited obligations of the Authority, payable solely from and secured by a pledge of the Revenues as provided in the Indenture. The Bonds are not a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues pledged to the payment thereof as provided in the Indenture.

Neither the Government of Guam nor any political subdivision thereof is obligated to pay the principal of, Redemption Price, if applicable, or interest on the Bonds, except from Revenues, and neither the Authority, the Government of Guam nor any political subdivision thereof has pledged its faith or credit to the payment of the principal of, redemption price, if applicable, or interest on the Bonds.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Registrar.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by the laws of the United States of America and the government of Guam, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by such laws, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, the GUAM WATERWORKS AUTHORITY has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Chairman of the Consolidated Commission on Utilities and the Chief Financial Officer of the Authority, all as of the dated date first set forth above.

GUAM WATERWORKS AUTHORITY

By _____
Chairman of the Board of Directors

By _____
Chief Financial Officer

[FORM OF] CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Indenture, which has been registered as of ____.

U.S. BANK NATIONAL ASSOCIATION, as
Registrar

By _____
Authorized Officer

[FORM OF] ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) attorney, to transfer the same on the books of the Registrar with full power of substitution in the premises.

Dated: _____

NOTICE: The signature on this Assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

Social Security Number, Taxpayer Identification Number or other Identifying Number of Assignee:

Notice: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Note: Transfer fees must be paid to the Registrar in order to transfer or exchange this bond as provided in the within-mentioned Indenture.

INDENTURE OF TRUST

by and between

GUAM WATERWORKS FACILITIES CORPORATION

and

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION

Dated as of July 1, 2005



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WHEREAS, the Purchaser and the Corporation shall enter into a Purchase Agreement, dated as provided therein (the "Purchase Agreement") for the purpose of financing the acquisition of the equipment described in Schedule 1 attached thereto (the "Schedule 1 Property"); and

WHEREAS, pursuant to the Purchase Agreement, and subject to limitations as therein provided, the Purchaser will pay certain Installment Payments (as defined herein) to the Corporation; and

WHEREAS, pursuant to this Indenture, the Corporation's right to receive the Installment Payments with respect to the Schedule 1 Property (the "Schedule 1 Installment Payments"), and rights to receive certain other payments as provided therein and in this Indenture, have been or shall be assigned to the Trustee; and

WHEREAS, there will be executed and delivered by the Trustee pursuant to this Indenture one or more Certificates of Participation, Series 2005 (the "Series 2005 Certificates"), substantially in the form set forth in Exhibit A hereto, evidencing assignments of proportionate interests in rights to receive Schedule 1 Installment Payments and certain other payments, which rights have been assigned to the Trustee by the Corporation; and

WHEREAS, the proceeds derived from the sale of the Series 2005 Certificates shall be placed in special funds and trust accounts for the purpose of funding certain accounts and acquiring the Schedule 1 Property; and

WHEREAS, the financing of the Schedule 1 Property, and the execution, performance, and delivery of the Purchase Agreement, has been authorized, approved, and directed by Resolutions duly adopted by the Consolidated Commission on Utilities established in Chapter 79 of Title 12, Guam Consolidated Code (the "Board"); and

WHEREAS, the Purchase Agreement shall constitute a master agreement, and the Corporation and the Purchaser shall be entitled to execute one or more additional schedules ("Additional Schedules" and together with Schedule 1, the "Schedules") for the acquisition of equipment or other real or personal property in addition to the Schedule 1 Property ("Additional Property" and together with the Schedule 1 Property, the "Property"). Each such Schedule shall incorporate the terms and conditions of the Purchase Agreement, and shall be independent of any other Schedule; and

WHEREAS, there may be executed and delivered indentures supplemental hereto with respect to such Additional Schedules to provide for the issuance of additional Certificates of Participation ("~~Additional Certificates~~" and together with the Series 2005 Certificates, the "~~Certificates~~"); and

(c) all rights, title, and interest of Corporation in, to, and under the Original Contract and the Amendment Agreement, including any letter of credit or surety bonds delivered in connection therewith and proceeds thereof;

(d) all rights, title, and interest of Corporation in and to Net Pledged Revenues and any other receipts receivable by or on behalf of the Corporation pursuant to the Purchase Agreement, including without limitation, (i) all Schedule 1 Installment Payments (as defined in the Purchase Agreement) to be received from the Purchaser pursuant to the Purchase Agreement, which Schedule 1 Installment Payments are, pursuant to the terms of the Purchase Agreement, to be paid directly to the Trustee; (ii) all Net Proceeds received pursuant to the Purchase Agreement; and (iii) all rights to enforce payments under the Purchase Agreement when due or to otherwise enforce rights under the Purchase Agreement for the benefit of the Participants;

(e) all moneys and securities from time to time held by the Trustee under this Indenture and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specially mortgaged, pledged, or hypothecated, as and for additional security hereunder, by the Corporation, or by anyone on its behalf, in favor of the Trustee which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

TO HAVE AND TO HOLD the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be, to the Trustee and its successors in said trust and assigns forever;

IN TRUST, NEVERTHELESS, upon the terms herein set forth for the equal and proportionate benefit, security, and protection of all participants, without privilege, priority, or distinction as to the lien or otherwise of any of the Certificates over any other of the Certificates, except as may be herein provided or except as may be provided pursuant to supplemental indentures delivered with respect to Additional Certificates;

PROVIDED, HOWEVER, that if the principal of the Certificates and the premium, if any, and the interest due or to become due thereon, shall be paid at the times and in the manner provided herein, according to the true intent and meaning hereof, and if there are paid to the Trustee all sums of money due or to become due to the Trustee in accordance with the terms and provisions hereof, then upon such final payments this Indenture and the rights hereby granted shall cease, determine, and be void; otherwise this Indenture is to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared, that all Certificates issued and secured hereunder are to be executed, authenticated, and delivered and all said property, rights, interests, revenues, and receipts hereby pledged, assigned, and mortgaged are to

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION; REPRESENTATIONS

SECTION 101 Definitions. In addition to the words and terms elsewhere defined in the Purchase Agreement and Indenture, the following words and terms as used herein and in the preambles hereto shall have the following meanings unless the context or use indicates another or different meaning or intent.

“Additional Certificates” means the additional certificates issued or permitted to be issued pursuant to Section 212 hereof.

“Assigned Rights” means the Corporation’s right to receive the Schedule 1 Installment Payments and other payments with respect to Schedule 1 as provided in the Purchase Agreement and in this Indenture.

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories and other intermediaries).

“Event of Default” means one or more of the events specified in Section 701 of this Indenture.

“Federal Securities” means Permitted Investments which are direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Interest Payment Date” means January 1 and July 1 of each year.

“Moody’s” means Moody’s Investors Service, Inc., and its successors.

“Notice Participant” means any Participant (or beneficial owner of Certificates held in Book Entry Only form as provided in Section 208 hereof) who shall have provided written notice to the Trustee that such Participant or beneficial owner shall receive all notices and reports required to be delivered to the Trustee or to the Corporation hereunder or under the Purchase Agreement.

“Opinion of Counsel” means an opinion in writing of legal counsel, who may be counsel to the Trustee, the Purchaser, the Administrator or the Corporation.

“Special Record Date” means a special date fixed to determine the names and addresses of registered owners of Certificates for purposes of paying interest on a special Interest Payment Date for defaulted interest, all as provided in Section 202 hereof.

“S&P” means Standard & Poor’s Ratings Services, a Division of the McGraw-Hill Companies, Inc.

“Trust Estate” means the property transferred, pledged, and assigned to the Trustee pursuant to the granting clauses hereof.

SECTION 102 Representations. The Corporation hereby makes the following representations:

(a) The Indenture is intended by the Corporation to create, and shall be construed to create, a complete assignment to the Trustee of the Assigned Rights and not an assignment as security for the performance of the obligation evidenced by any other document or any other indebtedness of the Corporation or the Purchaser.

(b) It is the intent of the Corporation that the Assigned Rights are no longer property of the Corporation or property of any estate of the Corporation as defined by 11 U.S.C. section 541, and shall not constitute collateral, cash or otherwise property of the Corporation.

(c) The term Assigned Rights shall mean the gross Assigned Rights without deduction or offset of any kind.

(d) The consideration received by Corporation for the Assigned Rights is provided through the deposit of the proceeds of sale of the Series 2005 Certificates with the Trustee, and no provision exists whereby the consideration will be modified after the date of such deposit.

(e) The Trustee shall have the absolute right, power and authority to take any and all actions which the Trustee deems necessary or appropriate in connection with collecting all or any of the Assigned Rights and enforcing the rights of the Corporation under the Purchase Agreement with respect to the Assigned Rights, including, without limitation, bringing, prosecuting, defending or settling legal proceedings.

(f) The Corporation has made no sale or assignment except to the Trustee of any interest that it possesses in the Assigned Rights.

(g) The consideration to be paid hereunder for the Assigned Rights is equivalent to the fair market value of the Assigned Rights transferred to the Trustee.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION, AND ISSUANCE OF CERTIFICATES

SECTION 201 Authorized Amount of Certificates. No Certificates may be issued hereunder except in accordance with this Article II. Except as provided in Section 212 of this Indenture, the aggregate principal amount of Certificates that may be issued shall be \$15,385,845.74.

SECTION 202 Issuance of Certificates. In order to provide funds for the financing of the Property and the other purposes set forth herein, the Certificates shall be issued, sold, and delivered hereunder. The Certificates shall constitute assignments of proportionate interests in the right to receive Installment Payments under the Purchase Agreement for the period from July 1, 2005.

The Certificates shall be issuable only as fully registered Certificates without coupons.

The Series 2005 Certificates shall be dated July 1, 2005, and shall bear interest at the rate of 5.18%, payable semiannually on January 1 and July 1 of each year, with the first interest payment to be made on January 1, 2006; except that Series 2005 Certificates which are reissued upon transfer, exchange, or other replacement shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, from the date of the Series 2005 Certificates. Interest shall be computed on year of 360 days, consisting of twelve 30-day months.

