



Office of the Governor of Guam

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Felix Perez Camacho
Governor

Kaleo Scott Moylan
Lieutenant Governor

03 OCT 2006

The Honorable Mark Forbes
Speaker
Mina' Bente Ocho Na Liheslaturan Guåhan
155 Hessler Street
Hagåtña, Guam 96910

Dear Mr. Speaker:

Transmitted herewith is Bill No. 266(EC), "AN ACT MAKING APPROPRIATIONS FOR THE OPERATIONS OF THE GUAM PUBLIC SCHOOL SYSTEM, UNIVERSITY OF GUAM, GUAM COMMUNITY COLLEGE, GUAM EDUCATIONAL TELECOMMUNICATION CORPORATION (KGTF) AND THE GUAM PUBLIC LIBRARY SYSTEM FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007; TO ESTABLISH THE ESTIMATED GOVERNMENT OF GUAM REVENUES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007; MAKING APPROPRIATIONS TO ADDRESS CONTINUING DEBT SERVICE; TO AUTHORIZE *I MAGA' LAHEN GUÅHAN* TO ISSUE GOVERNMENT OF GUAM GENERAL OBLIGATION BONDS FOR THE PURPOSE OF REFINANCING CERTAIN GENERAL FUND OBLIGATIONS AND FINANCING CERTAIN CAPITAL EXPENSE ITEMS AND CAPITAL IMPROVEMENTS OF THE GUAM PUBLIC SCHOOL SYSTEM AND THE UNIVERSITY OF GUAM; AND ESTABLISHING MISCELLANEOUS EDUCATIONAL PROVISIONS" which I signed into law on September 30, 2006, as **Public Law 28-149**.

Sinseru yan Magåhet,

FELIX P. CAMACHO
I Muga'lahen Guåhan
Governor of Guam

Attachment: copy attached of signed bill

cc: The Honorable Eddie Baza Calvo
Senator and Legislative Secretary

Office of the Speaker

MARK FORBES

Date: OCT 3, 2006

Time: 4:57 PM

Rec'd by: ESP

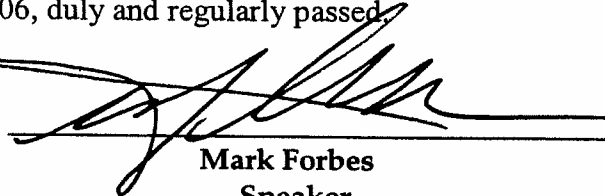
Print Name: ESP


28 06 1094

I MINA' BENTE OCHO NA LIHESLATURAN GUÅHAN
2006 (SECOND) Regular Session


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

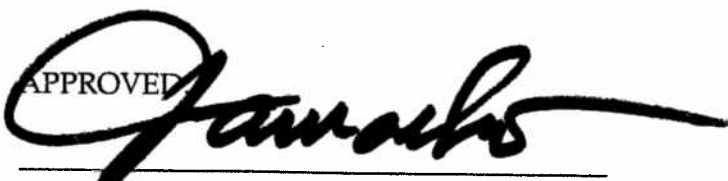
This is to certify that Bill No. 266 (EC), "AN ACT MAKING APPROPRIATIONS FOR THE OPERATIONS OF THE GUAM PUBLIC SCHOOL SYSTEM, UNIVERSITY OF GUAM, GUAM COMMUNITY COLLEGE, GUAM EDUCATIONAL TELECOMMUNICATION CORPORATION (KGTF) AND THE GUAM PUBLIC LIBRARY SYSTEM FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007; TO ESTABLISH THE ESTIMATED GOVERNMENT OF GUAM REVENUES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007; MAKING APPROPRIATIONS TO ADDRESS CONTINUING DEBT SERVICE; TO AUTHORIZE I MAGA' LAHEN GUÅHAN TO ISSUE GOVERNMENT OF GUAM GENERAL OBLIGATION BONDS FOR THE PURPOSE OF REFINANCING CERTAIN GENERAL FUND OBLIGATIONS AND FINANCING CERTAIN CAPITAL EXPENSE ITEMS AND CAPITAL IMPROVEMENTS OF THE GUAM PUBLIC SCHOOL SYSTEM AND THE UNIVERSITY OF GUAM; AND ESTABLISHING MISCELLANEOUS EDUCATIONAL PROVISIONS," as amended, was on the 18th day of September, 2006, duly and regularly passed.


Mark Forbes
Speaker

Attested:

Edward J.B. Calvo
Senator and Secretary of the Legislature

This Act was received by I Maga'lahen Guåhan this 19 day of Sept, 2006, at
4:05 o'clock P.M.


Assistant Staff Officer
Maga'lahi's Office

APPROVED 
FELIX P. CAMACHO
I Maga'lahen Guåhan

Date: 30 SEPT 2006



MINA' BENTE OCHO NA LIHESLATURAN GUÅHAN
TWENTY-EIGHTH GUAM LEGISLATURE
155 Hessler Place, Hagåtña, Guam 96910

FILE COPY

September 19, 2006


The Honorable Felix P. Camacho
I Maga'lahaen Guåhan
Ufisinan I Maga'lahi
Hagåtña, Guam 96910



Dear *Maga'lahi* Camacho:

Transmitted herewith is Bill No. 266(EC), which was passed by *I Mina'Bente Ocho Na Liheslaturan Guåhan* on September 18, 2006.

Sincerely,


EDWARD J.B. CALVO
Senator and Secretary of the Legislature

Enclosure (1)

IX TRANSMISSION CHECKLIST TO I MAGA'LAHEN GUAHAN
(Included in File w/ All Bills Transmitted)
BILL NO.

- EXHIBITS ATTACHED *A, B, C*
- CONFIRM NUMBER OF PAGES *49*
- CAPTION ON CERTIFICATION MATCHES BILL CAPTION
- ENGROSSED SIGN""*"" REMOVED FROM BILL
- 15 SENATORS IN SPONSORSHIP OR CONFIRM OTHERWISE *Common Calendar*
- CERTIFICATION SIGNED BY SPEAKER & LEGIS. SECRETARY
- EMERGENCY DECLARATION, if any *None*

Confirmed By: *ms/dp*

Dated: 9/19/06

FINAL REVIEW:

Dated: _____

- HAND CARRY BILL IN BLUEBACK (ORIGINAL & COPY)
TO THE GOVERNOR. (DANNY, _____ OR OTHERS)
- ACKNOWLEDGED COPY W/ ORIGINAL BLUEBACK
PLACED ON CLERK'S DESK. (Same copy given to _____)

FILED by: _____

MINA'BENTE OCHO NA LIHESLATURAN GUÅHAN
2006 (SECOND) Regular Session

Bill No. 266 (EC)

As amended in the
Committee of the Whole.

Introduced by:

Committee on Calendar

by request of *I Maga'lahen Guåhan*,
the Governor of Guam, in accordance
with the Organic Act of Guam.

AN ACT MAKING APPROPRIATIONS FOR THE OPERATIONS OF THE GUAM PUBLIC SCHOOL SYSTEM, UNIVERSITY OF GUAM, GUAM COMMUNITY COLLEGE, GUAM EDUCATIONAL TELECOMMUNICATION CORPORATION (KGTF) AND THE GUAM PUBLIC LIBRARY SYSTEM FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007; TO ESTABLISH THE ESTIMATED GOVERNMENT OF GUAM REVENUES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2007; MAKING APPROPRIATIONS TO ADDRESS CONTINUING DEBT SERVICE; TO AUTHORIZE *I MAGA'LAHEN GUÅHAN* TO ISSUE GOVERNMENT OF GUAM GENERAL OBLIGATION BONDS FOR THE PURPOSE OF REFINANCING CERTAIN GENERAL FUND OBLIGATIONS AND FINANCING CERTAIN CAPITAL EXPENSE ITEMS AND CAPITAL IMPROVEMENTS OF THE GUAM PUBLIC SCHOOL SYSTEM AND THE UNIVERSITY OF GUAM; AND ESTABLISHING MISCELLANEOUS EDUCATIONAL PROVISIONS.

1 BE IT ENACTED BY THE PEOPLE OF GUAM:

2 CHAPTER I

3 GENERAL PROVISIONS

4 Section 1. Short Title. This Act shall be known as the "*Educational*
5 *Appropriations Act of 2007*". Except as otherwise provided herein, the

1 appropriations made by this Act shall be available to pay for obligations
2 incurred on or after October 1, 2006, but *no* later than September 30, 2007.
3 If any appropriation of this Act is found to violate federal law, all other
4 portions shall remain valid.

5 **Section 2. Estimated Revenues for Fiscal Year 2007.** *I Liheslaturan*
6 *Guåhan*, the Guam Legislature, adopts the following revenue estimate for
7 Fiscal Year 2007. Said estimates are the basis for the appropriations in this
8 Act.

9	I. GENERAL FUND REVENUES	<u>AMOUNT</u>
10	A. TAXES	
11	Income Tax	
12	Corporate	\$ 72,351,905
13	Individual	\$ 43,485,645
14	Withholding Taxes, Interest and Penalties	\$188,644,496
15	Provision for Tax Refund and EITC	(\$75,600,000)
16	TOTAL INCOME TAXES	\$228,882,046
17	Gross Receipts Tax	\$162,565,341
18	Other Taxes	<u>\$3,054,447</u>
19	TOTAL TAXES	\$394,501,834
20	B. FEDERAL SOURCES	\$57,961,358
21	Federal Income Tax Collection (Section 30 Funds);	
22	Immigration Fees and Indirect Cost	
23	C. USE OF MONEY AND PROPERTY	\$906,895

1	D. LICENSES, FEES AND PERMITS	\$1,643,484
2	E. DEPARTMENT CHARGES	\$1,334,351
3	TOTAL GENERAL FUND REVENUE	\$456,347,922
4	II. SPECIAL FUND REVENUES	
5	A. Air Pollution Control Special Fund	\$ 221,182
6	B. Chamorro Land Trust Operations Fund	492,266
7	C. Corrections Revolving Fund	1,539,134
8	D. Customs, Agriculture and Quarantine Inspection	
9	Services Fund	8,167,484
10	E. Enhanced 911 Emergency Reporting System Fund	2,082,787
11	F. Environmental Health Fund	497,710
12	G. Guam Contractors License Board Fund	334,901
13	H. Guam Environmental Trust Fund	191,812
14	I. Guam Highway Fund	15,324,872
15	J. Guam Plant Inspection and Permit Fund	44,507
16	K. Healthy Futures Fund	10,665,466
17	L. Interim Transition Coordinating Committee Fund	
18	(RTB Stock Redemption)	1,813,068
19	M. Judiciary Building Fund	20,000
20	N. Land Survey Revolving Fund	950,000
21	O. Manpower Development Fund	148,485
22	P. Police Services Fund	370,084
23	Q. Professional Engineers, Architects and	
24	Land Surveyors Board Fund	201,825

1	R. Public Recreation Services Fund	154,717
2	S. Safe Streets Fund	236,000
3	T. School Lunch/SAE/Child Nutritional Meal	
4	Reimbursement Fund	6,500,000
5	U. Solid Waste Operations Fund (Tipping Fees)	5,822,582
6	V. Street Light Fund	3,912,927
7	W. Territorial Education Facilities Fund	20,280,840
8	X. Tourist Attraction Fund	23,100,000
9	Y. Water Protection Fund	54,242
10	Z. Water Research and Development Fund	<u>79,518</u>
11	TOTAL SPECIAL FUND REVENUE	\$103,206,409
12	III. FEDERAL MATCHING GRANTS-IN-AID	
13	Federal Grants-In-Aid Requiring Local Match:	
14	A. Agriculture	\$560,565
15	B. Guam Council on the Arts and Humanities Agency	237,600
16	C. Guam Election Commission	700,000
17	D. Guam Police	546,918
18	E. Integrated Services for Individuals with Disabilities	2,052,208
19	F. Judiciary of Guam	311,926
20	G. Labor	33,100
21	H. Law (AG)	4,205,679
22	I. Military Affairs	839,150
23	J. Public Health and Social Services	22,346,660
24	K. University of Guam	<u>1,508,000</u>

1	TOTAL FEDERAL MATCHING GRANTS-IN-AID	\$33,341,806
2	REVENUE SUMMARY:	
3	TOTAL GENERAL FUND REVENUE	\$456,347,922
4	TOTAL SPECIAL FUND REVENUE	\$103,206,409
5	TOTAL FEDERAL MATCHING GRANTS-IN-AID	<u>\$ 33,341,806</u>
6	GRAND TOTAL	\$592,896,137

7 Section 3. Debt Service. The following are continuing
8 appropriations for debt service requirements:

9	A. GENERAL OBLIGATIONS	
10	BOND 1993 SERIES A	
11	(TEFF)	\$10,598,839
12	B. LIMITED OBLIGATION	
13	HIGHWAY REFUNDING	
14	BOND 2001 SERIES A	
15	(GHF)	\$ 6,026,863
16	C. LIMITED OBLIGATION	
17	(SECTION 30) BONDS 2001	
18	SERIES A (SECTION 30	
19	FUNDS)	\$ 9,822,208
20	D. 2002 SHORT TERM	
21	FINANCING (SECTION 30	
22	FUNDS)	\$ 1,281,818
23	E. LIMITED OBLIGATION	

1	INFRASTRUCTURE	
2	IMPROVEMENT BONDS,	
3	1997 SERIES A (TAF)	<u>\$ 7,255,789</u>
4	TOTAL DEBT SERVICE	\$34,985,517

1 CHAPTER II.

2 Part I – GUAM PUBLIC SCHOOL SYSTEM

3 Section 1. Guam Public School System Operations Fund. §52101
4 of Chapter 52 of Division 2 of Title 11 of the Guam Code Annotated is
5 hereby *repealed* and *reenacted* to read:

6 “Chapter 52

7 §52101. Creation of the Guam Public School System
8 Operations Fund. (a) There is hereby created, separate and apart
9 from other funds of the government of Guam, a fund known as the
10 ‘Guam Public School System Operations Fund’. This fund shall *not* be
11 commingled with the General Fund and shall be kept in a separate
12 bank account to be in the name of the Guam Public School System
13 (GPSS). The amount appropriated by *I Liheslaturan Guåhan* to the
14 Guam Public School System for its annual operations shall be
15 deposited in the Guam Public School System Operations Fund to
16 cover the operational expenses of the Guam Public School System
17 and any use associated with the Guam Public School System, as
18 determined in the Guam Public School System budget in accordance
19 with Title 10 GCA Chapter 3, by the Guam Education Policy Board *or*
20 the laws of Guam. The Superintendent of Education shall conduct
21 public hearings at the public schools *prior* to the submission of the
22 budget to the Guam Education Policy Board in order to address each
23 school’s individual budgetary requirements.