The Series 2005 Certificates shall mature on July 1, 2010; *provided that*, in the event the termination date of Schedule 1 shall be extended in accordance with the Purchase Agreement, the maturity date of the Series 2005 Certificates shall be extended to July 1, 2015.

The principal of and premium, if any, on any Series 2005 Certificate shall be payable to the registered owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof. Payment of interest on the Series 2005 Certificates and scheduled semiannual installments of principal payable as provided in Section 402 hereof shall be made on each Interest Payment Date (or, if such Interest Payment Date is not a business day, on the next succeeding business day), by check or draft of the Trustee mailed to the registered owner thereof at his address as it last appears on the registration records of the Trustee at the close of business on the Record Date.

SECTION 206 Form of Certificates. The Series 2005 Certificates shall be issued in minimum denominations of \$100,000, substantially in the form set forth in Exhibit A hereto, with such appropriate variations, omissions, and insertions as may be required by the circumstances, or as may be permitted or required hereby.

SECTION 207 Delivery of the Certificates. Upon the execution and delivery of this Indenture, the Trustee shall execute and deliver the Series 2005 Certificates in the form hereinafter provided, to or at the written direction of the Administrator, as hereinafter in this Section 207 provided.

(a) Prior to the delivery by the Trustee of any of the Certificates, there shall be filed with the Trustee an originally executed counterpart of the Purchase Agreement, a certified copy of the resolution adopted by the Board approving the Purchase Agreement and an originally executed counterpart of this Indenture.

(b) The Trustee shall deliver the Series 2005 Certificates to or at the written direction of the Administrator, upon payment to the Trustee of a sum equal to 100.00% of the aggregate principal amount of the Certificates, less issuance expenses of \$691,650.84. Such sum shall be deposited or otherwise disposed of in accordance with Article III hereof, concurrently with the delivery of the Certificates.

SECTION 208 Book-Entry Only

(a) Notwithstanding any contrary provisions of this Indenture, the Series 2005 Certificates initially shall be issued in fully registered form and delivered to the registered holders thereof. However, upon the direction and consent of the Administrator and the holders of at least 90% in aggregate principal amount of the Certificates of any series, the Certificates of such series may be issued in Book-Entry Only form, evidenced by one Certificate for each year in which the Certificates mature in denominations equal to the aggregate principal amount of the Certificates maturing in that year. Such Certificates shall be registered in the name of "Cede & Co." as nominee for The Depository Trust Company, the securities depository for the Certificates. Such Certificates may not thereafter be transferred or exchanged except:

(1) to any successor of The Depository Trust Company or its nominee, which successor must be a registered "clearing agency" under Section 17A of the Securities Exchange Act of 1934, as amended; or

(2) upon the resignation of The Depository Trust Company or a successor or new depository under clause (1) or this clause (2) of this paragraph (a), or a determination by the Purchaser that The Depository Trust Company or such successor or new depository is no

(e) Upon any partial redemption of any maturity of the Certificates, Cede & Co. (or its successor) in its discretion may request the Purchaser to issue and authenticate a new Certificate or shall make an appropriate notation on the Certificate indicating the date and amount of prepayment, except in the case of final maturity, in which case any Certificate must be presented to the Trustee prior to payment.

SECTION 209 Mutilated, Lost, Stolen, or Destroyed Certificates. In the event that any Certificate is mutilated, lost, stolen, or destroyed, a new Certificate may be executed on behalf of the Trustee, of like date, maturity, series and denomination as that mutilated, lost, stolen, or destroyed; provided that the Trustee shall have received such evidence, information, or indemnity from the owner of the Certificate as it and the Purchaser may reasonably require, and provided further in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee. In the event that any such Certificate shall have matured, instead of issuing a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the owner of the Certificate for its reasonable fees and expenses in connection with the issuance of any new Certificates pursuant to this Section 209.

SECTION 210 Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates. Records for the registration and transfer of Certificates shall be kept by the Trustee which is hereby appointed the registrar. The principal of, premium, if any, and interest on any Certificate shall be payable only to or upon the order of the registered owner or his legal representative. Upon surrender for transfer of any Certificate at the designated corporate trust office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the Trustee shall enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees a new fully registered Certificate or Certificates of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned.

Fully registered Certificates may be exchanged at the designated corporate trust office of the Trustee for an equal aggregate principal amount of fully registered Certificates of the same maturity of other authorized denominations. The Trustee shall execute and deliver Certificates which the Participant making the exchange is entitled to receive, bearing numbers not previously assigned. The Trustee shall require the payment, by the owner of any Certificate requesting exchange or transfer, of its reasonable fees and of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

The Trustee shall not be required to transfer or exchange (i) all or any portion of any Certificate during the period beginning at the opening of business fifteen (15) days before the day of the mailing by the Trustee of notice calling any Certificates for prior redemption and ending at the

(a) originally executed counterparts of a supplemental indenture and an amendment to the Purchase Agreement adopted in accordance with the requirements of Article IX hereof, expressly providing that, for all the purposes hereof, the Property shall include any equipment being financed by the Additional Certificates, and that the Certificates shall mean and include the Additional Certificates being issued as well as any Certificates and Additional Certificates theretofore issued, except that the date or dates of the Additional Certificates, the rate or rates of interest on the Additional Certificates, and provisions for the redemption thereof, if any, all shall be as provided in the supplemental Indenture and amendment to the Purchase Agreement rather than as provided in this Indenture; and further providing for an increase in the Installment Payments and Prepayment Price required or authorized to be paid to the Trustee under the Purchase Agreement to reflect the increase in the Outstanding principal amount of the Certificates. The Installment Payments, as recalculated, shall be payable as provided above (all subject to the provisions of the Purchase Agreement as to credits against Installment Payments);

(b) a written opinion of nationally recognized municipal Special Counsel mutually acceptable to the Purchaser, the Administrator and the Trustee, to the effect that the issuance of the Additional Certificates and the execution thereof have been duly authorized, that all conditions precedent to the delivery thereof have been fulfilled, that the exemption from federal income taxation of the interest on the Certificates and Additional Certificates theretofore issued will not be affected by the issuance of the Additional Certificates being issued, and that the issuance, sale, and delivery of the Additional Certificates will not constitute a default under the Purchase Agreement, or this Indenture, nor cause any violation of the covenants or representations therein or herein;

(d) proceeds of such Additional Certificates or other legally available moneys for deposit into any reserve fund;

(e) a written order to the Trustee by the Corporation to deliver the Additional Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified sum plus accrued interest; and

(f) evidence that the Purchaser has complied with the requirements for Additional Indebtedness specified in Section 6.5 of the Purchase Agreement.

In the event the Debt Service Reserve Fund shall be pledged to the payment of the Additional Certificates, the Debt Service Reserve Requirement shall be increased by an amount equal to ten percent (10%) of the original principal amount of such Additional Certificates (or such lesser amount as may be necessary, in the opinion of Bond Counsel, to assure the exemption from income for federal income tax purposes of that portion of any Installment Payments designated as interest with respect to Certificates issued hereunder), unless otherwise consented to by the holders of 90% in aggregate principal amount of the outstanding Certificates.

SECTION 305 Use of Moneys in the Certificate Fund. Moneys in the Interest Account of the Certificate Fund shall be used solely for the payment of the interest on the Certificates. Moneys in the Principal Account of the Certificate Fund shall be used solely for the payment of the principal of and premium on the Certificates. In the event the Certificates are to be redeemed in whole pursuant to Sections 401 and 404 of this Indenture, any moneys remaining in the Certificate Fund shall be applied to such redemption along with other moneys held by the Trustee for such purpose.

SECTION 306 Custody of the Certificate Fund. The Certificate Fund shall be in the custody of the Trustee. The Trustee shall withdraw sufficient funds from the Certificate Fund to pay the principal of, premium, if any, and interest on the Certificates as the same become due and payable, which responsibility, to the extent of the moneys therein, the Trustee hereby accepts.

SECTION 307 Creation of the Extraordinary Revenue Fund. There is hereby created and established with the Trustee the "Guam Waterworks Authority Purchase Agreement, Extraordinary Revenue Fund" (the "Extraordinary Revenue Fund") into which shall be deposited all Extraordinary Revenues. Moneys on deposit in the Extraordinary Revenue Fund shall be disbursed as provided in Sections 404 of this Indenture. Pending such application, the Trustee shall invest such Extraordinary Revenues (upon the advice of nationally recognized Special Counsel selected by the Purchaser), in such a manner that the exemption from federal income taxation of interest paid on the Certificates is preserved. In the event of exercise by the Purchaser of its purchase option under circumstances such that the Certificates are not subject to immediate redemption, as provided in Section 401 hereof, the Extraordinary Revenue Fund may be maintained as an escrow for the payment of the Certificates to effect a discharge of this Indenture pursuant to Article VI hereof.

SECTION 308 Creation of the Acquisition Fund. A special fund is hereby created and established with the Trustee, to be designated "Guam Waterworks Authority Purchase Agreement Acquisition Fund" (the "Acquisition Fund"). The proceeds of the Series 2005 Certificates, less (i) costs of issuance in the amount of \$691,650.84 paid to the Administrator, and (ii) the Reserve Fund Requirement deposited to the Debt Service Reserve Fund, shall be deposited in the Acquisition Fund.

SECTION 309 Use of Moneys in the Acquisition Fund. So long as no Event of Default, or event described in Section 10.2(b) of the Purchase Agreement shall occur, and so long as the Corporation's right to control Acquisition of the Property has not otherwise been terminated pursuant to the Purchase Agreement, the Trustee shall, at the written direction of the Corporation, disburse moneys from the Acquisition Fund in payment of Costs of Acquisition. Such disbursements shall be made upon receipt by the Trustee of a Payment Request Form approved by the Administrator with all supporting documents described therein attached thereto sufficient to permit creation of a first lien security interest in each unit of Property described in such Payment Request Form, (i) stating with respect to each payment to be made: (a) the requisition number, (b) the name and address of the

SECTION 313 Use of Moneys in the Debt Service Reserve Fund. The moneys in the Debt Service Reserve Fund shall be maintained as a continuing reserve to be used, except as hereinafter provided in this Section 313, only to prevent deficiencies in payment of the principal of or interest on the Certificates to which the Debt Service Reserve Fund is pledged resulting from failure to deposit into the Certificate Fund sufficient funds to pay principal of and interest on such Certificates as the same accrue.

If on any Interest Payment Date the Purchaser shall for any reason have failed to pay into the Certificate Fund the full amount above stipulated, then the Trustee shall pay into the Certificate Fund at such time from the Debt Service Reserve Fund an amount equal to the difference between that amount paid and the full amount so stipulated. For the purpose of maintaining the Debt Service Reserve Fund at the Reserve Fund Requirement, the money so used shall be replaced and transferred to the Debt Service Reserve Fund from Net Pledged Revenues received from the Purchaser.

In addition, amounts in the Debt Service Reserve Fund, if any, may be applied as part of the Prepayment Price of all, but not less than all, of any Series of Certificates to which such fund is pledged, or to the final Installment Payments indicated in the appurtenant Schedule, provided that the amount remaining therein after such payment shall be not less than the Reserve Fund Requirement.

SECTION 314 Creation of the Rebate Fund. A special fund is hereby created and established with the Trustee, to be designated "Guam Waterworks Authority Purchase Agreement, Rebate Fund" (the "Rebate Fund") into which there shall be deposited excess earnings as provided in Section 148(f) of the Code.

SECTION 315 Use of Moneys in the Rebate Fund. Moneys in the Rebate Fund shall be used to make rebate payments to the United States of America. Not later than thirty (30) days after the end of the fifth year from the date of issue of each Series and every five (5) years thereafter, the Trustee, at the written direction of the Corporation and the Purchaser, shall pay to the United States of America ninety percent (90%) of the amount required to be on deposit in the Rebate Fund as of such payment date. No later than sixty (60) days after the final retirement of all of the Certificates of a Series, the Trustee, at the written direction of the Corporation and the Purchaser, shall pay to the United States of America one hundred percent (100%) of the amount required to be in the Rebate Fund with respect to such Series. Each payment shall be accompanied by Form 8038-T and a statement summarizing the determination of the amount to be paid to the United States of America. The Trustee shall not be responsible or liable for any rebate calculations.

SECTION 316 Nonpresentment of Certificates. In the event any Certificate shall not be presented for payment when due, if funds sufficient to pay such Certificate shall have been made available to the Trustee for the benefit of the owner thereof, it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the owner of such Certificate, who

ARTICLE IV

REDEMPTION OF CERTIFICATES

SECTION 401 Redemption following Prepayment. The Certificates of each Series are subject to redemption prior to maturity and shall be redeemed, in whole on any Interest Payment Date, for a redemption price equal to the Prepayment Price specified in the appurtenant Schedule, plus accrued interest to and any principal installments due on the redemption date, upon the exercise by the Purchaser of its option to prepay Installment Payments with respect to such Series as provided in the Purchase Agreement. The Certificates of each Series are subject to mandatory redemption prior to maturity and shall be redeemed, within six (6) months of any Private Activity Event, at redemption price equal to the Prepayment Price specified in Article XII of the Purchase Agreement, upon the payment by the Purchaser of such Prepayment Price. As provided in the Purchase Agreement, the Installment payments with respect to Schedule 1 shall not be subject to optional prepayment (and the Series 2005 Certificates shall not be subject to optional redemption pursuant to this Section 401) prior to July 1, 2010.

SECTION 402 Mandatory Sinking Fund Prepayment. The Certificates of each Series are subject to mandatory sinking fund prepayment on each Interest Payment Date thereafter, at a prepayment price equal to the principal amount thereof prepaid with interest accrued thereon to the date fixed for prepayment, without premium, as specified in the appurtenant Schedule delivered with respect to such Series. The Certificates of a Series shall be prepaid pro rata, based upon the principal amount of each such Certificate and the total principal amount of Certificates of such Series outstanding, without additional notice of prepayment or redemption, and without presentation or surrender. The Series 2005 Certificates shall be subject to mandatory sinking fund prepayment on January 1, 2006, and on each Interest Payment Date thereafter, in the following principal amounts:

Date	Principal Amount		Date	Principal Amount
Jan. 1, 2006	\$ 46,006.00		July 1, 2008	\$ 798,679.00
July 1, 2006	47,197.55		Jan. 1, 2009	819,364.79
Jan. 1, 2007	48,419.97		July 1, 2009	840,586.34
July 1, 2007	49,674.04		Jan. 1, 2010	862,357.52
Jan. 1, 2008	778,515.45		July 1, 2010	11,095,045.08

redemption shall become due and payable on the redemption date so designated without presentation; and the Trustee will pay the Certificate or the Certificates so called for redemption.

SECTION 405 Redemption Payments. Prior to the date fixed for redemption, funds sufficient to pay the Certificates or the portions of the Certificates so called for redemption, together with the premium, if any, and the accrued interest to the redemption date, are to be deposited with the Trustee. After the date fixed for such redemption, the giving of notice and the deposit of funds for redemption shall cause the discontinuation of accrual of interest on the Certificates so called for redemption.

SECTION 406 Cancellation. All Certificates which have been redeemed shall not be reissued but shall be canceled and destroyed by the Trustee in accordance with Section 211 hereof.

result from any investments or reinvestment made in accordance with any provision which may be contained herein.

investment income, shall be sufficient to provide for the payment of the principal of, premium, if any, and interest on said Certificate on the redemption date or maturity date thereof. Neither the Federal Securities nor moneys deposited with the Trustee pursuant to this Section 601 nor principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Certificate; provided any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Federal Securities of the type described in clause (ii) of this paragraph maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Certificate on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificate shall be deemed paid as aforesaid such Certificate shall no longer be secured by or entitled to the benefits of this Indenture and the Purchase Agreement, except for the purpose of exchange and transfer and any payment from such moneys or Federal Securities deposited with the Trustee. In the event the Certificates shall be deemed paid as hereinabove provided, the Purchaser shall, at the request of the holder of any Certificate and at the expense of the Purchaser, apply to Moody's or S&P for a rating on such Certificate.

The discharge of this Indenture pursuant to this Section shall be without prejudice to the rights of the Trustee to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges, and other disbursements incurred with respect to the administration of the trust hereby created and the performance of its powers and duties hereunder.

(i) The portion of Installment Payments which would otherwise have been payable hereunder, during any period in which the Purchaser continues to use the Property; and

(ii) Installment Payments which would otherwise have been payable by the Purchaser; provided however, that if the Trustee does not proceed to foreclose and sell the Property reasonably promptly after such Event of Default, the Trustee shall be obligated to the Purchaser to use its best efforts to lease or sublease the Property, and the Net Proceeds of such leasing shall be offset against the amount recoverable from the Purchaser under this paragraph (ii).

(c) The Trustee may proceed against the Purchaser and its agents, officers, directors and employees to protect and to enforce the rights of the Participants under the Purchase Agreement by mandamus or by other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, for the specific performance of any covenants or agreement contained in the Purchase Agreement, or for any proper legal or equitable remedy as the Trustee may deem most effectual to protect and to enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of Participant, or to require the Purchaser to act as if it were the trustee of an expressed trust, or any combination of such remedies, or as otherwise may be authorized by any statute or other provision of law.

(d) The Trustee may take whatever action at law or in equity may appear necessary or desirable to enforce its rights arising under the Purchase Agreement in and to the Property or the Net Pledged Revenues.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute. However, notwithstanding any other provision of the Purchase Agreement or this Indenture, (i) any and all remedies against the Purchaser under the Purchase Agreement or this Indenture shall be limited as provided in Section 14.3 of the Purchase Agreement, and (ii) in no event shall the Trustee be entitled to recover, through the exercise of all rights and remedies specified herein, an amount in excess of all Installment Payments and other amounts due from the Purchaser under the Purchase Agreement. The foregoing shall not be construed in any manner so as to limit the obligations of the Purchaser to pay such Installment Payments as provided in the Purchase Agreement from Net Pledged Revenues. No exercise of any remedies hereunder by the Trustee shall relieve the Purchaser from its obligations to make such Installment Payments from Net Pledged Revenues until an amount equal to the principal of all such unpaid Installment Payments plus all interest accrued thereon shall have been paid.

~~If any Event of Default under this Indenture shall have occurred and if requested by the owners of a majority in aggregate principal amount of Certificates then Outstanding and if~~

are available against a Public Corporation such as Purchaser pursuant to the laws of Guam. Upon any such sale, any Participant, the Trustee, or the Purchaser may bid for and purchase the Property and, upon compliance with the terms of sale, may hold, retain, and possess and dispose of such property in his, her, or their own absolute right without further accountability; and any purchaser at any such sale may, if permitted by law, after allowing for the proportion of the total purchase price required to be paid in cash for the costs and expenses of the sale, compensation, and other charges, in paying purchase money, turn in Certificates then Outstanding in lieu of cash, to the amount which shall, upon distribution of the Net Proceeds of such sale, be payable thereon. If the Trustee shall acquire title to the Property as a result of any such foreclosure sale, or any proceeding or transaction in lieu of foreclosure, the Trustee shall thereafter sell the Property (except as provided in paragraph (a) of Section 702 of this Indenture); and may take any further lawful action with respect to the Property which it, being advised by counsel, shall deem to be in the best interests of the Participants, including but not limited to, the enforcement of all rights and remedies set forth in the Purchase Agreement, and this Indenture, and the taking of all other courses of action permitted therein or herein.