1 **(b)** The Superintendent of Education shall create and submit to
2 the Speaker of *I Liheslaturan Guåhan, I Maga'lahren Guåhan* and the
3 Director of Administration projected schedules of monthly cash
4 disbursements for each school, division and program, by expenditure
5 category, for the fiscal year. Such projected disbursements shall *not*
6 exceed the total amount appropriated by *I Liheslaturan Guåhan* for the
7 purpose of such appropriation. The Public Auditor shall approve the
8 schedules.

9 **(c)** Thirty (30) days after the Public Auditor approves the cash
10 disbursement schedules, the Superintendent of Education shall
11 certify and submit to the Speaker of *I Liheslaturan Guåhan, I*
12 *Maga'lahren Guåhan*, the Director of Administration and the Public
13 Auditor, a revised budget document, in the format of the FY 2007
14 Budget Call forms of the Bureau of Budget and Management
15 Research, including appropriations necessary to comply with Title 1
16 GCA §715 Item 12 (a) through (n), that shall reflect *all* adjustments to
17 the detailed breakdown contained in the original GPSS budget
18 submission to *I Liheslaturan Guåhan*, to be consistent with the
19 amounts allocated for each school and division in the GPSS projected
20 cash disbursement schedules prepared by the Superintendent and
21 approved by the Public Auditor. *All* quantities and items must be
22 adjusted accordingly. The revised budget document will be a guide
23 for every school, division and program, as well as *I Liheslaturan*
24 *Guåhan, I Maga'lahren Guåhan* and the Public Auditor, to ensure that

1 appropriated funds are used for the purposes intended. The revised
2 budget document shall be posted, in its entirety, on the GPSS website
3 and shall be updated each quarter. Penalties imposed for non-
4 compliance with reporting requirements shall apply to this
5 requirement.

6 (d) The Director of Administration shall deposit, on the last
7 day of each month, a sum equal to the amount required by the
8 projected schedules of cash disbursements prepared by the
9 Superintendent, into the Guam Public School System Operations
10 Fund, *except* that the Director of Administration for the first (1st)
11 month of the fiscal year, on the first (1st) Friday of October, shall
12 make a deposit equal to the amount required for the first (1st) month
13 of the fiscal year, as reflected in the Guam Public School System's
14 projected monthly schedules of cash disbursements, from the prior
15 month's General Fund revenue collections. The Director of
16 Administration shall, on the first (1st) day of each month, transfer to
17 the Guam Public School System all funds held in the Guam Public
18 School System Operations Fund, *except* that for the first (1st) month of
19 Fiscal Year 2007, on October 15, 2006, the Director of Administration
20 shall transfer all funds contained in the Guam Public School System
21 Operations Fund to the Guam Public School System.

22 (e) Before releasing the appropriation allotment to any
23 government entity other than the Guam Public School System *or* from
24 any other appropriation, the Director of the Bureau of Budget and

1 Management Research shall *first* ensure that the Director of
2 Administration has deposited the monthly cash requirement of the
3 Guam Public School System into the Guam Public School System
4 Operations Fund.

5 (f) Nothing herein shall be construed as preventing *I*
6 *Liheslaturan Guåhan* from making additional appropriations to the
7 Guam Public School System. *I Maga'lahren Guåhan's* transfer authority
8 shall *not* apply to this *or* any other appropriation to the Guam Public
9 School System, *except* that *I Maga'lahren Guåhan* may transfer funds
10 into the Guam Public School System to the extent permitted by law. *I*
11 *Maga'lahren Guåhan* may transfer to the Guam Public School System
12 funds in excess of the amounts appropriated to the Guam Public
13 School System herein if he determines that an emergency has created
14 a need for such a transfer."

15 **Section 2. Appropriations to the Guam Public School System for**
16 **Fiscal Year 2007.** The amounts, in the subsections below, totaling One
17 Hundred Eighty-four Million Three Hundred Forty-six Thousand Four
18 Hundred Sixty-six Dollars (**\$184,346,466**) are from the following Funds,
19 and for the following purposes, to the Guam Public School System for
20 Fiscal Year 2007:

21 (a) **Guam Public School System Operations Fund**
22 **Appropriation.** Pursuant to §§52101 and 52102 of Chapter 52,
23 Division 2 of Title 11 Guam Code Annotated, as *amended* by this
24 Act, the sum of One Hundred Seventy-two Million Nine

1 Hundred Fifty-seven Thousand Eight Hundred Four Dollars
2 (\$172,957,804), which is inclusive of such sums as are necessary
3 for the implementation of salary adjustments for locally
4 funded teacher positions pursuant to Public Law 28-36, as
5 amended by Section 26 of Part I of Chapter II of Public Law 28-
6 68, based on the fourteen percent (14%) teacher salary
7 adjustments recommended by the Department of
8 Administration: and which is also inclusive of a sum *not*
9 exceeding One Million Ninety-eight Thousand Three Hundred
10 Forty-five Dollars (\$1,098,345) for software, training, system
11 conversion services, consulting and project management,
12 hardware servers, hardware storage peripherals and hardware
13 redundancy systems in the implementation of the Guam Public
14 School System Student Management System, is appropriated
15 from the General Fund to the Guam Public School System
16 Operations Fund for Fiscal Year 2007. This appropriation shall
17 be expended in accordance with the approved cash
18 disbursement schedules mandated by this Act.

19 (b) **Interscholastic Sports Fund.** For Fiscal Year 2007,
20 the sum of Five Hundred Nine Thousand Two Hundred Forty-
21 six Dollars (\$509,246) is appropriated from the Healthy Futures
22 Fund to the Interscholastic Sports Fund within the Guam Public
23 School System to fund Interscholastic Sports Programs.

1 Expenditure of these funds shall comply with Title 17 GCA
2 §7108.

3 (c) **Health and Physical Education Activities.** For
4 Fiscal Year 2007, the sum of Three Hundred Twenty-four
5 Thousand Four Hundred Sixteen Dollars (**\$324,416**) is
6 appropriated from the Healthy Futures Fund to the Guam
7 Public School System for Health and Physical Education
8 programs, intramural sports, and similar activities.

9 (d) ***Y Kuantan Salappe'Prinsepat (Principals' Fund).***

10 (1) The sum of Five Hundred Fifty-five Thousand
11 Dollars (**\$555,000**) is appropriated from the General Fund
12 to the Guam Public School System for the Principals'
13 Fund for Fiscal Year 2007. The amount appropriated
14 herein shall be allocated per student to each school, based
15 on the student population of each school at the end of the
16 *prior* school year; provided that *no* school shall receive
17 less than Five Thousand Dollars (**\$5,000**).
18 Notwithstanding §§10101 and 10102 of Title 17 GCA, each
19 principal shall use the proceeds he receives to develop
20 and implement a program to protect his school from
21 vandalism. Every principal shall coordinate with his
22 school's Parent Teacher Organization and submit an anti-
23 vandalism program to the Superintendent for approval.

1 (2) Any unreleased and unexpended appropriations
2 made by Section 5 of Part I of Chapter II of Public Law 28-
3 68 may be expended in Fiscal Year 2007.

4 **(e) School Nutritional Meals.** Up to Six Million Five
5 Hundred Thousand Dollars (\$6,500,000) is appropriated from
6 the School Lunch/SAE/Child Nutritional Meal Reimbursement
7 Fund to the Guam Public School System for non-personnel
8 operating expenses incurred in accordance with the established
9 guidelines for said programs.

10 **(f) Appropriation to the Guam Public School**
11 **System for Summer School.** For Fiscal Year 2007, there is
12 hereby appropriated such sums as are necessary from the
13 Summer School Fund established pursuant to §6119 of Article 1
14 of Chapter 6 of Division 1 of Title 17 Guam Code Annotated, to
15 the Guam Public School System to fund the operations of the
16 2007 Summer School Program. The Superintendent of
17 Education shall submit a detailed report to *I Maga'lahaen Guåhan*
18 and the Speaker of *I Liheslaturan Guåhan* regarding the receipt
19 and expenditure of said funds *no later than thirty (30) days* after
20 the close of summer school and post the same on the GPSS
21 website. Such report shall include the following:

22 (1) total revenues received, including
23 identification of each revenue source;

1 (2) total expenditures and encumbrance by object
2 classification and by school; and

3 (3) the fund balance.

4 (g) **Appropriation for Textbooks and Collateral**
5 **Materials.** The following are appropriations to the Guam
6 Public School System for the purchase of textbooks, e-book
7 readers and collateral materials to include software, sheet
8 music and music books in accordance with the conditions and
9 terms expressed in the following subsections:

10 (1) For Fiscal Year 2007, the sum of Three Million
11 Five Hundred Thousand Dollars **(\$3,500,000)** is
12 appropriated from the General Fund from Fiscal Year
13 2008 revenues to the Guam Public School System for the
14 purchase of textbooks, e-book readers and collateral
15 classroom instructional materials to include software,
16 sheet music and music books. The Superintendent may,
17 *if necessary*, through agreements with textbook vendors,
18 defer payment for said materials until *after* October 1,
19 2007, but *not later than* December 31, 2007, with the full
20 faith and credit of the government of Guam.

21 (2) The Guam Public School System shall order all
22 textbooks, e-book readers and collateral classroom
23 instructional materials, to include software, sheet music
24 and music books funded by this section, *no later than*

1 March 1, 2007 for Fiscal Year 2008, and the Bureau of
2 Budget and Management Research shall release such
3 allotments as are necessary to ensure that such textbooks,
4 e-book readers and collateral classroom instructional
5 materials, to include software, sheet music and music
6 books, are ordered by this deadline. All textbooks and
7 collateral classroom instructional materials to include
8 software, sheet music and music books, shall be received
9 and distributed to schools *no later than* thirty (30) days
10 *prior* to the start of the school calendar established
11 pursuant to Title 17 Guam Code Annotated §4111. All
12 funds appropriated for textbooks, e-book readers and
13 collateral classroom instructional materials, to include
14 software, sheet music and music books, shall *not* be used
15 for any other purpose.

16 (3) For Fiscal Year 2007, on the first (1st) day of each
17 fiscal quarter, the Superintendent of Education shall
18 provide a detailed report to *I Maga'lahaen Guåhan* and the
19 Speaker of *I Liheslaturan Guåhan* on all receipts and
20 expenditures for textbooks, e-book readers and collateral
21 classroom instructional materials to include software,
22 sheet music and music books. The report shall be
23 accompanied by the certified list of textbooks approved
24 by the Guam Education Policy Board and all purchase

1 orders issued. The report shall be posted on the GPSS
2 website. The report shall include summaries of the
3 following information:

4 (A) purchases by allotment account number, unit cost
5 and total cost of books charged against appropriation
6 account, vendor, quantity, title, copyright date and ISBN
7 number of books ordered, allocation of such books by
8 school and grade, and statements as to whether books are
9 for teachers or students and whether books are textbooks
10 or e-books;

11 (B) the number of textbooks and e-book readers lost *or*
12 damaged, the amounts collected for such lost *or* damaged
13 items and the amount of receivables due for such lost *or*
14 damaged items for the preceding fiscal year and the
15 current fiscal year by month; and

16 (C) other information that may be useful, *or* requested
17 by *I Liheslaturan Guåhan*, regarding an accounting for
18 funds appropriated for such purposes.

19 Non-compliance with these reporting requirements by the Superintendent
20 of Education shall result in the sanctions and penalties imposed by this Act.

21 **Section 3. Website Posting.** The Guam Public School System shall
22 post on its website the following:

- 1 (a) All payments for *prior* year obligations to be paid by
2 current appropriations, salary adjustments by position
3 and the funding source for each, by month.
- 4 (b) Cash Disbursement Schedules created pursuant to this
5 Act.
- 6 (c) Number of filled FTEs, costs and funding sources by
7 school and division by month.
- 8 (d) Number of vacant FTEs, costs and funding sources by
9 school and division by month.

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CHAPTER II.

Part II – UNIVERSITY OF GUAM

Section 1. Appropriations to the University of Guam. The amounts, in the Subsections below, totaling Thirty-two Million Nine Hundred Sixty-three Thousand Seven Hundred Twenty-two Dollars (\$32,963,722) are from the following Funds, and for the following purposes, to the University of Guam for Fiscal Year 2007:

(a) **General Fund Appropriation for Operations.** The sum of Twenty-four Million Six Hundred Sixteen Thousand Nine Hundred Forty-seven Dollars (\$24,616,947) is appropriated from the General Fund to the University of Guam for its operations in Fiscal Year 2007.

(b) **Special Fund Appropriation for Operations.** The sum of Two Million Two Hundred Sixty Thousand Two Hundred Sixty-one Dollars (\$2,260,261) is appropriated from the Territorial Education Facilities Fund to the University of Guam for its operations in Fiscal Year 2007.