SECTION 706 Waiver of Appraisement, Valuation, Stay, Execution, and Redemption Laws. The Corporation agrees, to the extent permitted by law, that in case of the occurrence of an Event of Default under this Indenture, neither the Corporation nor anyone claiming through or under it shall or will set up, claim, or seek to take advantage of any appraisement, valuation, stay, extension, or redemption laws now or hereafter in force in order to prevent or hinder the enforcement or foreclosure of this Indenture, or the absolute sale of the Trust Estate, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers there at; and the Corporation, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully do so, the benefit of all such laws, and any and all right to have the estates comprised in the security intended to be hereby created marshaled upon any foreclosure of the lien hereof and agrees that the Trustee or any court of Guam having jurisdiction to foreclose such lien may sell the Property as an entirety. Notwithstanding any right to the remedy of foreclosure provided in this Section, such right is only available to the Trustee to the extent that such right is available against a Public Corporation such as Purchaser pursuant to the laws of Guam

SECTION 707 Trustee May Enforce Rights Without Certificates. All rights of action and claims under this Indenture or any of the Certificates Outstanding hereunder may be enforced by the Trustee without the possession of any of the Certificates or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any owners of the Certificates, and any recovery of judgment shall be for the ratable benefit of the owners of the Certificates, subject to the provisions of this Indenture.

in every such case the Corporation, the Purchaser, the Trustee, and the Participants shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default or Event of Default, or impair any right consequent thereon.

SECTION 713 Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article VII shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee and the fees and expenses of the Trustee, be deposited in the Extraordinary Revenue Fund, and all moneys so deposited in the Extraordinary Revenue Fund and all moneys held or deposited in the Extraordinary Revenue Fund during the continuance of an Event of Default and available for payment of the Certificates under the provisions herein shall (after payment of the fees and expenses of the Trustee) be applied in accordance with Section 405 of this Indenture.

Certificate, shall be conclusive and binding upon all future owners of the Certificate and upon those Certificates issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper, or proceeding, the Trustee shall be entitled to rely upon a certificate of the Corporation as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been notified as provided in Section 801(h) hereof shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction, or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder except failure by the Purchaser to cause to be made any of the payments to the Trustee required to be made pursuant to this Indenture and the Purchase Agreement unless the Trustee shall be specifically notified in writing of such default or Event of Default by the Corporation or the Purchaser or by the owners of not less than a majority in aggregate principal amount of Certificates then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the designated office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default or Event of Default except as aforesaid.

(i) All moneys received by the Trustee shall, until used, applied, or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by this Indenture or law.

(j) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants, and representatives shall have the right, but shall not be required, to inspect any and all of the property herein assigned including all books, papers, and records of the Corporation or the Purchaser pertaining to the Property, and to take such memoranda from and in regard thereto as may be desired.

(k) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(l) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the execution and delivery of

SECTION 803 Notice to Participants if an Event of Default Occurs. If an Event of Default occurs of which the Trustee is by Section 801(h) required to take notice, then the Trustee shall give written notice thereof by first-class mail to all of the then registered Participants.

SECTION 804 Intervention by Trustee. In any judicial proceeding to which the Purchaser or the Corporation is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Participants, the Trustee may intervene on behalf of Participants and shall do so if requested in writing by the owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding, provided that the Trustee shall first have been offered such reasonable indemnity as it may require against the costs, expenses, and liabilities which it may incur in or by reason of such proceeding.

SECTION 805 Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all the trusts, powers, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 806 Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' written notice to the Corporation and the Purchaser and by first-class mail to each of the then Participants, and such resignation shall take effect at the end of such thirty (30) days, or upon the earlier appointment of a successor Trustee by the owners of a majority in aggregate principal amount of the Certificates then Outstanding or, by the Corporation or the Purchaser. Such notice to the Corporation may be served personally or sent by registered mail. In the event that a successor trustee has not been appointed within 30 days of the Trustee's resignation, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee.

SECTION 807 Removal of the Trustee. The Trustee may be removed at any time, after receipt of thirty (30) days prior written notice, by an instrument or concurrent instruments in writing delivered to the Trustee and to the Corporation and to the Purchaser, and signed by the owners of a majority in aggregate principal amount of the Certificates then Outstanding. The Trustee may be removed at any time for breach of the Trust set forth herein.

removed shall cease to be custodian of the Certificate Fund and other moneys paid to the Trustee, and the successor Trustee shall become such custodian.

SECTION 812 Trust Estate May Be Vested in Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as a trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture, and in particular in case of the enforcement of any remedy upon an Event of Default or in case the Trustee deems that by reason of any present or future law of any jurisdiction that it may not exercise any of the powers, rights, or remedies herein granted to the Trustee, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 812 are adapted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, which shall have those qualifications set forth in Section 808 hereof, each and every remedy, power, right, claim, demand, cause of action, immunity, title, interest, and lien expressed or intended by this Indenture to be exercised by the Trustee with respect thereto shall be exercisable by such separate or co-trustee but only to the extent necessary to enable the co-trustee to exercise such powers, rights, and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any deed, conveyance, or instrument in writing from the Corporation be required by the separate or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties, and obligations, any and all such deeds, conveyances, and instruments in writing shall, on request, be executed, acknowledged, and delivered by the Corporation. In case any separate or co-trustee, or a successor to either, shall become incapable of acting, resign, or be removed, all the properties, rights, powers, trusts, duties, and obligations of such separate or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new or successor separate or co-trustee.

Notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

(a) a change in the terms of redemption or maturity of the principal amount of or the interest on any such Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any such Outstanding Certificate or the rate of interest thereon;

(b) the deprivation of the owner of any such Certificate then Outstanding of the lien created by this Indenture (other than as originally permitted hereby);

(c) a privilege or priority of any such Certificate or Certificates over any other such Certificate or Certificates; or

(d) a reduction in the aggregate principal amount of the such Certificates required for consent to such supplemental indenture.

If at any time the Purchaser or the Corporation shall request the Trustee to enter into such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed to the registered owners of the Certificates affected thereby at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Participants. If, within sixty (60) days or such longer period as shall be prescribed by the Purchaser following the mailing of such notice, the owners of not less than two-thirds (2/3) in aggregate principal amount of the Certificates then Outstanding affected thereby at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Participant shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

SECTION 903 Execution of Supplemental Indenture. The Trustee is authorized to join with the Corporation in the execution of any such supplemental indenture and to make further agreements and stipulations which may be contained therein, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its rights, duties, or immunities under this Indenture. Any supplemental indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such supplemental indenture as to any provision authorized to be contained therein shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any supplemental indenture, express reference may be made thereto in the text of the Certificates issued thereafter, if any, if deemed necessary or desirable by the Trustee.

ARTICLE X

MISCELLANEOUS

SECTION 1001 Evidence of Signature of Participants and Ownership of Certificates.

Any request, consent, or other instrument which this Indenture may require or permit to be signed and executed by the Participants may be in one or more instruments of similar tenor, and shall be signed or executed by such Participants in person or by their attorneys appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney, or the ownership of Certificates shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Participant or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public.

(b) The fact of the owning by any person of Certificates and the amount and numbers of such Certificates, and the date of the owning of the same, may be proved by the registration records of the Trustee.

Any request or consent of the owner of any Certificate shall bind all transferees of such Certificate in respect of anything done or suffered to be done by the Purchaser or the Trustee in accordance therewith.

SECTION 1002 Covenants of Corporation. The Corporation hereby covenants to the Trustee for the benefit of the Participants that the Corporation will observe and comply with the covenant of quiet enjoyment contained in Article V of the Purchase Agreement, and with all of its representations and warranties under the Purchase Agreement. The Corporation agrees that wherever in the Purchase Agreement it is stated that the Corporation will notify the Trustee, or whenever the Purchase Agreement gives the Trustee some right or privilege or in any way attempts to confer upon the Trustee the ability to protect the security for payment of the Certificates, that such part of the Purchase Agreement shall be as if it were set forth in full in this Indenture. The Corporation agrees that the Trustee as assignee of the Corporation under the Purchase Agreement may enforce, in its name or in the name of the Corporation, all rights of the Corporation and all obligations of the Purchaser under the Purchase Agreement, for and on behalf of the Participants, whether or not the Corporation is in default under this Indenture. The Trustee and the Corporation hereby agree that the

SECTION 1010 Notices. All notices, certificates, or other communications shall be sufficiently given and shall be deemed given when mailed by certified or registered mail, postage prepaid, addressed as follows:

Purchaser: GUAM WATERWORKS AUTHORITY
578 North Marine Drive
Tumon, Guam 96913

Corporation: GUAM WATERWORKS FACILITIES CORPORATION
5125 South Kipling Parkway
Suite 300
Littleton, CO 80127

Trustee: J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION
370 17th Street, 32nd Floor
Denver, CO 80202
Attn: Institutional Trust Services

Administrator: MUNICIPAL SERVICES GROUP, INC.
5125 South Kipling Parkway
Suite 300
Littleton, CO 80127

The above persons may, by written notice, designate any further or different addresses to which subsequent notices, certificates, or other communications shall be sent. Any notice or report that is required to be given to the Trustee or the Corporation hereunder or under the Purchase Agreement shall also be provided by the Trustee to all Notice Participants who have given delivery instructions to the Trustee. The Trustee has reviewed the provisions of the Purchase Agreement requiring delivery of notices and reports to Notice Participants, and agrees to provide the notices and reports therein described.

Any notice that is required to be given to a holder of the Certificates or to the Trustee pursuant to this Indenture shall also be provided to the Administrator.

SECTION 1011 Holidays. If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in this Indenture, shall be a legal holiday or a day on which banking institutions in the city in which the designated corporate trust

IN WITNESS WHEREOF, the Corporation and the Trustee have caused this Indenture to be executed in their respective corporate names and their respective corporate seals to be hereto affixed and attested by their duly authorized officials or officers, all as of the date first above written.

GUAM WATERWORKS
FACILITIES CORPORATION


Chief Executive Officer

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION
as Trustee

Authorized Officer

EXHIBIT A

- * Insert only if Certificates are delivered pursuant to Section 208(a)(3) of this Indenture.
** Insert only if Certificates are subsequently delivered to The Depository Trust Company pursuant to Section 208(a) of this Indenture.

(Form of Registered Certificate)

THE OWNER OF THIS CERTIFICATE AGREES THAT (A) THIS CERTIFICATE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY TO A PERSON WHO THE OWNER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION, AND (B) THE OWNER WILL, AND EACH SUBSEQUENT OWNER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE CERTIFICATE EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE. NO CERTIFICATE SHALL BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS THE OWNER OR SUBSEQUENT OWNER PROVIDES WRITTEN NOTICE TO THE TRANSFEREE OF THE RESTRICTIONS SET FORTH IN THIS CERTIFICATE.

CERTIFICATE OF PARTICIPATION, SERIES 2005
Evidencing an Assignment of a Proportionate
Interest in Rights to Receive Certain Net Pledged Revenues
Pursuant to the
PURCHASE AGREEMENT

between
GUAM WATERWORKS FACILITIES CORPORATION, as Corporation
and
GUAM WATERWORKS AUTHORITY, as Purchaser

Registered Number	Rate	Maturity Date	Original Date	CUSIP
R-	5.18%	_____, 2010	_____, 2005	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

of any Certificate and the Trustee, as provided in the Indenture.

This Certificate is one of an issue of Certificates evidencing assignments of proportionate interests in rights to receive certain revenues, as described below, pursuant to the Purchase Agreement and the Indenture, issued pursuant to the Indenture for the purpose, among others, of providing funds to finance acquisition of certain equipment (the "Schedule 1 Property"). Under the Purchase Agreement, the Corporation has agreed to sell the Schedule 1 Property to the Purchaser, and the Purchaser has agreed to pay directly to the Trustee semiannual installment payments (the "Schedule 1 Installment Payments") in consideration therefore, the proceeds of which are required by the Indenture to be distributed by the Trustee for the payment of the Certificates and interest thereon. The obligation of the Purchaser to pay Schedule 1 Installment Payments is a special and limited obligation, payable solely from the sources identified therefor and pledged to such payment, as provided in the Purchase Agreement. In the event that the Purchase Agreement is terminated by reason of an Event of Default (as defined in the Purchase Agreement), or by reason of certain events of damage, destruction, and condemnation (as provided in the Purchase Agreement), the principal amount of this Certificate and interest hereon will be payable from such moneys, if any, as may be available for such purpose, including any moneys received by the Trustee from foreclosure on and sale of the Schedule 1 Property. Under certain circumstances, this Certificate and the interest hereon may also be payable from the Net Proceeds (as defined in the Purchase Agreement) of casualty insurance policies or condemnation or warranty awards. The Purchase Agreement may also be terminated in the event that the Purchaser exercises its option to purchase the Schedule 1 Property by making payment of the Prepayment Price (as defined in the Purchase Agreement). In the event that the Purchaser elects to pay the Prepayment Price, the proceeds thereof are required to be used to pay the principal of, premium, if any, and interest on the Certificates of the Series of which this is one.

It is provided in the Indenture that there may hereafter be issued Additional Certificates ("Additional Certificates") from time to time under certain terms and conditions, and if issued, such Additional Certificates will be equally and proportionately secured under and entitled to the protection given by the Indenture with the Certificates. Reference is hereby made to the Purchase Agreement and the Indenture for a description of the rights, duties, and obligations of the Purchaser, the Corporation, the Trustee, and the Participants, the terms upon which Additional Certificates may be issued, the terms upon which the Certificates and any Additional Certificates are secured, the terms and conditions upon which the Certificates will be deemed to be paid at or prior to maturity or redemption of the Certificates upon the making of provision for the full or partial payment thereof, and the rights of the Participants upon the occurrence of an Event of Default.

NONE OF THE PURCHASE AGREEMENT, THIS CERTIFICATE, THE ISSUE OF CERTIFICATES OF WHICH IT FORMS A PART, NOR THE INTEREST HEREON CONSTITUTES A GENERAL OBLIGATION OF THE GOVERNMENT OF GUAM WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. NONE

thirds (2/3) or, in certain instances, one hundred percent (100%) in aggregate principal amount of the Certificates at the time outstanding. The Indenture also contains provisions permitting the Purchaser and the Trustee to enter into amendments to the Indenture and the Purchase Agreement, without the consent of the owners of the Certificates for certain purposes, including without limitation, the issuance of Additional certificates for certain purposes.

The Certificates are issuable only as fully registered Certificates. Certificates may be exchanged for an equal aggregate principal amount of fully registered Certificates of the same maturity of other authorized denominations, but only in the manner, subject to the limitations and conditions, and upon payment of the charges provided in the Indenture.

This Certificate is transferable by the registered owner hereof in person or by his attorney duly authorized in writing on the registration records kept at the principal corporate trust office of the Trustee upon surrender of this Certificate together with a duly executed written instrument of transfer satisfactory to the Trustee. Upon such transfer, a new fully registered Certificate or Certificates of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor, all upon payment of the charges and subject to the terms and conditions set forth in the Indenture. The Trustee may deem and treat the person in whose name this Certificate is registered as the absolute owner hereof, whether or not this Certificate shall be overdue, for the purpose of receiving payment and for all other purposes, and neither the Purchaser nor the Trustee shall be affected by any notice to the contrary.

The Trustee will not be required to transfer or exchange (i) all or any portion of any Certificate during the period beginning at the opening of business fifteen (15) days before the day of the mailing by the Trustee of notice calling any Certificates for prior redemption and ending at the close of business on the day of such mailing, or (ii) all or any portion of a Certificate after the mailing of notice calling such Certificate or any portion thereof for prior redemption.

In the event that this Certificate is called for redemption in part only (other than scheduled semiannual prepayments), upon surrender and cancellation of this Certificate a new fully registered Certificate or Certificates of the same maturity, of authorized denominations, in an aggregate principal amount equal to the unredeemed portion thereof shall be executed and delivered by the Trustee to the registered owner hereof.

The Certificates are not transferable or exchangeable except as set forth in the Indenture.

**Upon any partial prior redemption of this Certificate (other than scheduled semiannual prepayments), Cede & Co. in its discretion may request the Trustee to authenticate a new Certificate or make an appropriate notation on this Certificate indicating the date and amount of prepayment,

IN WITNESS WHEREOF, this Certificate has been executed with the manual signature of an authorized representative of the Trustee, as of the ____ day of _____ 2005.

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION
as Trustee

By: _____
Authorized Officer

EXHIBIT B

PERMITTED INVESTMENTS

The following investments are included in the definition of Permitted Investments:

1. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.
2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
 - a. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
 - b. Federal Housing Administration Debentures (FHA)
 - c. General Services Administration
Participation certificates
 - d. Government National Mortgage Association (GNMA or "Ginnie Mac")
GNMA – guaranteed mortgage-backed bonds
GNMA – guaranteed pass-through obligations (participation certificates)
(not acceptable for certain cash-flow sensitive issues.)
 - e. U.S. Maritime Administration
Guaranteed Title XI financing
3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
 - a. Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)
 - b. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations

affiliated with the Trustee) including a branch office of a foreign bank, which branch office is located in the United States, provided that such bank at the time of purchase, has a short term "Bank Deposit" rating of "Prime-1" or better by Moody's and a rating of "A-1" or better by Standard & Poor's.

7. Investment Agreements, including GIC's, from providers rated "A" or better by Moody's or S&P.
8. Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.
9. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.
10. Federal funds or bankers acceptance or time, trust or demand deposits with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1+" by S&P.
11. Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (Corporation/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date; provided that such Repurchase Agreements must satisfy the following criteria:
 - a. Repurchase Agreements must be between the municipal entity and a dealer bank or securities firm
 - (1) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated A or better by Standard & Poor's Ratings Group and Moody's, or
 - (2) Banks rated "A" or above by Standard & Poor's Ratings Group and Moody's Investor Services.
 - b. The written Repurchase Agreements must include the following:
 - (1) Securities which are acceptable for transfer are:
 - (a) Direct U.S. governments

12. Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P. If, however, the issue is only rated by S&P (*i.e.*, there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.
13. Guaranteed investment contracts issued by a provider (a “Provider”) rated in one of the two highest rating categories (without regard to modifiers such as plus or minus) by Standard & Poor’s Rating Services or Moody’s Investor’s Services, Inc., respectively; *provided that*, any such contract shall provide that in the event either such rating agency notifies the Trustee or the Provider that the rating on the Provider’s long-term debt obligations has been suspended or withdrawn or has fallen below the rating permitted herein (a “*Ratings Event*”), the Provider shall either, (i) assign the investment contract to a provider assuming such contract which is rated in a permitted category or (ii) collateralize such contract as set forth herein. If the Provider elects to collateralize such contract, it shall do so within fifteen (15) Business Days after the occurrence of a Ratings Event as follows: (i) the collateral shall consist of any direct and general obligations of, or any obligations guaranteed by, the United States of America or its agencies; (ii) the collateral shall be held by a custodian chosen by the Provider and reasonably acceptable to the Trustee (the “*Custodian*”); and (iii) the market value of the collateral shall be maintained in an amount sufficient to satisfy all obligations of the Provider under the contract. The value of the securities shall be marked to market weekly, with a cure period of two (2) Business Days for the delivery of additional securities by the Provider or the authorization of redelivery of excess securities by the Trustee. All costs of delivering and valuing collateral shall be borne by the Provider.