(c) **Federal Matching Grants-in-Aid.** The sum of One Million Five Hundred Eight Thousand Dollars (\$1,508,000) is authorized from the Federal Matching Grants-in-Aid to the University of Guam for its operations in Fiscal Year 2007.

(d) **Scholarships and Training Programs.** The following appropriations are made to the University of Guam for Fiscal Year 2007:

1 **(1) Student Scholarships, Financial Assistance**
2 **Programs and Program Administration.** The sum of Two
3 Million Five Hundred Thirty-five Thousand Six Hundred
4 Seventy Dollars (**\$2,535,670**) is appropriated from the General
5 Fund to the University of Guam for Fiscal Year 2007 to be
6 expended for the following student scholarships, financial
7 assistance programs and program administrations: Merit
8 Awards, Student Loans, Nurse Training Programs, Professional
9 and Technical Awards, Reserve Officer Training Corps
10 ("ROTC"), Regent Scholarships, Marine Lab Graduates
11 Assistance Programs, Early High School Admission Programs,
12 Pedro "Doc" Sanchez Scholarship Programs, John F. Quan
13 Memorial Scholarship Programs and administration of all
14 student financial assistance programs. The President of the
15 University of Guam shall allocate this appropriation in order to
16 fund student scholarships, financial assistance programs and
17 program administration.

18 **(2) Dr. Antonio C. Yamashita Educator Corps.**
19 The sum of One Million Three Hundred Fourteen Thousand Six
20 Hundred Ninety-six Dollars (**\$1,314,696**) is appropriated from
21 the General Fund to the University of Guam for Fiscal Year
22 2007. The President shall disburse, pursuant to the directives
23 and policies of the Educator Corps Council, for stipends for the
24 Dr. Antonio C. Yamashita Educator Corps and for the

1 administration of the program, in accordance with the
2 provisions of Title 17 GCA, Chapter 18 and §15107 of Title 17 of
3 the Guam Code Annotated, as *amended*.

4 In addition to such other reports as may be required
5 by this Act, the President of the University of Guam shall post
6 on the University of Guam's website all reports mandated by
7 this Act that relate to the Dr. Antonio C. Yamashita Educator
8 Corps. Sanctions and penalties imposed for non-compliance
9 with reporting requirements shall apply to the appropriation
10 for the Dr. Antonio C. Yamashita Educator Corps.

11 **(e) Appropriation for the Aquaculture Development and**
12 **Training Center.** The sum of One Hundred Forty Thousand Dollars
13 **(\$140,000)** is appropriated from the General Fund to the University of
14 Guam ("UOG") for Fiscal Year 2007 for the *sole* purpose of funding
15 the continued operations of the Aquaculture Development and
16 Training Center. Such funds shall *not* be transferred *or* used for any
17 other purpose.

18 **(f) Guam Hydrologic Survey.** The sum of Two Hundred
19 Four Thousand Two Hundred Dollars **(\$204,200)** is appropriated for
20 Fiscal Year 2007 from the General Fund to the University of Guam
21 ("UOG") to fund the Water and Environmental Research Institute of
22 the Western Pacific ("WERI") for the *sole* purpose of funding the
23 Guam Hydrologic Survey ("GHS"). WERI shall continue to
24 administer the GHS for the same purposes that have previously been

1 established by the laws of Guam. Such funds shall *not* be transferred
2 *or* used for any other purpose.

3 **(g) Comprehensive Water Resource Monitoring Program.**

4 The sum of One Hundred Seventy-three Thousand Nine Hundred
5 Forty-eight Dollars (\$173,948) is appropriated for Fiscal Year 2007
6 from the General Fund to the University of Guam ("UOG") to fund
7 the Water and Environmental Research Institute of the Western
8 Pacific ("WERI"). Such funds shall be used for the *sole* purpose of
9 matching the Federal funding for the Comprehensive Water Resource
10 Monitoring Program. WERI shall continue to administer the
11 Comprehensive Water Resource Monitoring Program for the same
12 purposes that have previously been established by the laws of Guam.
13 Such funds shall *not* be transferred *or* used for any other purpose.

14 **(h) University of Guam for the College of Natural and**
15 **Applied Sciences.** The sum of Ninety Thousand Dollars (\$90,000) is
16 appropriated from the General Fund for Fiscal Year 2007 to the
17 University of Guam for the College of Natural and Applied Sciences
18 and said amount shall be divided equally between the Northern and
19 Southern Soil and Water Conservation District Programs. Such funds
20 shall *not* be transferred *or* used for any other purpose.

21 **(i) University of Guam for KPRG (Public Radio).** The sum
22 of One Hundred Thousand Dollars (\$100,000) is appropriated from
23 the General Fund to the University of Guam for FY 2007 for KPRG

1 (Public Radio) operations. The President of the University shall
2 disburse the funds to KPRG.

3 *No later than thirty (30) days after the close of each fiscal*
4 *quarter of FY 2007, the General Manager of KPRG shall submit to the*
5 *President of the University of Guam, and post on KPRG's website, all*
6 *reports mandated by this Act. Sanctions and penalties imposed for*
7 *non-compliance with reporting requirements shall apply to the*
8 *appropriation for KPRG.*

9 (j) **University of Guam for Hero Scholarship Program.** The
10 sum of Twenty Thousand Dollars (\$20,000) is appropriated from the
11 Judicial Building Fund to the University of Guam for the Hero
12 Scholarship Program for Fiscal Year 2007. Such funds shall *not* be
13 transferred *or* used for any other purpose.

14 **Section 2. Program Revenue and Expenditure Reports.** Beginning
15 in Fiscal Year 2007, thirty (30) days after the close of each fiscal quarter, the
16 President of the University of Guam shall submit separate quarterly
17 revenue and expenditure reports to *I Maga'lahaen Guåhan* and the Speaker of
18 *I Liheslaturan Guåhan* for the Aquaculture Development and Training
19 Center, WERI Guam Hydrologic Survey, WERI Comprehensive Water
20 Resource Monitoring Program, Northern and Southern Soil and Water
21 Conservation District Programs and KPRG. Such reports shall be in the
22 format of basic financial statements or as may be prescribed by *I*
23 *Liheslaturan Guåhan* and shall be posted on the University of Guam's
24 website.

1 **Section 3. Program Annual Reports.** Beginning in Fiscal Year

2 2007, the President of the University of Guam shall submit separate annual
3 reports for the following programs and activities to *I Maga'lahren Guåhan*
4 and the Speaker of *I Liheslaturan Guåhan*: Aquaculture Development and
5 Training Center, WERI Guam Hydrologic Survey, WERI Comprehensive
6 Water Resource Monitoring Program, Northern and Southern Soil and
7 Water Conservation District Programs and KPRG. At a minimum, such
8 reports shall include the following: program mission, goals, objectives,
9 sources of revenue, expenditures by budget object classification, number of
10 employees, contracts and program accomplishments in the fiscal year
11 reported. Such Annual Reports shall be posted on the University of
12 Guam's website.

13 **Section 4. Scholarships, Financial Assistance and other Reports.**

14 Beginning in Fiscal Year 2007, sixty (60) days after the close of the fiscal
15 year, the President of the University of Guam shall submit to *I Maga'lahren*
16 *Guåhan* and the Speaker of *I Liheslaturan Guåhan*, and post on the University
17 of Guam's website, a report of expenditures from appropriations made in
18 this Act, for student scholarships, student financial assistance, the Dr.
19 Antonio C. Yamashita Educator Corps and the Educator Corps Council.
20 Said report shall include information for every program reported on
21 regarding the program name, the number of scholarships or loans issued,
22 the date the scholarship or loan was awarded, the anticipated date of
23 cohort graduation, the total amount of recipient's awards or loans, the total
24 amount of loans repaid to date, and the balance of the outstanding awards

1 or loans, the amount of collections to date for outstanding loans and
2 repayments due, the number of awards for each field of study, and the
3 total number of recipients working to complete their obligations.

4 **Section 5. Non-compliance with Reporting Requirements.** For
5 appropriations made to the University of Guam, all de-appropriation
6 penalties imposed by this Act for non-compliance with reporting
7 requirements shall be applied against the specific appropriation to the non-
8 compliant program.

1 CHAPTER II.

2 Part III – GUAM COMMUNITY COLLEGE

3 **Section 1. Appropriations to the Guam Community College.** The
4 amounts, in the Subsections below, totaling Fourteen Million Six Hundred
5 One Thousand Five Hundred Seventy-four Dollars (\$14,601,574) are from
6 the following Funds, and for the following purposes, to the Guam
7 Community College for Fiscal Year 2007:

8 (a) **General Fund Appropriation for Operations.** The sum
9 of Seven Million Three Hundred Sixteen Thousand Five Hundred
10 Sixty-two Dollars (\$7,316,562) is appropriated from the General Fund
11 to the Guam Community College for its operations in Fiscal Year
12 2007.

13 (b) **Special Fund Appropriation for Operations.** The sum of
14 Six Million Six Hundred Thirty-nine Thousand Five Hundred Seven
15 Dollars (\$6,639,507) is appropriated from the Territorial Education
16 Facilities Fund to the Guam Community College for its operations in
17 Fiscal Year 2007.

18 (c) **Licensed Practical Nurses and Vocational Guidance**
19 **Programs.** The sum of Five Hundred Forty-one Thousand Five
20 Hundred Sixty-five Dollars (\$541,565) is appropriated from the
21 General Fund to the Guam Community College for the operations of
22 the Licensed Practical Nursing Program and Vocational Guidance
23 Program in Fiscal Year 2007.

1 (d) **Appropriation to the Guam Community College**
2 **Apprenticeship Program.** The sum of One Hundred Three
3 Thousand Nine Hundred Forty Dollars (**\$103,940**) is appropriated
4 from the Manpower Development Fund to the Guam Community
5 College for the Guam Community College Apprenticeship Program
6 for Fiscal Year 2007.

7 **Section 2.** The President of the Guam Community College shall
8 submit quarterly reports to *I Maga'lahaen Guåhan* and the Speaker of *I*
9 *Lihselaturan Guåhan* thirty (30) days after the close of each fiscal quarter
10 beginning in Fiscal Year 2007 and post said report on the Guam
11 Community College's website. Said reports shall include, but *are not limited*
12 *to*, the number of participants in each applicable program, the amounts
13 expended from appropriations in this Act by object classification,
14 description of the program, the academic courses offered, and the
15 requirements for participation in the program.

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CHAPTER II.

Part IV – Guam Educational Telecommunication Corporation (KGTF).

Section 1. Appropriation to the Guam Educational Telecommunication Corporation (KGTF). The amounts, in the Subsections below, totaling Five Hundred Seventy-six Thousand Sixty-four Dollars (**\$576,064**) are from the following Funds, and for the following purposes, to the Guam Educational Telecommunication Corporation (KGTF) for Fiscal Year 2007:

(a) General Fund Appropriation for Operations. The sum of Five Hundred Fourteen Thousand Four Hundred Seventy-seven Dollars (**\$514,477**) is appropriated from the General Fund to the Guam Educational Telecommunication Corporation (KGTF) for its operations in Fiscal Year 2007.

(b) Special Fund Appropriation for Operations. The sum of Sixty-one Thousand Five Hundred Eighty-seven Dollars (**\$61,587**) is appropriated from the Territorial Education Facilities Fund to the Guam Educational Telecommunication Corporation (KGTF) for its operations in Fiscal Year 2007.

1 CHAPTER II.

2 Part V – GUAM PUBLIC LIBRARY SYSTEM

3 **Section 1. Appropriation to the Guam Public Library System.** The
4 amounts, in the Subsections below, totaling One Million Nine Hundred
5 Four Thousand Five Hundred Thirty-seven Dollars (**\$1,904,537**) are from
6 the following Funds, and for the following purposes, to the Guam Public
7 Library System for Fiscal Year 2007:

8 **(a) General Fund Appropriation for Operations.** The sum
9 of One Million One Hundred Eighty-four Thousand Three Hundred
10 Sixty-five Dollars (**\$1,184,365**) is appropriated from the General Fund
11 to the Guam Public Library System for its operations in Fiscal Year
12 2007.

13 **(b) Special Fund Appropriation for Operations.** The sum of
14 Seven Hundred Twenty Thousand One Hundred Seventy-two
15 Dollars (**\$720,172**) is appropriated from the Territorial Education
16 Facilities Fund to the Guam Public Library System for its operations
17 in Fiscal Year 2007.

1 CHAPTER II.

2 Part VI – MISCELLANEOUS EDUCATIONAL PROVISIONS.

3 Section 1. Purchasing In Economies of Scale. All agencies receiving
4 appropriations pursuant to this Act shall take all necessary measures to
5 realize cost savings by purchasing supplies and materials in such a manner
6 as to realize economies of scale.

7 Section 2. Reporting Requirements. *No later than thirty (30) days*
8 *after the close of each fiscal quarter of Fiscal Year 2007, the Superintendent*
9 *of Education of the Guam Public School System, the President of the*
10 *University of Guam, the President of the Guam Community College, the*
11 *General Manager of Guam Educational Telecommunication Corp., and the*
12 *Director of the Guam Public Library System, regardless of the source of the*
13 *entity's appropriations and revenue, shall submit to the Speaker of I*
14 *Liheslaturan Guåhan and post on the entity's website, in electronic format*
15 *(including, but not limited to, diskettes, CDs and email), a report making*
16 *full disclosure of ALL funds under his purview and administration for the*
17 *preceding quarter. Said report shall be in the form of financial statements or*
18 *revenue and expenditure reports for every fund he administers, or in a*
19 *format as may be required by I Liheslaturan Guåhan, regardless of whether*
20 *said fund is appropriated, non-appropriated, local or federal and*
21 *regardless of the source of the funding. This and every reporting*
22 *requirement imposed by this Act or any appropriation pertaining to FY*
23 *2007 shall be subject to the following:*

1 (a) If the head of an agency receiving funds pursuant to this
2 Act does not submit said report to the Speaker of *I Liheslaturan*
3 *Guåhan* and post the same on the website by its due date, *I*
4 *Maga'lahi* shall, *no later than* fifteen (15) days after said due date,
5 notify the agency head of his or her non-compliance and the
6 imminent deappropriation of funds.