THIS SUPPLEMENTAL INDENTURE, made and entered into as of December 1, 2005, by and between the GUAM WATERWORKS AUTHORITY, a duly organized public corporation of the government of Guam (the "Authority"), BANK OF GUAM, a domestic banking corporation duly organized and existing under and by virtue of the laws of Guam, having a corporate trust office in Guam, and being qualified to accept and administer the trusts hereby created and to do business within Guam, as trustee (the "Trustee"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States of America and qualified to accept and administer the trusts hereby created, as co-trustee (the "Co-Trustee"),

WITNESSETH:

WHEREAS, pursuant to Article 2, Chapter 14 of Title 12 of the Guam Code Annotated (the "Act"), the Authority is authorized to issue and sell revenue bonds to raise funds for the purpose of acquiring, constructing, improving, equipping, maintaining, repairing, renewing, replacing, reconstructing or insuring the System (as defined in the Indenture), or any part thereof, or for the purpose of refunding any such bonds or any other prior obligations of the Authority, or for any combination of such purposes;

WHEREAS, the Authority has determined to issue revenue bonds for such purposes and to that end has duly authorized the execution and delivery of that certain Indenture, dated as of December 1, 2005 (the "Indenture"), between the Authority and the Trustee, to secure the payment of the principal thereof and the interest and premium, if any, thereon, and the observance of the covenants and conditions therein contained;

WHEREAS, revenue bonds may be issued pursuant to the Indenture and one or more indentures supplemental thereto ("Supplemental Indentures"), from time to time, in an aggregate principal amount not limited except as therein provided, and said revenue bonds are to be designated as the "Guam Waterworks Authority Water and Wastewater System Revenue Bonds" (the "Bonds");

WHEREAS, it is now desirable and necessary and in the best interests of the Authority to authorize the issuance of \$101,175,000 principal amount of Bonds further designated as "Series 2005 Bonds" to raise funds for the purpose of acquiring, constructing, improving, equipping, maintaining, repairing, renewing, replacing and reconstructing parts of the System and for the purpose of refunding and effecting the defeasance of the Authority's outstanding Certificates of Participation, Series 2005 (as further defined below, the "Series 2005 Certificates");

WHEREAS, pursuant to and subject to the terms and conditions set forth in Public Law No. 28-71, the Legislature of Guam (as required by Section 50103(k) of Title 12, Guam Code Annotated (the "GEDCA Law")) approved the terms and conditions of the issuance of said Series 2005 Bonds, so long as the Series 2005 Bonds meet the requirements set forth in the Act;

WHEREAS, the Guam Economic Development and Commerce Authority has approved the issuance and sale of said Series 2005 Bonds as required by the GEDCA Law;

WHEREAS, all acts, conditions and things required by the laws of the United States of America and the laws of Guam to exist, to have happened and to have been performed precedent to and in connection with the issuance of said Series 2005 Bonds exist, have happened, and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to issue said Bonds for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH, in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2005 Bonds by the owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee and the Co-Trustee as follows:

ARTICLE XII

DEFINITIONS

SECTION 12.01 Definitions. Unless the context otherwise requires, the terms defined in the Indenture shall, for all purposes of this Supplemental Indenture and of any certificate, opinion or other document herein mentioned, have the meanings specified in the Indenture.

In addition, unless the context otherwise requires, the terms defined in this Section shall for all purposes of the Indenture and this Supplemental Indenture and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

Bond Year

“Bond Year” means, with respect to the Series 2005 Bonds, the period of twelve consecutive months ending on July 1 of each year if Series 2005 Bonds are or will be Outstanding in such twelve-month period; provided that the first Bond Year shall commence on the date of delivery of the Series 2005 Bonds and end on July 1, 2006.

Certificate Indenture

“Certificate Indenture” means the indenture, dated as of July 1, 2005, between the Guan Waterworks Facilities Corporation and the Certificate Trustee, relating to the Series 2005 Certificates.

Certificate Trustee

“Certificate Trustee” means J.P. Morgan Trust Company, National Association, as trustee under the Certificate Indenture, its successors and assigns, and any other corporation or association which may at any time be substituted in its place.

DTC

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

Escrow Agreement

“Escrow Agreement” means the agreement, dated as of December 1, 2005 and entitled “Escrow Agreement,” to be entered into between the Authority and the Certificate Trustee.

Escrow Fund

“Escrow Fund” means the fund of that name to be established by the Certificate Trustee pursuant to the Escrow Agreement.

Representation Letter

“Representation Letter” means any representation letter delivered to or agreement with DTC with respect to the Series 2005 Bonds L Bonds.

Series 2005 Certificates

“Series 2005 Certificates” means the Certificates of Participation, Series 2005, evidencing an assignment of a proportionate interest in rights to receive certain Net Pledged Revenues pursuant to the Purchase Agreement between Guam Waterworks Facilities Corporation and the Authority.

Series 2005 Bonds, Series 2005 Serial Bonds, Series 2005 Term Bonds

“Series 2005 Bonds” means the \$101,175,000 principal amount of Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2005.

“Series 2005 Serial Bonds” means the Series 2005 Bonds designated as such by Section 13.02, and for which no Mandatory Sinking Account Payments are provided.

“Series 2005 Term Bonds” means the Series 2005 Bonds designated as such by Section 13.02, and for which Mandatory Sinking Account Payments are provided.

ARTICLE XIII

AUTHORIZATION AND TERMS OF THE SERIES 2005 BONDS

SECTION 13.01 Authorization of Series 2005 Bonds. An initial Series of Bonds is hereby authorized and created under the Act to raise funds for the purpose of acquiring, constructing, improving, equipping, maintaining, repairing, renewing, replacing and reconstructing parts of the System, and for the purpose of refunding and effecting the defeasance of the Authority’s Series 2005 Certificates. Such Series of Bonds is designated as the “Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2005”. The aggregate principal amount of Series 2005 Bonds which may be issued and Outstanding under this Supplemental Indenture shall not exceed \$101,175,000.

The Series 2005 Bonds shall be treated as a single Series under the Indenture.

SECTION 13.02 Terms of Series 2005 Bonds; Appointments; Designations.

The Series 2005 Bonds shall be issued as fully registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. The Series 2005 Bonds shall be dated their date of delivery, and interest thereon (based on a 360-day year of twelve thirty-days months) shall be payable on January 1 and July 1 of each year, commencing January 1, 2006 (each, an “Interest Payment Date” for the Series 2005 Bonds).

The Series 2005 Bonds shall mature on the dates and in the amounts and shall bear interest at the rates per annum specified in the following table:

Maturity Date (July 1)	Principal Amount	Interest Rate
2008	\$ 1,865,000	5.000%
2009	1,960,000	5.000
2010	2,055,000	5.000
2011	2,160,000	5.000
2012	2,270,000	5.000
2013	2,380,000	5.000
2016	7,420,000	5.500
2025	27,700,000	6.000
2035	53,365,000	5.875

The Series 2005 Bonds maturing on July 1, 2008 through July 1, 2013 are Serial Bonds, and the Series 2005 Bonds maturing on July 1, 2016, July 1, 2025 and July 1, 2035 are Term Bonds.

The Principal Payment Period for the Series 2005 Bonds shall be the twelve calendar months next preceding each maturity date for such Bonds. The Series 2005 Bonds are Series 2005 Serial Bonds.

The Record Date for all scheduled payments of principal of and interest on the Series 2005 Bonds shall be the 15th day of the calendar month next preceding the date each such payment is due, whether or not such 15th day is a Business Day.

The Co-Trustee is hereby appointed Paying Agent for the Series 2005 Bonds and Registrar for the Series 2005 Bonds, and the Co-Trustee's corporate trust office in Los Angeles, California is hereby designated as the Principal Office of the Co-Trustee. The Trustee is hereby appointed Depositary for the Series 2005 Construction Account.

The principal of and premium, if any, on each Series 2005 Bond shall be payable in lawful money of the United States of America to the Owner of such Bond, upon the surrender of such Bond at the Principal Office of any Paying Agent for such Bond. The interest on each Series 2005 Bond shall be payable in like lawful money to the person whose name appears on the bond registration books of the Registrar for such Bond as the Owner of such Bond as of the close of business on the Record Date for such Bond preceding the Interest Payment Date, whether or not such Record Date is a Business Day, such interest to be paid by check or mailed by first class mail to such Owner at such address as appears on such registration books or at such address as such Owner may have filed with the Registrar for that purpose. Upon the written request of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Series 2005 Bonds, payment of interest on and principal (including Redemption Price) of such Bonds shall be made by wire transfer from the Paying Agent to the registered owner of such Bonds. Any such principal payment by wire transfer shall nevertheless be subject to prior surrender of the Series 2005 Bonds with respect to which such payment is made. Each payment of interest or principal on Series 2005 Bonds, whether by check, draft or wire transfer, shall be accompanied by information specifying for each maturity of such Bonds with respect to which such payment is being made, the amount and the CUSIP number (if available).

Each Series 2005 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the Record

Date preceding any Interest Payment Date to the Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before December 15, 2004, in which event it shall bear interest from its date of delivery; provided, however, that if, at the time of authentication of any Series 2005 Bond, interest is in default on Outstanding Bonds of such Series, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds of such Series.

The Series 2005 Bonds shall be subject to redemption as provided in Section 13.03.

The Registrar for the Series 2005 Bonds shall assign each Series 2005 Bond authenticated and registered by it a distinctive letter, or number, or letter and number, and shall maintain a record thereof which shall be available to the Authority for inspection.

The Series 2005 Bonds, the Registrar's certificate of authentication and registration and the form of assignment to appear thereon shall be in substantially the forms set forth in Exhibit A hereto, respectively, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

SECTION 13.03 Terms of Redemption of the Series 2005 Bonds. (A) The Series 2005 Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole, or in part so that the reduction in Annual Debt Service for the Series 2005 Bonds for each Bond Year after such redemption shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the System or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the System, under the circumstances and upon the conditions and terms set forth in the Indenture, at the greater of par or Amortized Value, plus accrued interest. "Amortized Value" means on any interest payment date, the then current value of the bond amortizing the original issue premium over the period ending on the first call date using the constant yield method.

(B) The Series 2005 Bonds maturing on or after July 1, 2016 are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available moneys, on any date on or after July 1, 2015, as a whole, or in part by such maturities or portions of maturities as shall be determined by the Authority (or by lot within a maturity in the absence of such a determination), at a redemption price equal to the principal amount of each Series 2005 Bond called for redemption plus interest accrued to the date fixed for redemption, without premium.

(C) The Series 2005 Term Bonds maturing on July 1, 2016 are subject to redemption prior to their stated maturity in part, by lot, on July 1 of each year, commencing July 1, 2014, at a redemption price equal to their principal amount, plus accrued interest thereon to the date fixed for redemption, without premium, in the years and in the amounts, as set forth below:

<u>Year</u>	<u>Amount</u>
2014	\$2,500,000
2015	2,635,000
2016†	2,285,000

† Final maturity.

(D) The Series 2005 Term Bonds maturing on July 1, 2025 are subject to redemption prior to their stated maturity in part, by lot, on July 1 of each year, commencing July 1, 2017, at a redemption price equal to their principal amount, plus accrued interest thereon to the date fixed for redemption, without premium, in the years and in the amounts, as set forth below:

<u>Year</u>	<u>Amount</u>
2017	\$2,410,000
2018	2,555,000
2019	2,710,000
2020	2,870,000
2021	3,045,000
2022	3,225,000
2023	3,420,000
2024	3,625,000
2025†	3,840,000

† Final maturity.

(E) The Series 2005 Term Bonds maturing on July 1, 2035 are subject to redemption prior to their stated maturity in part, by lot, on July 1 of each year, commencing July 1, 2026, at a redemption price equal to their principal amount, plus accrued interest thereon to the date fixed for redemption, without premium, in the years and in the amounts, as set forth below:

<u>Year</u>	<u>Amount</u>
2026	\$4,070,000
2027	4,310,000
2028	4,565,000
2029	4,835,000
2030	5,115,000
2031	5,420,000
2032	5,735,000
2033	6,075,000
2034	6,430,000
2035†	6,810,000

† Final maturity.

SECTION 13.04 Special Covenants as to Book-Entry Only System for Series 2005 Bonds. (a) Except as otherwise provided in subsections (b) and (c) of this Section 13.04, all of the

Series 2005 Bonds initially issued shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the interest on any Series 2005 Bond registered in the name of Cede & Co. shall be made on each interest payment date for such Series 2005 Bonds to the account, in the manner and at the address indicated in or pursuant to the Representation Letter.

(b) The Series 2005 Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of each portion of such Series 2005 Bonds, representing the aggregate principal amount of the Series 2005 Bonds of such portion and maturity. Upon initial issuance, the ownership of all such Series 2005 Bonds shall be registered in the registration records maintained by the Registrar pursuant to Section 2.05 hereof in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the Co-Trustee, the Registrar, the Authority and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2005 Bonds registered in its name for the purposes of payment of the principal or redemption price of and interest on such Series 2005 Bonds, selecting the Series 2005 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondowners hereunder, registering the transfer of Series 2005 Bonds, obtaining any consent or other action to be taken by Bondowners of the Series 2005 Bonds and for all other purposes whatsoever; and the Trustee, the Co-Trustee, the Registrar, the Authority and any paying agent shall not be affected by any notice to the contrary. Neither the Trustee, the Co-Trustee, the Authority nor any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 13.04, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Series 2005 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Bondowner, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2005 Bonds, (iii) any notice which is permitted or required to be given to Holders of Series 2005 Bonds hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2005 Bonds, or (v) any consent given or other action taken by DTC as Holder of Series 2005 Bonds. The Paying Agent shall pay all principal of and premium, if any, and interest on the Series 2005 Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the Authority's obligations with respect to the principal of and premium, if any, and interest on the Series 2005 Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Series 2005 Bonds will be transferable to such new nominee in accordance with subsection (f) of this Section 13.04.

(c) In the event that the Authority elects to discontinue the book-entry system for any Series 2005 Bonds, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, such Series 2005 Bonds will be transferable in accordance with subsection (f) of this Section 13.04. DTC may determine to discontinue providing its services with respect to the Series 2005 Bonds at any time by giving written notice of such discontinuance to the Authority or the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 2005 Bonds will be transferable in accordance with subsection (f) of this Section 13.04. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Series 2005 Bonds then Outstanding. In such event, the Series 2005 Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section

13.04, and thereafter, all references in this Supplemental Indenture to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Supplemental Indenture to the contrary, so long as all Series 2005 Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Series 2005 Bond and all notices with respect to each such Series 2005 Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Co-Trustee is hereby authorized and requested to execute and deliver the Representation Letter and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Supplemental Indenture.

(f) In the event that any transfer or exchange of Series 2005 Bonds is authorized under subsection (b) or (c) of this Section 13.04, such transfer or exchange shall be accomplished upon receipt by the Registrar from the registered owner thereof of the Series 2005 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.03 and 2.04 of the Indenture. In the event Series 2005 Bond certificates are issued to Holders other than Cede & Co., its successor as nominee for DTC as holder of all the Series 2005 Bonds, another securities depository as holder of all the Series 2005 Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.03 and 2.04 of the Indenture shall also apply to, among other things, the registration, exchange and transfer of the Series 2005 Bonds and the method of payment of principal of, premium, if any, and interest on the Series 2005 Bonds.

ARTICLE XIV

ISSUANCE OF SERIES 2005 BONDS; APPLICATION OF PROCEEDS

SECTION 14.01 Issuance of Series 2005 Bonds. At any time after the execution and delivery of this Supplemental Indenture, the Authority may sell and execute and the Registrar for the Series 2005 Bonds shall authenticate and, upon the Order of the Authority, deliver Series 2005 Bonds in an aggregate principal amount not to exceed \$101,175,000.

SECTION 14.02 Application of Proceeds of Series 2005 Bonds and Other Moneys; Defeasance of Series 2005 Certificates. (A) A portion of the net proceeds received by the Authority from the sale of the Series 2005 Bonds in the amount of \$86,838,263.18 shall be deposited with the Co-Trustee, who shall forthwith apply such proceeds in the following manner, as directed by a Request of the Authority:

(1) the Co-Trustee shall deposit in the Bond Reserve Fund an amount which, together with any funds received from the Certificate Trustee pursuant to subsection (C)(1) of this Section 14.02, brings the total amount on deposit therein to \$7,707,793.76; and

(2) the Co-Trustee shall transfer to the Series 2005 Construction Account Depository, for deposit pursuant to an Order of the Authority, the balance of such proceeds.

(B) A portion of the net proceeds received by the Authority from the sale of the Series 2005 Bonds in the amount of \$16,190,775.24 shall be deposited with the Certificate Trustee, who shall forthwith apply such funds as instructed in the Escrow Agreement.

(C) On the date of original issuance of the Series 2005 Bonds, the Authority shall deliver to the Certificate Trustee a request that the Certificate Trustee deposit certain funds as follows:

(1) to transfer to the Depository for deposit in the Bond Reserve Fund the entire balance in the Debt Service Reserve Fund and the Certificate Fund established pursuant to the Certificate Indenture;

(2) to transfer to the Series 2005 Construction Account Depository, for deposit in the Series 2005 Construction Account, the entire unencumbered balance in the Acquisition Fund established pursuant to the Certificate Indenture and, for deposit pursuant to an Order of the Authority, the entire balance in the Insurance Reserve Account established pursuant to the Certificate Indenture; and

(3) to transfer to the Authority the entire balance of any other fund or account established pursuant to the Certificate Indenture, if any.

ARTICLE XV

TAX COVENANTS

SECTION 15.01 2005 Rebate Account.

(A) The Trustee, as Depository for the Revenue Fund, shall establish and maintain within the Rebate Fund a separate subaccount designated as the "2005 Rebate Account." There shall be deposited in the 2005 Rebate Account from amounts in the Operation and Maintenance Fund or other lawfully available moneys such amounts as are required to be deposited therein pursuant to the Tax Certificate delivered by the Authority in connection with the issuance of the Series 2005 Bonds. All money at any time deposited in the 2005 Rebate Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement for the Series 2005 Bonds (as defined in such Tax Certificate), for payment to the United States of America, and the United States of America is hereby granted a first lien on such money until such payment. All amounts required to be deposited into or on deposit in the 2005 Rebate Account shall be governed exclusively by this Section and by such Tax Certificate (which is incorporated herein by reference).

In the event that the amount in the 2005 Rebate Account exceeds the Rebate Requirement for the Series 2005 Bonds, upon the Request of the Authority, the Trustee shall transfer the excess from the 2005 Rebate Account to the Revenue Fund.

(B) Notwithstanding any provisions of this Section, if the Authority shall provide to the Trustee an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on any Series of Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding Article IX of the Indenture, the covenants hereunder shall be deemed to be modified to that extent.

SECTION 15.02 Tax Covenants for Series 2005 Bonds. (A) The Authority intends that interest on the Series 2005 Bonds be excluded from gross income for federal income tax purposes, that the Series 2005 Bonds and the interest thereon be exempt from taxation by any state or political subdivision or the District of Columbia and that interest on the Series 2005 Bonds not be treated as a specific preference item for purposes of the federal individual and corporate alternative minimum

taxes. The Authority reserves the right to determine the desired tax status of any additional Series of Bonds.

(B) The Authority shall not use or permit the use of any proceeds of the Series 2005 Bonds or any other funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Authority in any manner, and shall not take or permit to be taken any other action or actions, which would cause any such Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(C) The Authority shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Series 2005 Bonds (or on any of them) shall be excluded from gross income for federal income tax purposes and that interest paid on the Series 2005 Bonds shall not be treated as a specific preference item for purposes of the federal individual and corporate alternative minimum taxes.

IN WITNESS WHEREOF, the GUAM WATERWORKS AUTHORITY has caused this Supplemental Indenture to be signed in its name by its duly authorized officers; and BANK OF GUAM and U.S. BANK NATIONAL ASSOCIATION, in token of their acceptance of the respective trusts created hereunder, has caused this Supplemental Indenture to be signed in their respective corporate names by one of their authorized officers, and the Trustee and the Co-Trustee have each caused their respective corporate seals to be hereunto affixed, all as of the day and year first above written.

GUAM WATERWORKS AUTHORITY

By _____
Chairperson of the Board

By _____
General Manager

BANK OF GUAM, as Trustee

By _____
Title:

U.S. BANK NATIONAL ASSOCIATION, as Co-Trustee

By _____
Title:

The undersigned U.S. BANK NATIONAL ASSOCIATION, hereby accepts and agrees to perform the duties and obligations of Registrar and Paying Agent under this Supplemental Indenture.