7 (b) If the head of an agency receiving funds pursuant to this
8 Act fails to submit and post said report by its due date, the
9 Chairperson of the appropriate board, shall notify the agency
10 head of his or her non-compliance and the imminent
11 deappropriation or remittance of funds.

12 (c) The failure of any official or board, to give the notice
13 required by the previous two (2) subsections shall *not* affect the
14 deappropriation or remittance of funds mandated by the next
15 Section.

16 **Section 3. Deappropriation of Funds.** If the director, administrator
17 or head of a government agency receiving funds pursuant to this Act,
18 regardless of the source of the agency's appropriations and revenue, fails to
19 comply with any reporting requirement mandated by this Act, the funds
20 appropriated to the entity he or she administers shall, on the forty-fifth
21 (45th) day after the report's due date, be automatically deappropriated in
22 the amount of five percent (5%) of the agency's total appropriation for FY
23 2007 for EACH of the following requirements *not* met:

24 (a) providing a written report;

1 (b) providing an electronic format of the report; and

2 (c) posting the report on the website.

3 This Section shall *not* apply when *I Maga'lahi* has declared a state of
4 emergency or declared the island to be in a Condition of Readiness One.
5 The deadline for submittal of reports shall be extended by the same
6 number of days for which the emergency is declared or the number of days
7 in which the island is in Condition of Readiness One. The Public Auditor
8 shall examine the appropriate records, certify any deappropriation or
9 remittance of funds and report thereon to *I Maga'lahi* and the Speaker of *I*
10 *Liheslaturan Guåhan*. The Director of the Bureau of Budget and
11 Management Research shall promptly reduce the appropriation or
12 allotment to the non-compliant agency in accordance herewith, effectuate
13 the deappropriation and submit a written report thereon to *I Maga'lahi* and
14 the Speaker of *I Liheslaturan Guåhan*.

15 **Section 4. Repair of Musical Instruments.** From the funds
16 appropriated for GPSS operations by this Act, the sum of Eight Thousand
17 Five Hundred Dollars (\$8,500) shall be used for the repair of musical
18 instruments for band and music classes and programs.

19 **Section 5. Re-Codification of Scholarships.** The Compiler of Laws
20 shall transfer and re-codify the statutes creating scholarship programs
21 contained in Chapters 19, 22 and 25 of Title 17 GCA to Chapter 15 of Title
22 17 GCA, "Student Financial Assistance Programs".

1 **Section 6. Interest Computation on Financial Assistance for**
2 **Awards after September 30, 2006.** A new §15112 is hereby *added* to Title 17
3 GCA, Chapter 15, Article 1 to read as follows:

4 “§15112. **Interest Computation On Financial Assistance**
5 **Awarded After September 30, 2006 For Cash (Non-Service Credit)**
6 **Repayments.** Interest on all awards of assistance made after
7 September 30, 2006 pursuant to this Article shall be computed on the
8 outstanding balance on a simple interest basis beginning on the date
9 of disbursement at an annual percentage rate of ten percent (10%).
10 Repayment shall be made in either a lump sum by which the
11 principal and accrued interest up to the date of repayment is satisfied
12 or through a periodic payment plan under the following conditions:

- 13 (a) the awardee can amortize the combined balance of
14 principal and accrued interest balances over a specified
15 term at an annual percentage rate of ten percent (10%);
16 (b) the period for repayment shall *not* exceed ten (10) years;
17 and
18 (c) all awardees choosing to repay assistance in cash in lieu of
19 service credit must pay all accrued interest before any
20 payments are applied to the principal of the debt.

21 Repayment of awards made *prior* to September 30, 2006 shall be
22 made pursuant to the other provisions of this Chapter.”

23 **Section 7. UOG Clearance Required for Doc Sanchez**
24 **Scholarship Recipients upon Separation from Government Service.** A

1 new §15912 is hereby *added* to Title 17 GCA, Chapter 15, Article 9 to read as
2 follows:

3 **“§15912. University Of Guam Clearance Required Upon**
4 **Separation.** The heads of all government of Guam agencies and
5 instrumentalities shall require that all employees of their respective
6 agencies who have received scholarship assistance pursuant to this
7 Article obtain a clearance from the University of Guam *prior* to the
8 employee’s separation from employment in the government of
9 Guam. UOG shall grant the clearance if the recipient has:

- 10 (a) repaid the assistance provided through service credit; or
- 11 (b) repaid the assistance provided; or
- 12 (c) arranged to repay the assistance through a periodic
13 payment plan that complies with Title 17 GCA §15112.

14 The head of the agency or instrumentality shall *not* authorize
15 the payment of any accrued and payable leave *or* release of
16 retirement fund contributions to the employee until he obtains the
17 clearance.”

18 **Section 8. Over-expenditure Reporting.** The Superintendent of
19 Education shall, within sixty (60) days after the enactment hereof, submit a
20 report to *I Liheslaturan Guåhan, I Maga’lahen Guåhan* and the Public Auditor
21 explaining in detail the Guam Public School System’s \$16.1M over-
22 expenditure of funds reflected in the FY 2005 Audited Financial Statements
23 of the Government of Guam.

1 **Section 9. Local Funds Reimbursement.** Funds appropriated to the
2 Guam Public School System by *I Liheslaturan Guåhan* shall *not* be used to
3 pay for federally-funded program activities and expenditures *unless*
4 payment is specifically authorized by local statute or unless payment is for
5 expenditures for grants that require local expenditures prior to federal
6 reimbursement. The Superintendent of Education shall report to *I*
7 *Liheslaturan Guåhan, I Maga'lahren Guåhan* and the Public Auditor any local
8 funds expended in Fiscal Years 2005 and 2006 for federally-funded
9 program activities and expenditures, the details of such expenditures by
10 object class, the number of FTEs involved if applicable, the amounts
11 reimbursed by federal funds and amounts that have not or will not be
12 reimbursed by federal funds. Said report shall cite the authority to use
13 local funds for federal program expenditures and name the certifying
14 officer for and give the date of every expenditure.

15 **Section 10. Audits and Assessments.** A new Item (q) is *added* to
16 Title 17 Guam Code Annotated, Chapter 3, §3103 to read:

17 “(q) Conduct a periodic assessment of the Guam Public School
18 System to ascertain whether the System is providing an adequate
19 education as that term is defined in 1 GCA §715, Item 12, and to assess and
20 evaluate the System’s organizational structure and staffing, financial
21 management, curriculum and instruction.”

22 **Section 11. Appropriation.** The sum of One Hundred Thousand
23 Dollars (**\$100,000**) is appropriated from the sums appropriated in Chapter
24 II, Part I, Section 2 of this Act to the Guam Public School System for the

1 purpose of contracting, pursuant to Title 17 GCA, Chapter 3, §3103, with an
2 independent educational auditing organization to audit the Guam Public
3 School System’s capability to provide an adequate education as that term is
4 defined by Title 1 GCA, §715, Item 12, and to identify recommendations to
5 remedy deficiencies. The audit report shall be transmitted by the
6 Superintendent of Education to the Speaker of *I Liheslaturan Guåhan*, posted
7 on the Guam Public School System’s website, and published within one
8 hundred eighty (180) days of execution of the contract. This appropriation
9 shall expire one hundred twenty (120) days after the enactment hereof.

10 **Section 12. Appropriation.** The sum of One Hundred Seventy-five
11 Thousand Dollars (\$175,000) is appropriated from the sums appropriated
12 in Chapter II, Part I, Section 2 of this Act to the Guam Public School System
13 for the purpose of contracting, pursuant to Title 17 GCA, Chapter 3, §3103,
14 with an independent educational auditing organization to conduct an
15 objective audit and assessment of the Guam Public School System, and to
16 identify recommendations to remedy deficiencies in the areas of
17 organizational structure; compliance with federal and local laws;
18 compliance with board policies; physical and operational security;
19 workflow designs and management; internal controls; staffing levels and
20 competencies; management levels and competencies; management
21 practices; training standards and practices; compliance and creation of
22 policies and procedures; adequacy of facilities; physical plant management
23 effectiveness and efficiency; technical and administrative infrastructure;
24 redundancy of systems and procedures; productivity and quality

1 standards; recruitment, certification training of teachers, and recruitment,
2 training and staff development. Said audit report shall be transmitted by
3 the Superintendent of Education to the Speaker of *I Lisheslaturan Guåhan*,
4 posted on the Guam Public School System's website, and published within
5 one hundred eighty (180) days of execution of the contract. This
6 appropriation shall expire one hundred twenty (120) days after the
7 enactment hereof.

8 **Section 13. Guam Public School System Administrative**
9 **Reorganization.** Based on the recommendations to remedy deficiencies
10 contained in the report required by the previous Section, the
11 Superintendent of Education may submit a plan for the administrative
12 reorganization of the GPSS central operations to *I Liheshlaturan Guåhan* for
13 its consideration for approval.

14 **Section 14. Submission of Internal Audit Report.** The completed
15 GPSS Internal Audit report shall be submitted by the Superintendent to *I*
16 *Liheshlaturan Guåhan* and the Guam Public Auditor.

17 **Section 15. Continuing Appropriation.** The appropriations made to
18 the University of Guam, the Guam Community College, the Guam Public
19 Library System, the Guam Educational Telecommunication Corporation
20 (KGTF), the Student Financial Assistance Program, and the Dr. Antonio C.
21 Yamashita Educator Corps by Public Law 28-68 shall continue until all
22 sums appropriated therein are expended.

1 CHAPTER II.

2 Part VII – AUTHORIZATION TO ISSUE BONDS FOR REFINANCING
3 1993 SERIES A BONDS AND CAPITAL EXPENSES
4 OF SCHOOL FACILITIES.

5 Section 1. Legislative Findings and Intent. *I Liheslaturan Guåhan*

6 hereby finds that it is necessary and desirable for the prudent management
7 of the fiscal affairs of the Government of Guam to refinance the
8 Government of Guam General Obligation Bonds, 1993 Series A, and that
9 vital and immediate capital expense items and capital improvement
10 projects of the Guam Public School System are needed to comply with the
11 “Every Child Is Entitled To An Adequate Public Education Act” and the
12 capital improvements of the University of Guam, are also needed. *I*
13 *Liheslaturan Guåhan* further finds that refinancing the Government of Guam
14 General Obligation Bonds, 1993 Series A, would create cash flow of
15 approximately Eight Million Three Hundred Thousand Dollars (\$8,300,000)
16 in Fiscal Year 2007, provide Thirty Five Million Dollars (\$35,000,000) in
17 new money, and provide approximately Two Hundred Fifty Thousand
18 Dollars (\$250,000) in annual debt service savings until 2018. This financing
19 will provide approximately Forty Three Million Three Hundred Thousand
20 Dollars (\$43,300,000) for the capital needs of Guam’s Public Educational
21 Facilities in Fiscal Year 2007.

22 *I Liheslaturan Guåhan* also finds that it would be fiscally responsible to
23 accelerate the repayment of the refinanced Government of Guam bonds by
24 committing fifty percent (50%) of any amount in excess of One Hundred

1 Million Dollars (\$100,000,000) received in revenue pursuant to Section 30 of
2 the Organic Act to redeem the bonds.

3 *I Liheslaturan Guåhan*, therefore, hereby authorizes the issuance of
4 general obligation bonds, provides for said bonds to be used to refinance
5 all or a portion of said 1993 Series A Bonds and provides that said bonds
6 shall finance capital expense items and capital improvement projects of the
7 Guam Public School System and the University of Guam.

8 **Section 2.** A new §22435 is hereby *added* to Chapter 22 of Title 5
9 Guam Code Annotated to read as follows:

10 **“§22435. Authorization to Issue Bonds for Refinancing 1993**
11 **Series A Bonds, Capital Expense Items and Capital Improvement**
12 **Projects of School Facilities.**

13 **(a) Authorization of Issuance of Bonds.** *I Maga’lahen*
14 *Guåhan* is authorized to issue one or more series of bonds of the
15 government of Guam as provided in this Section, in an aggregate
16 principal amount necessary to provide proceeds sufficient to fund an
17 escrow for the refinancing of the General Fund obligations listed in
18 subsection (k)(i) and in an aggregate principal amount not to exceed
19 the amount necessary to provide Thirty Five Million Dollars
20 (\$35,000,000) for the payment of the General Fund expenses listed in
21 subsection (k)(ii), and in each case to fund necessary reserves and to
22 pay expenses incurred in connection with the issuance of such bonds
23 *not* already included in an existing appropriation for or in the regular
24 budget of any government agency or instrumentality or public

1 corporation providing any service in connection with the issuance of
2 such bonds; provided, however, that said bonds shall *not* be issued in
3 an amount that would cause a violation of the debt limitation
4 provisions of 48 USC 1423a (§11 of the Organic Act of Guam).

5 **(b) Terms and Conditions Determined by Certificate or**
6 **Indenture.** The terms and conditions of the bonds shall be as
7 determined by *I Maga'lahaen Guåhan* by the execution of a certificate or
8 indenture authorizing the issuance of the bonds upon or prior to the
9 issuance of the bonds; provided, however, that such terms and
10 conditions shall be consistent with this Section, and that the bonds
11 shall mature *not later than* the year 2028, and shall bear interest at
12 such rates and be sold for such price or prices as shall result in a yield
13 to the bondholders *not* exceeding six and ninety five hundredths
14 percent (6.95%) per annum.