U.S. BANK NATIONAL ASSOCIATION, as Co-Trustee

By _____
Title:

EXHIBIT A
FORM OF BOND

No. R-_____

\$ _____

GUAM WATERWORKS AUTHORITY
WATER AND WASTEWATER SYSTEM REVENUE BOND,
SERIES 2005

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
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July 1,	December 7, 2005		
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Registered Owner:

Principal Sum: Dollars

The GUAM WATERWORKS AUTHORITY, a duly organized public corporation of the government of Guam (herein called the "Authority"), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter mentioned), the principal sum specified above in lawful money of the United States of America; and to pay interest thereon, in like lawful money and solely from said Revenues and assets, from the Interest Payment Date next preceding the date of authentication of this Bond unless this Bond is authenticated as of a day during the period from the Record Date preceding any Interest Payment Date to the Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before December 15, 2005, in which event it shall bear interest from its date of delivery, until payment of such principal sum shall be discharged as provided in the indenture hereinafter mentioned, at the interest rate specified above per annum, payable on January 1 and July 1 in each year, commencing January 1, 2006; provided, however, that if, at the time of authentication of this Bond, interest is in default hereon, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment. The principal (or redemption price) hereof is payable upon surrender hereof at the Principal Office of U.S. Bank National Association (herein called the "Paying Agent") in Los Angeles, California, and the interest hereon is payable by check or draft mailed by first class mail to the person in whose name this Bond is registered at the close of business on the fifteenth day of the month immediately preceding an interest payment date, at such person's address as it appears on the bond registration books of U.S. Bank National Association (herein called the "Registrar"). Upon the written request of a registered owner of \$1,000,000 or more in aggregate principal amount of Series 2005 Bonds, payment of interest on and principal (including redemption price) of such Bonds will be made by wire transfer as provided in the Indenture; provided that any such principal payment shall nevertheless be subject to prior surrender of the Series 2005 Bonds with respect to which such payment is made.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Guam Waterworks Authority Water and Wastewater System Revenue Bonds" (herein called the "Bonds"), unlimited in aggregate principal amount, except as otherwise provided in the laws of the United States of America and the government of Guam and in the Indenture hereinafter mentioned, which issue of Bonds consists or may consist of one or more Series of varying dates, maturities, interest rates, and redemption and other provisions, all issued or to be issued pursuant to Article 2, Chapter 14 of Title 12 of the Guam Code Annotated, as amended, and that certain Indenture, dated as of December 1, 2005 (herein called the "Indenture"), by and between the Authority, Bank of Guam, as trustee (herein called the

"Trustee") and U.S. Bank National Association, as co-trustee (herein called the "Co-Trustee"). This Bond is also one of a duly authorized series of Bonds additionally designated "Series 2005" (herein called the "Series 2005 Bonds"), in the aggregate principal amount of One Hundred One Million One Hundred Seventy-Five Thousand Dollars (\$101,175,000), all issued under the provisions of the Indenture and a Supplemental Indenture, dated as of December 1, 2005, by and between the Authority, the Trustee and the Co-Trustee. Reference is hereby made to the Indenture (a copy of which is on file at said office of the Trustee) and all indentures supplemental thereto for a description of the rights thereunder of the registered owners of the Bonds, of the nature and extent of the security and provisions for payment of the Bonds, of the rights, duties and immunities of the Trustee and other fiduciaries and of the rights and obligations of the Authority thereunder, to all the provisions of which Indenture the registered owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon (to the extent set forth in the Indenture) are payable solely from Revenues (as that term is defined in the Indenture) and other assets pledged as provided in the Indenture. Subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, said Revenues are pledged under the Indenture to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture and the payment of Credit Agreement Payments and Parity Payment Agreement Payments in accordance with their terms.

The Series 2005 Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole, or in part so that the reduction in Annual Debt Service for the Series 2005 Bonds for each Bond Year after such redemption shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the System or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the System, under the circumstances and upon the conditions and terms set forth in the Indenture, at the greater of par or Amortized Value, plus accrued interest. "Amortized Value" means on any Interest Payment Date, the then current value of the Series 2005 Bond, amortizing the original issue premium over the period ending on the first call date using the constant yield method.

The Series 2005 Bonds maturing on or after July 1, 2016 are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available moneys, on any date on or after July 1, 2015, as a whole, or in part by such maturities or portions of maturities as shall be determined by the Authority (or by lot within a maturity in the absence of such a determination), at a redemption price equal to the principal amount of each Series 2005 Bond called for redemption plus interest accrued to the date fixed for redemption, without premium.

The 2005 Bonds maturing on July 1, 2016, July 1, 2025 and July 1, 2035 are subject to redemption prior to their stated maturity in part, by lot, on July 1 of each year, commencing July 1, 2014, July 1, 2017 and July 1, 2026, respectively, at a redemption price equal to their principal amount, plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of any redemption, identifying the Bonds or portions thereof to be redeemed, shall be given by the Registrar not less than 30 nor more than 60 days before the date fixed for redemption by first class mail to each of the registered owners of Bonds designated for redemption at their addresses appearing on the bond registration books of the Registrar on the date the Bonds to be redeemed are selected. Receipt of such notice by such registered owners shall not be a condition precedent to such redemption.

If this Bond is called for redemption and payment is duly provided herefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Series 2005 Bonds are issuable only in fully registered form in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, this Bond may be exchanged, at the Principal Office of the Registrar, in Los Angeles, California, for a new fully registered Bond or Bonds, of the same Series, maturity and tenor and of any authorized denomination or denominations and for the aggregate principal amount of this Bond then remaining outstanding.

This Bond is transferable by the registered owner hereof, in person or by its attorney duly authorized in writing, at said office of the Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds, of the same Series, maturity and tenor and of any authorized denomination or denominations and for the same aggregate principal amount of this Bond then remaining outstanding, will be issued to the transferee in exchange therefor. The Registrar shall not be required to register the transfer of this Bond during the period established by the Trustee for the selection of Bonds for redemption or at any time after selection of this Bond for redemption.

The Authority, the Trustee, the Paying Agent and the Registrar may treat the registered owner hereof as the absolute owner hereof for all purposes, and neither the Authority, the Paying Agent nor the Registrar shall be affected by any notice to the contrary.

The Indenture and the rights and obligations of the Authority, the registered owners of the Bonds, the Trustee, the Registrar and other fiduciaries may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture, provided that no such modification or amendment shall (i) extend the fixed maturity of this Bond, or extend the time for making any Mandatory Sinking Account Payments, or reduce the rate of interest on this Bond, or extend the time of payment of interest, or reduce the amount of principal of this Bond, or reduce any premium payable on the redemption hereof, without the consent of the registered owner hereof, or (ii) reduce the percentage of the principal amount of Bonds the consent of the registered owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues (including additional Bonds hereafter issued) prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture upon such Revenues (except as expressly provided in the Indenture), without the consent of the registered owners of all Bonds then outstanding, all as more fully set forth in the Indenture. There is no provision in the Indenture for the acceleration of amounts due on the Bonds upon the occurrence of an event of default thereunder.

The Bonds are limited obligations of the Authority and are not a lien or charge upon the funds or property of the Authority, except to the extent of the pledge and assignment herein described. Neither the faith and credit of the government of Guam nor the faith and credit of the United States of America or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Registrar.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by the laws of the United States of America and the government of Guam, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by such laws, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, the GUAM WATERWORKS AUTHORITY has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Chairman of the Consolidated Commission on Utilities and the Chief Financial Officer of the Authority, all as of

_____.

GUAM WATERWORKS AUTHORITY

By _____
Chairman of the Board of Directors

By _____
Chief Financial Officer

[FORM OF] CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within- mentioned Indenture, which has been registered as of ____.

U.S. BANK NATIONAL ASSOCIATION, as
Registrar

By _____
Authorized Officer

[FORM OF] ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) attorney, to transfer the same on the books of the Registrar with full power of substitution in the premises.

Dated: _____

NOTICE: The signature on this Assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

Social Security Number, Taxpayer Identification Number or other Identifying Number of Assignee:

Notice: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Note: Transfer fees must be paid to the Registrar in order to transfer or exchange this bond as provided in the within-mentioned Indenture.

GUAM WATERWORKS AUTHORITY

and

BANK OF GUAM,
as Trustee,

and

U.S. BANK NATIONAL ASSOCIATION,
as Co-Trustee

SUPPLEMENTAL INDENTURE

Dated as of December 1, 2005

Relating to

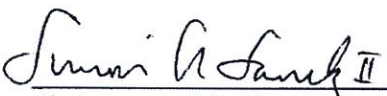
\$101,175,000
Guam Waterworks Authority
Water and Wastewater System Revenue Bonds,
Series 2005

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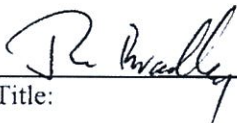
IN WITNESS WHEREOF, the GUAM WATERWORKS AUTHORITY has caused this Supplemental Indenture to be signed in its name by its duly authorized officers; and BANK OF GUAM and U.S. BANK NATIONAL ASSOCIATION, in token of their acceptance of the respective trusts created hereunder, has caused this Supplemental Indenture to be signed in their respective corporate names by one of their authorized officers, and the Trustee and the Co-Trustee have each caused their respective corporate seals to be hereunto affixed, all as of the day and year first above written.

GUAM WATERWORKS AUTHORITY

By 
Chairperson of the Board

By 
General Manager

BANK OF GUAM, as Trustee

By 
Title:

U.S. BANK NATIONAL ASSOCIATION, as Co-Trustee

By _____
Title:

IN WITNESS WHEREOF, the GUAM WATERWORKS AUTHORITY has caused this Supplemental Indenture to be signed in its name by its duly authorized officers; and BANK OF GUAM and U.S. BANK NATIONAL ASSOCIATION, in token of their acceptance of the respective trusts created hereunder, has caused this Supplemental Indenture to be signed in their respective corporate names by one of their authorized officers, and the Trustee and the Co-Trustee have each caused their respective corporate seals to be hereunto affixed, all as of the day and year first above written.

GUAM WATERWORKS AUTHORITY

By _____
Chairperson of the Board

By _____
General Manager

BANK OF GUAM, as Trustee

By _____
Title:

U.S. BANK NATIONAL ASSOCIATION, as Co-Trustee

By Matt. Moya
Title: Assistant Vice President

The undersigned U.S. BANK NATIONAL ASSOCIATION, hereby accepts and agrees to perform the duties and obligations of Registrar and Paying Agent under this Supplemental Indenture.

U.S. BANK NATIONAL ASSOCIATION, as Co-Trustee

By

Marti M. Mason
Title: Assistant Vice President