15 **(c) Valid and Binding General Obligations.** The bonds
16 authorized by this Section shall constitute the valid and binding
17 general obligations of the government of Guam. The government of
18 Guam pledges its full faith and credit for the punctual payment of
19 both principal of and interest on the bonds. There shall be collected
20 annually in the same manner and at the same time as government
21 revenue for other purposes is collected, such sum as is required to
22 pay the principal of and interest on the bonds. All officers charged
23 by law with any duty in the collection of revenues of the government
24 from which debt service on the bonds will be payable shall do every

1 lawful thing necessary to collect such sum. The validity of any such
2 bonds shall *not* be affected by the validity or regularity of any
3 proceedings for the payment of the General Fund expenses paid or to
4 be paid with the proceeds of the bonds.

5 (d) **Appropriations from the General Fund.** There is hereby
6 appropriated from the General Fund such sums as will equal in each
7 year the amount of money necessary to pay the principal and interest
8 on such bonds.

9 (e) **Additional Bonds.** Nothing in this Section shall be
10 construed to prevent the government of Guam from issuing, after
11 appropriate enabling legislation, other obligations of the government
12 secured by the general obligation of the government on a parity with
13 or subordinate to the bonds authorized by this Section on such terms
14 as may be provided by the indenture or certificate pursuant to which
15 the bonds are issued. Nothing in this Section shall be construed to
16 prevent the government of Guam from issuing, after appropriate
17 enabling legislation, other obligations of the government secured by
18 Real Property Tax Revenues on a parity with or subordinate to the
19 bonds authorized by this Section on such terms as may be provided
20 by the indenture or certificate pursuant to which the bonds are
21 issued.

22 (f) **Waiver of Immunity; Submission to Jurisdiction.**
23 Notwithstanding any substantive or procedural provision of Chapter
24 6 of Title 5 Guam Code Annotated, the government of Guam waives

1 immunity from any suit or action in contract on the bonds, but does
2 *not* waive immunity as to the personal liability of elected officials and
3 employees of the government of Guam. The government hereby
4 submits to jurisdiction of the Federal District Court for the District of
5 Guam for purposes of any such suit or action in contract on the
6 bonds.

7 **(g) No Personal Liability.** *No* employee or elected official of
8 the government of Guam shall be individually or personally liable for
9 the payment of any amounts due on any bonds issued under this
10 Section, or for any other liability arising in connection with the
11 bonds; provided, however, that nothing in this Section shall relieve
12 any employee or elected official from the performance of any
13 ministerial duty required by law.

14 **(h) Form of Bonds; Covenants; Appointment of Fiduciaries.**
15 The technical form and language of the bonds, including provisions
16 for execution, exchange, transfer, registration, paying agency, lost or
17 mutilated bonds, negotiability, cancellation and other terms or
18 conditions *not* inconsistent with this Section, including covenants
19 relating to the collection of revenues, shall be as specified in the
20 certificate or indenture executed by *I Maga'lahañ Guåhan* authorizing
21 the issuance of the bonds. The certificate or indenture shall appoint
22 one or more trustees, co-trustees or other fiduciaries authorized to
23 receive and hold in trust the proceeds of the bonds, the revenues and
24 other moneys relating thereto, to protect the rights of bondholders

1 and to perform such other duties as may be specified in the
2 indenture. *I Maga'lahaen Guåhan* is also authorized to execute, on
3 behalf of the government of Guam, any appropriate agreements,
4 certificates or other instruments relating to the bonds and the sale of
5 bonds.

6 **(i) Authorization for Credit Enhancement.** *I Maga'lahaen*
7 *Guåhan* is authorized to enter into such contracts or agreements with
8 such banks, insurance companies or other financial institutions as he
9 determines are necessary or desirable to improve the security and
10 marketability of the bonds issued under this Section. Such contracts
11 or agreements may contain an obligation to reimburse, with interest,
12 any such bank, insurance company or other financial institution for
13 advances it makes to pay the principal of or interest on the bonds and
14 to indemnify any such bank, insurance company or other financial
15 institution for costs and expenses incurred in connection with any
16 such advance. Any such reimbursement obligation and any other
17 obligations of the government under such contracts or agreements
18 shall be general obligations of the government of Guam and any such
19 advance, if necessary, shall be treated for Organic Act purposes as
20 creating an obligation issued to refund the bonds.

21 **(j) Use of Proceeds from the Sale of the Bonds.** The
22 proceeds from the sale of the bonds shall be used and are hereby
23 appropriated to (1) refinance the General Fund obligations and fund
24 the capital projects described in Subsection (k) of this Section;

1 (2) establish necessary reserves; (3) pay expenses relating to the
2 authorization, sale and issuance of the bonds, including, without
3 limitation, printing costs, costs of reproducing documents, credit
4 enhancement fees, underwriting, legal, financial advisory and
5 accounting fees and charges, fees paid to banks or other financial
6 institutions providing credit enhancement, costs of credit ratings and
7 other costs, charges and fees in connection with the issuance, sale and
8 delivery of the bonds; and (4) fund capitalized interest on the bonds
9 issued for the purposes described in Subsection (k)(i) of this Section
10 for a period ending *not later than* thirty (30) months from the receipt
11 of proceeds.

12 (k) **Use of Proceeds of Bonds.** The expenditures authorized
13 to be financed with the proceeds of the bonds are as follows:

14 (1) to fund an escrow to pay debt service on all or a
15 portion of the Government of Guam General Obligation Bonds,
16 1993 Series A, at a maturity *not later than* the year 2028,
17 provided that the annual debt service for any of said 1993 Series
18 A bonds to remain outstanding, together with the annual debt
19 service on the bonds authorized pursuant to this Section, for a
20 given year shall *not* exceed the aggregate annual debt service
21 for said bonds for the previous year or the next succeeding year
22 by more than one percent (1.0%).

1 (2) **Thirty Three Million Dollars (\$33,000,000)** to fund
2 the capital expense items and capital improvement projects of
3 the Guam Public School System listed in **Attachment B**.

4 (3) **Two Million Dollars (\$2,000,000)** to fund the
5 capital expense items and capital improvement projects of the
6 University of Guam listed in **Attachment C**.

7 **(l) Permitted Investments.** The proceeds of the bonds, and
8 any revenues relating to such bonds, shall be invested *only* in the
9 types of investments permitted by the certificate or indenture
10 pursuant to which such bonds are issued.

11 **(m) Approval by the Guam Economic Development and**
12 **Commerce Authority.** Title 12 Guam Code Annotated §50103(k)
13 provides that agencies and instrumentalities of the Government of
14 Guam shall issue bonds and other obligations *only* by means of and
15 through the agency of the Guam Economic Development and
16 Commerce Authority (GEDCA). *No* bonds authorized by this Section
17 shall be sold until the board of directors of GEDCA has adopted a
18 resolution approving the sale.

19 **(n) Approval of Voters Not Required.** Notwithstanding
20 Title 3 Guam Code Annotated §§17311 and 17312, the issuance of the
21 bonds authorized by this Section shall *not* be subject to the approval
22 of, or placed before, the voters of Guam.”

23 **Section 3. Territorial Educational Facilities Fund Amendment.**

24 Subsection (l) of §22425, Chapter 22 of Title 5 Guam Code Annotated, is

1 hereby *amended* to read as follows:

2 “(1) **Territorial Educational Facilities Fund.** There is
3 continued in existence, separate and apart from other funds of the
4 government of Guam, a fund known as the “Territorial Educational
5 Facilities Fund” (the “TEF Fund”). The TEF Fund shall *not* be
6 commingled with the General Fund or any other fund of the
7 government of Guam. The TEF Fund shall be held in an account or
8 accounts at a Guam financial institution or institutions separate and
9 apart from all other accounts and funds of the government of Guam.
10 All real property tax revenues received by or on behalf of the
11 government of Guam pursuant to §24103, Title 11, Guam Code
12 Annotated, shall be deposited in the TEF Fund and shall be
13 accounted for and used periodically *only* for the following purposes
14 and in the following order:

15 (1) On the dates on which monies are remitted from the
16 General Fund to any trustee, co-trustee or paying agent for the
17 bonds issued pursuant to this Section or pursuant to §22435,
18 Chapter 22 of Title 5 Guam Code Annotated, for the purpose of
19 either (A) paying the principal of and interest on the bonds
20 designated as having been issued for the capital projects
21 enumerated in items (1), (2), (3), (4), (6) and (7) of Subsection
22 (m) of this Section and for the payment of General Fund
23 expenses, or paying the principal of and interest on the bonds
24 issued pursuant to §22435, Chapter 22 of Title 5 Guam Code

1 Annotated, or (B) accumulating the amounts necessary to pay
2 the principal of or interest on such bonds, there shall be
3 transferred from the TEF Fund to the General Fund amounts
4 equal to, but *not* in excess of, the amounts remitted from the
5 General Fund for such purposes, and in the event that the
6 amount so transferred on any such date is insufficient to fully
7 reimburse the amount so remitted, the amount of the
8 insufficiency shall be transferred as soon thereafter as it
9 becomes available in the TEF Fund, together with interest from
10 such remittance date to such date of transfer at a rate equal to
11 the yield on the bonds.

12 (2) On the dates on which monies are transferred to the
13 General Fund pursuant to paragraph (1) of this Subsection (1)
14 of this Section, if such transfer is sufficient to fully reimburse
15 the General Fund, (with interest, if required), the balance
16 remaining in the TEF Fund shall remain in the TEF Fund and
17 shall *only* be appropriated by *I Liheslatura* for the purpose of
18 constructing, refurbishing, replacing and funding educational
19 facilities and to fund the operations of the Guam Community
20 College.

21 (3) The repayment obligation of the University of
22 Guam as described in §22425 of Chapter 22 of Title 5 Guam
23 Code Annotated, which establishes the University of Guam
24 Bond Fund, shall continue.

1 Such tax collections shall *not* be pledged to the payment of
2 amounts due on such bonds, and this Subsection (l) may be amended
3 at any time by subsequent act of *I Liheslatura*. Nothing in this Section
4 or §22435 of Chapter 22 of Title 5 Guam Code Annotated shall be
5 construed to prevent the government of Guam from issuing, after
6 appropriate enabling legislation, for the benefit of the government of
7 Guam other general obligations or revenue obligations of the
8 government secured by such real property tax revenues on a parity
9 with the bonds authorized by this Section or §22435 of Chapter 22 of
10 Title 5 Guam Code Annotated.”

11 **Section 4. Local Sales of Bonds.** *I Maga’lahen Guåhan* shall
12 undertake his best efforts to cause a portion of any bonds issued pursuant
13 to Section 2 of Part VII of Chapter II of this Act (§22435, Title 5 Guam Code
14 Annotated), to be offered for sale to residents of Guam, if and to the extent
15 that such offer and any sales resulting from such offer do *not* increase the
16 costs to the government of Guam of issuing and repaying such bonds.

17 **Section 5. Approval of Bonds.** *I Liheslaturan Guåhan*, pursuant to
18 §50103(k), Title 12 Guam Code Annotated, hereby approves the issuance
19 and sale by the government of Guam of bonds for the purposes and in the
20 principal amounts *not* to exceed the purpose and limits set forth in Section
21 2 of Part VII of Chapter II of this Act; *provided* that the conditions to the
22 issuance of such bonds shall have been met, that such bonds have a final
23 maturity date *not later than* thirty (30) years after their date of issuance, that
24 the bonds bear interest at such rate and are sold for such price or prices as

1 shall result in a yield to the bondholders *not* exceeding seven and one-half
2 percent (7.5%) per annum, and that the bonds are issued and sold in the
3 manner, for the purposes and subject to the requirements and limitations
4 provided in §22435, Title 5 Guam Code Annotated. This approval
5 supersedes the approval contained in Public Law 27-19 and the terms and
6 conditions of Public Law 27-19 shall *not* apply.

7 **Section 6. Approval of Indenture.** The certificate pursuant to
8 which the bonds approved by Section 5, Part VII of Chapter II of this Act
9 shall be issued in substantially the form appended to this Act as
10 **Attachment A.** In accordance with Title 5 Guam Code Annotated §22435,
11 the terms and conditions of such bonds shall be as determined by *I*
12 *Maga'lahaen Guåhan*, and approved by *I Liheslaturan Guåhan*, by execution of
13 the certificate, subject to the requirements of said Section 2 and Section 4 of
14 Part VII of Chapter II of this Act.

15 **Section 7. Early Redemption of Bonds.** The Indenture described
16 in Section 6 of Part VII of Chapter II of this Act shall contain a provision
17 authorizing the Early Redemption of the Bonds described in Section 2 of
18 Part VII of Chapter II of this Act. Fifty percent (50%) of any amount in
19 excess of One Hundred Million Dollars (\$100,000,000) payable to the
20 Government of Guam by the Government of the United States pursuant to
21 Section 30 of the Organic Act, Title 48 U.S. Code §11421h, shall be used for
22 the Early Redemption of the Bonds described in this Act.

23 **Section 8. Bond Proceeds Not Subject to Transfer Authority.** The
24 proceeds of the bonds approved by §5 of Part VII of Chapter II of this Act

1 shall *not* be subject to any transfer authority of *I Maga'lahaen Guåhan*.

2 **Section 9. Financial Advisory Services Fee.** An amount equal to
3 fifty percent (50%) of the Financial Advisory Services Fee received by the
4 Guam Economic Development and Commerce Authority from the
5 refinancing of the Government of Guam General Obligation Bonds, 1993
6 Series A, shall be reserved for appropriation by *I Liheslaturan Guåhan* for
7 community and economic impact assessment required for the relocation of
8 U.S. Armed Services personnel to Guam.

9 **Section 10. School Capital Facilities Reserve Funds.** All lapses
10 resulting from savings made from the procurement of items as authorized
11 in Attachment B of Chapter II, Part VII of this Act shall revert to a School
12 Capital Facilities Reserve Fund. Any fees or charges required as a
13 consequence of the issuance of revenue bonds as authorized in Section 2 of
14 Chapter II, Part VII of this Act shall be paid from the proceeds of such
15 bonds. The Superintendent of Education is authorized to expend these
16 funds for capital expenses and capital improvement projects for the Guam
17 Public School System after giving ten (10) days written notice to the
18 Speaker of *I Liheslatura*. The Superintendent of Education shall provide a
19 breakdown of such expenditures to the Public Auditor within ten (10) days
20 of expending such funds. The Superintendent of Education shall publish
21 such reports on the Guam Public School System's website.

I MINA' BENTE OCHO NA LIHESLATURAN GUAHAN

2006 (SECOND) Regular Session

Date: 9/18/06

VOTING SHEET

Bill No. 266(ec)

Resolution No. _____

Question: _____

NAME	YEAS	NAYS	NOT VOTING/ ABSTAINED	OUT DURING ROLL CALL	ABSENT
AGUON, Frank B., Jr.	✓				
BROWN, Joanne M.S.	✓				
CALVO, Edward J.B.	✓				
CRUZ, Benjamin J.F.	✓				
CRUZ, Michael (Dr.)	✓				
FORBES, Mark	✓				
KASPERBAUER, Lawrence F.	✓				
KLITZKIE, Robert	✓				
LUJAN, Jesse A.	✓				
PALACIOS, Adolpho B.	✓				
RESPICIO, Rory J.	✓				
TENORIO, Ray	✓				
UNPINGCO, Antonio R.	✓				
WON PAT, Judith T.	✓				
TOTAL	<u>14</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

CERTIFIED TRUE AND CORRECT:

Patricia C. Sanborn
Clerk of the Legislature

* 3 Passes = No vote
EA = Excused Absence

Attachment A

OH&S Draft
7/17/2006

CERTIFICATE OF THE GOVERNOR OF GUAM
DETERMINING, SPECIFYING AND AUTHORIZING
CERTAIN MATTERS IN CONNECTION WITH
THE ISSUANCE OF CERTAIN
GOVERNMENT OF GUAM
GENERAL OBLIGATION BONDS,
2006 SERIES A

WHEREAS, pursuant to Section 22435 of Title 5 of the Guam Code Annotated (the "Act"), the Legislature of Guam has authorized the Governor of Guam (the "Governor") to issue one or more series of general obligation bonds for the purposes of refunding the Government of Guam General Obligation Bonds, 1993 Series A, and implementing certain Capital Projects, as that term is defined herein;

WHEREAS, the Legislature of Guam has, by P.L. No. _____ of the Twenty-Eighth Guam Legislature, 2006 (SECOND) Regular Session, approved the terms and conditions of the issuance of not to exceed _____ Dollars (\$_____) principal amount of Government of Guam General Obligation Bonds, 2006 Series A, the proceeds of which are to be used for such purposes;

WHEREAS, the Guam Economic Development Authority has approved the issuance and sale of said bonds as provided by the Act and by 12 Guam Code Annotated § 50103(k); and

WHEREAS, the Act authorizes the Governor to execute this certificate (this "Certificate") to determine certain matters with respect to the issuance of such bonds;

NOW, THEREFORE, I, Felix Perez Camacho, Governor of Guam, hereby certify as follows:

ARTICLE I

DEFINITIONS; CERTIFICATES

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Certificate, and of any certificate supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

Account

"Account" means each account established and given a designation pursuant to this Certificate or any Supplemental Certificate.

Accreted Value

"Accreted Value" means, with respect to any particular Bonds as of any given date of calculation, an amount equal to the sum of the principal amount of such Bonds plus accrued and unpaid

interest on such Bonds as of such date, but not including interest payable on a current basis at least annually.

Act

“Act” means Section 22435 of Title 5, Guam Code Annotated.

Annual Debt Service

“Annual Debt Service” means, for any Bond Year, the sum of (1) the interest falling due on then Outstanding Bonds (assuming that all then Outstanding Serial Bonds are retired on their respective maturity dates and that all then Outstanding Term Bonds are retired at the times of and in amounts provided for by the Mandatory Sinking Account Payments applicable to such Term Bonds), (2) the principal amount of then Outstanding Serial Bonds falling due by their terms, and (3) the aggregate amount of all Mandatory Sinking Account Payments required with respect to such Bonds; all as calculated for said Bond Year.

Authorized Officer

“Authorized Officer” of the Trustee means and includes the chairman of the board of directors, the president, every vice president, every trust officer and any other officer or assistant officer of the Trustee, other than those specifically above mentioned, designated by a certificate of an Authorized Officer of the Trustee, as an Authorized Officer for purposes of this Certificate.

Authorized Representative

“Authorized Representative” means the Governor or any other person or office designated and authorized as an Authorized Representative by a Statement of the Governor and filed with the Trustee.

Bond Counsel

“Bond Counsel” means, initially, Orrick, Herrington & Sutcliffe LLP, San Francisco, California. Any successor Bond Counsel thereto shall be an attorney or firm of attorneys having a national reputation for expertise in matters relating to governmental obligations, the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code, and familiar with the laws of Guam and procedures of the Government.

Bond Fund

“Bond Fund” means the fund by that name established pursuant to Section 5.01.

Bond Year

“Bond Year” means the period of twelve consecutive months ending on [November 15] in any year in which Bonds are or will be Outstanding.

Bonds, Serial Bonds, Term Bonds

“Bonds” means the Government of Guam General Obligation Bonds, 2006 Series A, authorized by, and at any time Outstanding pursuant to, this Certificate.

“Serial Bonds” means the Bonds, falling due by their terms on specified dates, for which no Mandatory Sinking Account Payments are provided.

“Term Bonds” means the Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

Business Day

“Business Day” means any day on which banks in the cities in which the Principal Offices of each Fiduciary are located are not required or authorized to close and on which the New York Stock Exchange is not closed.

Capital Projects

“Capital Projects” means capital projects to be implemented or equipped using bond proceeds, including: _____, and (___) any other projects approved by subsequent legislation.

Certificate, Order, Request, Requisition, or Statement of the Government

“Certificate,” “Order,” “Request,” “Requisition,” and “Statement” of the Government mean, respectively, a written certificate, order, request, requisition, or statement, executed by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

Code

“Code” means the Internal Revenue Code of 1986 or any similar or successor federal law, including any applicable regulations thereunder.

Construction Fund

“Construction Fund” means the fund by that name created pursuant to Section 3.03.

Costs of Issuance

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Government and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising costs, Bond and official statement printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee and the Depository, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

Depository

“Depository” means, with respect to the Construction Fund, [DEPOSITARY], a domestic banking corporation organized under the laws of Guam and authorized to do business within Guam, or its

successor, as Depository hereunder as provided in Section 8.01, and, with respect to any particular Fund or Account, any bank or trust company or other financial institution with similar powers designated by a Supplemental Certificate or a Statement of the Government to act as Depository hereunder for such Fund or Account and, in each case, its successors and assigns.

DTC

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

Event of Default

“Event of Default” means any of the events specified in Section 7.01.

Federal Securities

“Federal Securities” means (1) cash; (2) State and Local Government Series Securities issued by the United States Treasury; (3) United States Treasury bills, notes and bonds, as traded on the open market; and (4) zero coupon United States Treasury Bonds.

Fiduciaries

“Fiduciaries” means the Trustee, each Depository and each Paying Agent.

Fiscal Year

“Fiscal Year” means the period beginning on October 1 of each year and ending on the next succeeding September 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Government.

Fund

“Fund” means each fund established and given a designation pursuant to this Certificate or any Supplemental Certificate.

General Fund

“General Fund” means the fund by that name established by the Government.

Government

“Government” means the Government of Guam.

Governor

“Governor” means the Governor of Guam or any successor to the rights, powers and obligations thereof under the Act with respect to the Bonds.

Holder or Bondholder

“Holder” or “Bondholder” means the person in whose name a Bond is registered.

Independent

“Independent” means, when used with respect to any given Person, that such Person (who may be selected and paid by the Government) is acceptable to the Trustee and (1) is in fact independent and, not under domination of the Government; (2) does not have any substantial interest, direct or indirect, with the Government; and (3) is not connected with the Government as an officer or employee of the Government, but who may be regularly retained to provide services to the Government.

Interest Accrual Period

“Interest Accrual Period” means, for any particular Bond, each period between successive Interest Payment Dates for such Bond, including in each case in such period the concluding Interest Payment Date but not the beginning Interest Payment Date, and treating the date of original issuance of such Bond as if it were an Interest Payment Date for such Bond for this purpose.

Interest Payment Date

“Interest Payment Date” means, for any particular Bond, each date specified by this Certificate as an Interest Payment Date for such Bond.

Investment Securities

“Investment Securities” means any of the following which at the time are legal investments under the laws of the Government of Guam for moneys held hereunder and then proposed to be invested therein: means any of the following which at the time are legal investments under the laws of the Government of Guam for moneys held hereunder and then proposed to be invested therein: (1) obligations of, or guaranteed as to principal and interest by, the United States of America, or by any agency or instrumentality thereof hereinafter designated when such obligations are backed by the full faith and credit of the United States of America, limited to: U.S. Treasury obligations (all direct or fully guaranteed obligations); Farmers Home Administration certificates of beneficial ownership; General Services Administration participation certificates; U.S. Maritime Administration guaranteed Title XI financing; Small Business Administration guaranteed participation certificates or guaranteed pool certificates; Government National Mortgage Association guaranteed mortgage backed securities or participation certificates; U.S. Department of Housing & Urban Development local authority bonds; or Washington Metropolitan Area Transit Authority guaranteed transit bonds; (2) obligations of instrumentalities or agencies of the United States of America, specifically limited to: Federal Home Loan Mortgage Corporation participation certificates or debt obligations; Federal Home Loan Banks consolidated debt obligation or letter of credit backed issues; and Federal National Mortgage Association debt obligations or mortgage backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (3) Federal Housing Administration debentures; (4) commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated in the highest category by Standard & Poor's Corporation; (5) interest bearing demand or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or any national banking associations, the deposits of which are insured by the Bank Insurance Fund ("BIF") or the Savings Association Insurance Fund ("SAIF") of the Federal Deposit Insurance Corporation or any successors thereto, which (a) are continuously and fully insured by BIF or SAIF or (b) have maturities of less than 366 days and are deposited with banks the short term obligations of which are rated A-1+ by Standard and Poor's Corporation; (6) money market mutual funds or portfolios investing in short-term U.S. Treasury securities, or obligations secured by such securities, rated AAAM or AAAM-G by Standard & Poor's Corporation; and (7) any other investment permitted under the laws of Guam for which confirmation is received from each rating agency then rating the Bonds that such

investment will not adversely affect such agency's ratings on outstanding Bonds. Book-entry securities listed in clauses (1) and (2) of this definition must be held in a trust account with the Federal Reserve Bank or with a clearing corporation or chain of clearing corporations which has an account with the Federal Reserve Bank. Upon notice that the Standard & Poor's rating of the money market portfolio has dropped below AAA, the Trustee is required to immediately withdraw funds and reinvest in Investment Securities to the extent directed by the Government.

Legislature

“Legislature” means the Legislature of Guam or any successor to the rights, powers and obligations thereof under the Act with respect to the Bonds.

Mandatory Sinking Account Payment

“Mandatory Sinking Account Payment” means, as of any date of calculation with respect to any Bonds, the amount required by this Certificate to be paid by the Government on a given date for the retirement of Term Bonds.

Maximum Annual Debt Service

“Maximum Annual Debt Service” means, for any particular Bonds as of any date of calculation, Annual Debt Service on such Bonds for the Bond Year commencing on or after such date for which such sum shall be largest.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Government) selected by the Government. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.08) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Certificate except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Government shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.09; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds of the same maturity and tenor shall have been authenticated and delivered by the Trustee pursuant to this Certificate.

Participants

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Bonds as a securities depository.

Paying Agent

“Paying Agent” means any paying agent appointed by or pursuant to Section 8.06 and its successors and assigns as provided in said Section.

Person

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Principal Office

“Principal Office” means, with respect to the Trustee, the office of the Trustee in Los Angeles, California or, with respect to the transfer, registration, exchange and cancellation of Bonds, the office of the Trustee in St. Paul, Minnesota and with respect to the Depository for the Construction Fund, the office of the Depository in Hagåtña, Guam; in each case at such address as the respective party may have designated for such purpose.

Principal Payment Period

“Principal Payment Period” means the period beginning on the date of issuance of the Bonds and ending [November 15], 2007, and thereafter each period of twelve months ending on a [November 15].

Rebate Fund

“Rebate Fund” means the Fund by that name established pursuant to Section 5.01.

Record Date

“Record Date” means, for any particular payment of principal of or interest or premium on particular Bonds, each date specified as a Record Date for such Bonds by Section 2.02.

Redemption Price

“Redemption Price” means, with respect to any Bond (or portion thereof if less than all of a Bond is to be redeemed) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Certificate.

Representation Letter

“Representation Letter” means the letter of representations to DTC with respect to the Bonds, and any similar letter with respect to any Bonds to which the provisions of Section 2.10 are made applicable.

Sinking Accounts

“Sinking Accounts” means any special account or accounts established by this Certificate in the Bond Fund for the payment of Term Bonds.

Supplemental Certificate

“Supplemental Certificate” means any certificate hereafter duly authorized and executed by the Government, supplementing, modifying or amending this Certificate; but only if and to the extent that such Supplemental Certificate is specifically authorized hereunder.

Tax Certificate

“Tax Certificate” means a Certificate of the Government concerning the calculation of any amount to be paid to the United States of America pursuant to Section 148(f) of the Code and any other matters relating to the exclusion of interest on Bonds from gross income for federal income tax purposes.

Trustee

“Trustee” means [TRUSTEE], appointed by the Government and acting as an independent trustee hereunder with the duties and powers herein provided, and any other corporation or association which may at any time be substituted in its place as such trustee, as provided in Section 8.01.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Certificate with respect to compliance with any provision hereof, including each Certificate of the Government, shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter referred to in such instrument; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Government may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such officer knows, or in the exercise of reasonable care should know, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Government) upon a certificate or opinion of or representation by an officer of the Government, unless such counsel or accountant knows, or in the exercise of reasonable care should know, that the certificate or opinion or representation with respect to the matters upon which such officer's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Government or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Certificate, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.03. Equal Security. In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Certificate shall be deemed to be and shall constitute a contract between the Government and the Holders from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Government shall be for the equal and proportionate benefit, security and protection of all Holders of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of issue, sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds. The Bonds to be issued hereunder are designated as the "Government of Guam General Obligation Bonds, 2006 Series A." The aggregate principal amount of Bonds which may be issued and Outstanding under this Certificate shall not exceed _____ Dollars (\$_____).

Section 2.02. Terms of the Bonds. (A) The Bonds shall be dated _____, 2006, and interest thereon shall be payable on [May 15] and [November 15] in each year, commencing [May 15, 2007] (each an "Interest Payment Date"). The Bonds shall be issued only in fully registered form in denominations of \$5,000 or any integral multiple thereof, shall mature on the following dates in the following amounts and shall bear interest at the following rates per annum:

<u>Maturity Date</u> <u>([November 15])</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
	\$.	%

[The Bonds maturing on November 15, 2007 through November 15, 20__ are Serial Bonds, and the Bonds maturing on November 15, 20__ and 20__ are Term Bonds.] The Record Date for scheduled payments of principal of and interest on the Bonds is the first (1st) day of the calendar month in which each such payment is due, whether or not such first day is a Business Day.

(B) The Bonds and the form of Trustee's certificate of authentication and registration to appear thereon shall be in substantially the respective forms set forth in Exhibit A hereto, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Certificate. Any portion of the text of any Bond may be printed on the back of such Bond and there may be inserted, in place of such text, a legend to the following effect: "Reference is hereby made to the further provisions of this Bond set forth on the back hereof and such further provisions are hereby incorporated by reference as if set forth here."

Each Bond shall bear interest, computed on the basis of a 360-day year of twelve 30-day months, from the Interest Payment Date next preceding the date of registration thereof unless it is registered as of a day after a Record Date and on or before the related Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is registered on or before the Record Date for the first Interest Payment Date, in which event it shall bear interest from its date; provided, however, that if, at the time of registration of any Bond, interest is in default on Outstanding Bonds, such Bond shall bear interest from the date to which interest has previously been paid or made

available for payment on the Outstanding Bonds. Payment of the interest on any Bond shall be made to the person whose name appears on the bond registration books of the Trustee as the registered owner thereof as of the close of business on the Record Date immediately preceding an Interest Payment Date, such interest to be paid by check or draft mailed by first class mail to such registered owner at such registered owner's address as it appears on such registration books. The principal or Redemption Price of the Bonds shall be payable in lawful money of the United States of America upon surrender thereof at the Principal Office of the Trustee. Upon the written request of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds received prior to the applicable Record Date, payment of interest on and principal (including Redemption Price) of such Bonds shall be made by wire transfer from the Trustee to the registered owner of such Bonds. Any such principal payment by wire transfer shall nevertheless be subject to prior surrender of the Bonds with respect to which such payment is made. Each payment of interest or principal on 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).

The Bonds of each maturity shall be assigned a number in consecutive numerical order from 1 upwards, and shall be assigned a letter in consecutive alphabetical order within such maturity from "A" onward (excepting therefrom the letters "I" and "O").

(C) The Bonds shall be subject to redemption as provided in Article IV.

Section 2.03. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Government with the manual or facsimile signatures of the Governor of Guam, the Lieutenant Governor and the Director of Administration under its seal. Such seal may be in the form of a facsimile of the Government's seal and may be reproduced, imprinted or impressed on the Bonds. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Government before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee or issued by the Government, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Government as though those who signed and attested the same had continued to be such officers of the Government, and also any Bond may be signed and attested on behalf of the Government by such persons as at the actual date of execution of such Bond shall be the proper officers of the Government although at the nominal date of such Bond any such person shall not have been such officer of the Government.

Only such of the Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Certificate, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Certificate.

Section 2.04. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.06, upon surrender of such Bond for cancellation at the Principal Office of the Trustee, accompanied by a written instrument of transfer, duly executed, by the person in whose name it is registered, in person or by such registered owner's duly authorized attorney, in a form approved by the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Government shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity and tenor, of any authorized denomination or denominations and for the aggregate principal amount of such Bond or Bonds then remaining Outstanding, to the transferee in exchange therefor. The Trustee shall

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+ Reyes Supt.
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Felix Calvo

require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer or exchange of any Bond shall be required to be made during the five days next preceding any date established by the Trustee for the selection of Bonds for redemption or at any time after selection of such Bond for redemption.

Section 2.05. Exchange of Bonds. Any Bonds may, in accordance with their terms, be exchanged, at the Principal Office of the Trustee for a new Bond or Bonds of the same Maturity and tenor, of any authorized denomination or denominations and for the aggregate principal amount of such Bond or Bonds then remaining Outstanding. The Trustee shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Section 2.06. Bond Register. The Trustee will keep or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds, which shall at all times during regular business hours with reasonable prior notice be open to inspection by the Government; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

Section 2.07. Ownership of Bonds. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal and Redemption Price of, and the interest on, any such Bond, shall be made only to or upon the order of the registered owner thereof or such registered owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond including the interest thereon to the extent of the sum or sums so paid.

Section 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Government, shall be in registered form without coupons and may contain such reference to any of the provisions of this Certificate as may be appropriate. Every temporary Bond shall be executed by the Government and be authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Government issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of the same Maturity and tenor and of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Certificate as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Government, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and destroyed. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Government and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to both shall be given, the Government, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen, except that such number may be preceded by a distinguishing prefix (or if any such Bond shall have

matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof). The Government may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Government and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Government whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Certificate with all other Bonds secured by this Certificate. Neither the Government nor the Trustee shall be required to treat both the original Bond and any substitute Bond as being Outstanding for the purpose of determining the Accreted Value of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and substitute shall be treated as one and the same.

Section 2.10. Book-entry System. Notwithstanding any of the other provisions of this Article II to the contrary, the Bonds shall be initially issued in the form of a separate single fully registered Bond for each maturity; the ownership of the Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC and the Bonds shall be governed by the provisions of this Section.

(A) Except as provided in this paragraph and in paragraph (C) of this Section, all of the Outstanding Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC. With respect to the Bonds registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, the Government, the Trustee and the Depository shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Government, the Trustee, the Trustee and the Depository shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Trustee of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Trustee of any amount with respect to principal of or interest on the Bonds. The Government, the Trustee and the Depository may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and interest on the Bonds only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Trustee as provided in Section 2.06, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Government's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Bondholder, as shown in the registration books kept by the Trustee, shall receive a certificated Bond evidencing the obligation of the Government to make payments of principal and interest pursuant to this Certificate. Upon delivery by DTC to the Government or the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the words "Cede & Co." in this Certificate shall refer to such new nominee of DTC.

(B) The delivery of any representation letter or other instrument by the Government to DTC shall not in any way limit the provisions of paragraph (A) of this Section or in any other way impose upon the Government any obligation whatsoever with respect to persons having interests in the

Bonds other than the Bondholders, as shown on the registration books kept by the Trustee. The Trustee shall take all action necessary for all representations of the Government in the Representation Letter with respect to the Trustee to at all times be complied with.

(C) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Government or the Trustee and discharging its responsibilities with respect thereto under applicable law. The Government, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds. Upon the discontinuance or termination of the services of DTC with respect to the Bonds, unless a substitute securities depository is appointed to undertake the functions of DTC hereunder, the Government is obligated to deliver Bond certificates at the expense of the beneficial owners of the Bonds, as described in this Certificate, and the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Certificate.

(D) Notwithstanding any other provision of this Certificate to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in any agreement between the Government and DTC. Bondholders shall have no lien or security interest in any rebate or refund paid by DTC to the Trustee which arises from the payment by the Trustee of principal of or interest on the Bonds in immediately available funds to DTC.

ARTICLE III

ISSUE OF BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance, Sale and Delivery of Bonds. Upon the sale and execution thereof by the Government, the Trustee shall authenticate and, upon receipt by the Trustee, as applicable, of the proceeds thereof, deliver, to or upon the Order of the Government, Bonds in the aggregate principal amount of \$[PAR AMOUNT].

Section 3.02. Application of Proceeds of Bonds and Other Amounts. (A) The proceeds received from the issuance and sale of the Bonds shall be deposited in trust with the Trustee and the Depository, as applicable, who shall forthwith set aside such proceeds in the following respective funds, as directed by a Request of the Government:

(1) The Trustee shall transfer \$_____ of such proceeds to the escrow agent for the Government of Guam General Obligation Bonds, 1993 Series A; and

(2) The Trustee, acting as Depository, shall deposit the balance of such proceeds in the amount of \$_____ in the Construction Fund.

Section 3.03. Establishment and Application of Construction Fund. The Depository shall establish and maintain and hold in trust a separate fund designated as the "Construction Fund." Amounts in the Construction Fund shall be used and withdrawn, as provided in this Section, solely for (1) implementing Capital Projects pursuant to the Act, (2) the payment of Costs of Issuance, and (3) the payment of principal of and interest on the Bonds in the manner and to the extent provided in Section [5.08]. The Depository shall disburse moneys in the Construction Fund only upon Requisition of the Government (except for the payment of principal and interest on the Bonds which shall be made as

provided in Section 5.05 hereof) stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper and lawful charge against said fund. Upon receipt of a Certificate of the Government that amounts in said fund are no longer required for the purpose of said fund, said amounts shall be transferred to the General Fund.

Section 3.04. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Government, the Trustee or the Depository with respect to the application of the proceeds of the Bonds. The recital contained in the Bonds that the same are issued pursuant to the laws of the Government of Guam, including the Act, shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption. (A) Optional Redemption. The Bonds maturing on or after [November 15], 20__ are subject to redemption prior to their respective stated maturities, at the option of the Government, from any source of available funds, on any date on or after [November 15], 20__, as a whole, or in part, by lot, at a Redemption Price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption.

The option of the Government under this Section 4.01(A) may only be exercised by depositing with the Trustee, prior to the giving of notice of such redemption pursuant to Section [4.03], Federal Securities sufficient in amount and maturing in a timely manner to provide for such redemption. The Government shall notify the Trustee in writing at least 60 days prior to the date to be fixed for redemption of its intention to exercise its redemption option.

(B) Mandatory Sinking Account Redemption. The Bonds maturing on [November 15], 20__ are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established for such maturity in Section 5.03(C), on each [November 15], on or after [November 15], 20__, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

(C) Special Redemption. The Bonds maturing on or after [November 15], 20__ are also subject to redemption prior to their stated maturities, at the option of the Government, from fifty percent (50%) of any amount in excess of One Hundred Million Dollars (\$100,000,000) received as revenues payable to the Government by the Government of the United States pursuant to Section 30 of the Organic Act of Guam, 48 U.S.C. § 41421h, on any date on or after [November 15], 20__, as a whole, or in part, by lot, at a Redemption Price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the date fixed for redemption.

Section 4.02. Selection of Bonds for Redemption. For purposes of selecting Bonds for redemption, Bonds shall be deemed to be composed of \$5,000 portions, and any such portion may be separately redeemed. The Trustee shall promptly notify the Government in writing of the Bonds or portions thereof selected for redemption. In the event that less than all of the Bonds of any maturity are to be redeemed, the Bonds (or portions thereof) to be redeemed shall be selected by the Trustee by lot within a maturity in such manner as the Trustee may determine and the amount of each maturity of the Bonds to be redeemed shall be determined by Request of the Government.

Section 4.03. Notice of Redemption. Notice of redemption (except as provided below) shall be given by the Trustee, not less than thirty (30) nor more than sixty (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 Trustee on the date the Bonds to be redeemed are selected. Each notice of redemption shall state the redemption date, the place or places of redemption, any conditions to such redemption, the maturities to be redeemed, and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered, with a written instrument of transfer duly executed by the registered owner thereof or by such registered owner's attorney duly authorized in writing. No defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for redemption of such Bonds. Each notice of redemption shall also state the CUSIP number, date of issue and interest rate on each Bond, or portion thereof, to be redeemed, and shall include the redemption agent name and address with contact person and telephone number; provided, however, that failure to include any of such information in any redemption notice, or any inaccuracy in any such information, shall not affect the sufficiency of the proceedings for redemption of any Bonds.

A copy of any notice of redemption given pursuant to the foregoing paragraph shall also be sent by overnight delivery or certified mail, with return receipt requested, to the holders of \$1,000,000 or more in aggregate principal amount of Bonds to be redeemed and to each of the Fiduciaries, the Securities Depositories (as defined below) and two or more Information Services (as defined below), and shall be published at least once in a financial newspaper or journal circulated in Agana, Guam; provided, however, that failure to give notice pursuant to this sentence by first class mail to any Bondholders, to any Fiduciaries, to any Securities Depositories or Information Services, or to publish such notice, or the insufficiency of any such notices, shall not affect the sufficiency of the proceedings for redemption of any Bonds. A second notice shall be sent, by certified mail with return receipt requested, to the registered owner of any Bond which has been called for redemption in whole or in part, and is not surrendered for payment within sixty (60) days after the date fixed for redemption; provided, however, that failure to send any such second notice, or any deficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption of any Bonds. As used in this paragraph, the term "Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, and/or such other services providing information with respect to called bonds, or no such services, as the Government may designate in a Certificate delivered to the Trustee; and the term "Securities Depositories" means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190 or, in accordance with then-current guidelines of the Securities and Exchange Commission, and/or such other securities depositories, or no such depositories, as the Government may designate in a Certificate delivered to the Trustee.

Notice of redemption of Bonds shall be given by the Trustee for and on behalf of the Government.

The Government may, at its option, prior to the date fixed for redemption, rescind and cancel such notice of redemption.

Section 4.04. Partial Redemption. Upon surrender of any Bond redeemed in part only, the Government shall execute and the Trustee shall authenticate and deliver to the registered owner thereof, at the expense of the Government, a new Bond or Bonds of authorized denominations, and of the same Maturity and tenor, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys being held by the Trustee or any Paying Agent for payment of the Redemption Price of, and interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption on the redemption date designated in such notice shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Certificate, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

All Bonds purchased or redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof and destroyed.

ARTICLE V

FUNDS

Section 5.01. Establishment of Funds. (A) The Depository shall establish, maintain and hold in trust the Construction Fund as provided in Section [3.03].

(B) The Trustee shall establish and maintain the following funds:

- (1) the Bond Fund; and
- (2) the Rebate Fund.

(C) All moneys at any time deposited with the Trustee or the Depository, as the case may be, shall be held by the Trustee or the Depository, as the case may be, in trust for the benefit of the Holders at any time of the Bonds, except that the Rebate Fund shall be held for the benefit of the United States Government, and the Government shall have no beneficial right or interest in any of such moneys, except as in this Certificate provided.

Section 5.02. Periodic Deposits into Funds. On or before the fifth day of each calendar month, beginning _____, 2006, the Government shall deposit into the Bond Fund held by the Trustee, an amount equal to the amount necessary to increase the amount in the Bond Fund to the aggregate amount for all Outstanding Bonds of all unpaid interest, principal and Mandatory Sinking Account Payments which shall be required to have been transferred to the Bond Fund on the basis of the following transfer requirement rules:

- (1) the amount of interest payable on each Bond on a current un compounded basis on any Interest Payment Date shall be transferred in equal monthly amounts over the Interest Accrual Period for such Bond ending on such Interest Payment Date (or in the case of Variable Rate Bonds, the amount of interest that would have accrued during the next preceding

calendar month if such Bonds had borne interest at the maximum rate, less any excess deposited for the next preceding calendar month);

(2) the amount of interest payable on each Bond on a deferred compounded basis on any Interest Payment Date shall be transferred in equal monthly amounts over the Principal Payment Period for such Bond ending on the maturity date for such Bond;

(3) the amount of the principal of each Bond shall be transferred in equal monthly amounts over the Principal Payment Period for such Bond ending on the maturity date for such Bond; and

(4) the amount of each Mandatory Sinking Account Payment for Bonds shall be transferred in equal monthly amounts over the Principal Payment Period for such Bonds ending on the date such Mandatory Sinking Account Payment is due.

Section 5.03. Application of Bond Fund. (A) All amounts in the Bond Fund shall be used and withdrawn by the Trustee solely for the purpose of (1) paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Certificate), (2) paying the principal of the Serial Bonds when due and payable, and (3) purchasing or redeeming or paying at maturity the Term Bonds as provided in this Section.

(B) On each Mandatory Sinking Account Payment date, the Trustee shall apply the Mandatory Sinking Account Payment or Payments required on that date to the redemption (or payment at maturity, as the case may be) of the applicable Term Bonds upon the notice and in the manner provided in Article IV. At any time prior to giving such notice of such redemption, the Trustee, upon the Request of the Government, shall apply moneys in the Bond Fund, in an amount not in excess of such Mandatory Sinking Account Payment, to the purchase of the applicable Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges) as are specified in such Request, except that the purchase price (excluding accrued interest) shall not exceed the price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment.

(C) Subject to the terms and conditions hereinbefore set forth in this Section and in Section 4.01(B), Term Bonds maturing [November 15], 20__, shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments for such Term Bonds, in the amounts (after giving effect to the credits provided for in this Section) and on [November 15] in the years set forth below:

Year

Principal Amount

\$

*Maturity

(D) Upon the redemption of Term Bonds pursuant to Section 4.01(A), the principal amount of such Bonds shall be credited against remaining Mandatory Sinking Account Payments as provided in Section 4.02, treating Mandatory Sinking Account Payments as if they were maturities and given that Mandatory Sinking Account Payments shall remain as integral multiples of \$5,000. If, (1)

during the twelve-month period immediately preceding a Mandatory Sinking Account Payment date the Trustee purchases the applicable Term Bonds with moneys in the Bond Fund, or (2) during said period and prior to giving said notice of redemption the Government otherwise deposits the applicable Term Bonds with the Trustee (together with a Request of the Government to apply such Bonds so deposited to the Mandatory Sinking Account Payment due on said date), the amount of Bonds so purchased or deposited or redeemed shall be credited at the time of such purchase or deposit, to the extent of the full principal amount thereof, to reduce such Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be cancelled and destroyed.

Section 5.04. Rebate Fund.

(A) There shall be deposited in the Rebate Fund from lawfully available moneys such amounts as are required to be deposited therein pursuant to the Tax Certificate with respect to the Bonds. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the 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 Rebate Fund shall be governed exclusively by this Section and by the Tax Certificate (which is incorporated herein by reference).

In the event that the amount in the Rebate Fund exceeds the Rebate Requirement, upon the Request of the Government, the Trustee shall transfer the excess from the Rebate Fund to the Bond Fund.

(B) Notwithstanding any provisions of this Section, if the Government 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 the Bonds, the Trustee and the Government may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding Article IX hereof, the covenants hereunder shall be deemed to be modified to that extent.

Section 5.05. Deficiencies in Bond Fund; General Obligation Relating to the Bonds.

In the event that on the fifth (5th) day before any Interest Payment Date, or if any such day is not a Business Day, on the next preceding Business Day, the amount in the Bond Fund is insufficient to pay the principal of, Mandatory Sinking Account Payments for and interest on the Bonds due on the next succeeding Interest Payment Date, the Depository upon the direction of the Trustee shall transfer to the Bond Fund the amount of such deficiency by withdrawing said amount from the Construction Fund.

Section 5.06. Investment of Moneys in Funds. All moneys in the funds and accounts established pursuant to this Certificate shall be invested by the Trustee or the Depository, as the case may be, solely in Investment Securities to maximize investment income, with proper regard for the preservation of principal, pursuant to a Request of the Government as to such investment. All Investment Securities and any other investments acquired with moneys held hereunder shall be acquired subject to the limitations set forth in Section 6.06, to the limitations as to maturities hereinafter in this Section set forth and to such additional limitations or requirements consistent with the foregoing as may be established by Request of the Government. No Investment Security which is subject to redemption at the option of the issuer may be purchased at a premium above the amount of the premium payable upon any such redemption.

Moneys in all funds and accounts established under this Certificate shall be invested in securities paying interest and maturing not later than the dates on which it is estimated that such moneys will be required by the Trustee or the Depository.

All interest and other profit derived from the investment of amounts in each fund shall be deposited at least monthly in such fund. Investments acquired as an investment of moneys in any fund established under this Certificate shall be credited to such fund. For the purpose of determining the amount in any fund or account, the amount of any obligation allocable to such fund or account shall be equal to the purchase price of such obligation (not including accrued interest, if any, paid on the purchase of such obligation) plus the amount of any discount below par accounting for any such discount ratably each year over the term of such obligation (i.e., by dividing the amount of such discount by the number of interest payments remaining to maturity and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of purchase) (in this Section called "amortized value").

The Trustee or the Depository may sell at the best price obtainable, or present for redemption, any investment securities so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such investment security is credited, and neither the Trustee nor the Depository shall be liable or responsible for any loss resulting from such investment.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The Government shall punctually pay or cause to be paid the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Certificate.

Section 6.02. Extension of Payment of Principal and Interest on the Bonds. The Government shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds, or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Certificate, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Government to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 6.03. Power to Issue Bonds. The Government represents and warrants that it is duly authorized pursuant to law to issue the Bonds and to enter into this Certificate in the manner and to the extent provided in this Certificate. The Bonds and the provisions of this Certificate are and will be the valid and binding general obligations of the Government in accordance with their terms, and the Government, the Trustee and the Depository shall at all times, to the extent permitted by law, defend, preserve and protect all the rights of the Bondholders under this Certificate against all claims and demands of all persons whomsoever.

Section 6.04. Accounting Records and Financial Statements. The Government shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions relating to the proceeds of Bonds and all funds and accounts

established pursuant to this Certificate. Such books of record and account shall be available for inspection by the Trustee or the Depository, as the case may be, and, with respect to such books of record and account maintained by the Trustee and the Depository, by the Government or any Bondholder or agent or representative thereof duly authorized in writing, at reasonable hours and under reasonable circumstances.

The Government shall file with the Trustee and the Depository, and furnish to each major national investment rating service which initially rated the Bonds and to each Bondholder who shall have filed a name and address with the Government or the Trustee for such purpose, within one year after the close of each Fiscal Year so long as any of the Bonds are Outstanding (commencing with the Fiscal Year ending September 30, 2007), complete financial statements with respect to the General Fund and all funds established pursuant to this Certificate, prepared in accordance with generally accepted accounting principles for governmental entities, covering receipts, disbursements, allocation and application of all revenues of the General Fund for such Fiscal Year, including a statement of revenues, expenditures and fund balances (covering all of the funds established pursuant to this Certificate), balance sheet and statement of changes in financial position.

Section 6.05. Maintenance of Powers. The Government shall at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the observance of any of the covenants herein contained.

Section 6.06. Tax Covenants. (A) The Government shall not use or permit the use of any proceeds of the Bonds or any other funds of the Government, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Government in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, to be "federally insured or guaranteed" within the meaning of Section 149(b) of the Code or to be a "private activity bond" within the meaning of Section 141(a) of the Code.

(B) The Government shall at all times do and perform all acts and things permitted by law and this Certificate which are necessary or desirable in order to assure that interest paid on the Bonds (or on any of them) shall be exempt from federal income taxes.

Section 6.07. Compliance with Certificate, Contracts, Laws and Regulations. The Government shall faithfully observe and perform all the covenants, conditions and requirements of this Certificate, shall not issue any Bonds in any manner other than in accordance with this Certificate, and shall not take any action that would permit any default to occur hereunder, or do or permit to be done, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to this Certificate. Subject to the limitations and consistent with the covenants, conditions and requirements contained in this Certificate, the Government shall comply with the terms, covenants and provisions, express or implied, of all contracts concerning or affecting the application of proceeds of Bonds. The Government shall comply promptly, fully and faithfully with and abide by any statute, law, ordinance, order, rule or regulation, judgment, decree, direction or requirement now in force or hereafter enacted, adopted, prescribed, imposed or entered by any competent governmental authority or agency applicable to or affecting the Bonds.

Section 6.08. Nature of Obligation. The Bonds shall constitute the valid and binding general obligations of the Government, and the Government pledges its full faith and credit for the punctual payment of principal and interest of the Bonds.

Section 6.09. Collection of General Fund Revenues. There shall be collected annually in the same manner and at the same time as Government revenues for other purposes are collected, such sum as is required to pay the principal of, and Mandatory Sinking Account Payments and interest on, the Bonds. All officers charged by law with any duty in the collection of Government revenues shall do every lawful thing necessary to collect such sum.

Section 6.10. Waiver of Laws. The Government shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements contained in this Certificate or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Government to the extent permitted by law. The Government shall not claim, and hereby waives any claim to, sovereign immunity from any suit or other action that may be brought under this Certificate or upon the Bonds.

Section 6.11. Further Assurances. The Government will make, execute and deliver any and all such further certificates, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Certificate and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Certificate.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

Section 7.01. Events of Default. The following events shall be Events of Default:

(A) default by the Government in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise; default by the Government in the redemption from any Mandatory Sinking Account Payment of any Term Bonds in the amounts and at the times provided therefor; or default by the Government in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(B) default by the Government in the observance of any of the covenants, agreements or conditions on its part in this Certificate or in the Bonds contained, other than as described in clause (A), if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Government by the Trustee, or to the Government or the Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(C) the assumption, under the provisions of any law relating to bankruptcy or insolvency or any similar law relating to creditor's rights, by any court of competent jurisdiction, of custody or control of the Government or of the whole or any substantial part of its property, if such custody or control is not terminated or stayed within sixty (60) days from the date of assumption of such custody or control.

Section 7.02. Acceleration of Maturities. If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the Government to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such

declaration the same shall become and shall be immediately due and payable, anything in this Certificate or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Government shall deposit with the Trustee a sum sufficient to pay all the principal or Redemption Price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Government and to the Trustee, or the Trustee, may, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Funds After Default. If an Event of Default shall occur and be continuing, all moneys then held or thereafter received by the Trustee or the Depository under any of the provisions of this Certificate (subject to Section 11.10) shall be under the control of and applied by the Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and payment of reasonable charges and expenses of the Trustee and the Depository (including reasonable fees and disbursements of their respective counsel) incurred in and about the performance of their respective powers and duties under this Certificate;

(B) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Certificate (including Section 6.02), as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the persons entitled thereto, without any discrimination or preference.