

In the opinion of Ballard Spahr LLP, Bond Counsel to the Issuer, interest on the Series 2015A Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2015A Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax ("AMT"); however interest paid to corporate holders of the Series 2015A Bonds may be indirectly subject to alternative minimum tax under circumstances described under "TAX MATTERS" herein. Interest on the Series 2015C Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel is also of the opinion that, under 48 U.S.C. 1670(b)(1), the interest on the Series 2015A Bonds is exempt from taxation by the Territory and the governments of any of the several states of the United States, the District of Columbia, any territory or possession of the United States, and any subdivision thereof; provided, however, that the foregoing exemption does not apply to gift, estate, inheritance, legacy, succession, or other wealth transfer taxes.



**AMERICAN SAMOA
ECONOMIC DEVELOPMENT AUTHORITY**

\$44,195,000

**GENERAL REVENUE AND REFUNDING BONDS
SERIES 2015A (TAX-EXEMPT)**

\$11,720,000

**GENERAL REVENUE AND REFUNDING BONDS
SERIES 2015C (FEDERALLY TAXABLE)**

Dated: Date of Delivery

Due: September 1, as shown on the inside cover

The \$44,195,000 General Revenue and Refunding Bonds, Series 2015A (Tax-Exempt) and the \$11,720,000 General Revenue and Refunding Bonds, Series 2015C (Federally Taxable) are issued by the American Samoa Economic Development Authority, a body corporate and politic and a governmental agency of the Territory of American Samoa, as fully registered bonds, and when initially issued, will be registered in the name of Cede & Co., as nominee of DTC, New York, New York, which will act as securities depository for the Series 2015 Bonds. Purchases of Series 2015 Bonds will be made in book-entry form only, in the principal amount of \$100,000 or any integral multiple of \$5,000 in excess thereof. Interest on the Series 2015 Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2016, by U.S. Bank National Association, as Paying Agent, all as more fully described herein. Payment of the principal of and interest on such Series 2015 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE SERIES 2015 BONDS—Book-Entry Only System" herein.

The Series 2015 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2015 BONDS—Redemption Provisions" herein.

The proceeds of the Series 2015 Bonds will be used by the Issuer for the purpose of (i) financing the costs of acquisition and construction of various capital projects and acquisitions in the Territory; (ii) refunding certain outstanding obligations of the Territory; (iii) funding deposits to debt service reserve accounts; and (iv) paying the costs of issuance of the Series 2015 Bonds.

The Series 2015 Bonds are payable from the Revenues, moneys, securities and certain funds and accounts pledged therefor in the Indenture between the Issuer and U.S. Bank National Association, as Trustee. The Revenues consist of revenues generated from the imposition of the Pledged Taxes, all net revenues from Projects financed with the Bonds, and all revenues from any other source of funds legally available to the Issuer to pay debt service on the Series 2015 Bonds. While the Revenues from the Pledged Taxes are specifically pledged to and are the main source of debt service payments on the Series 2015 Bonds, the full faith, credit and resources of the Territory are pledged for the full and prompt payment of the principal of and interest on the Series 2015 Bonds as the same become due and payable. The Series 2015 Bonds are not secured by a pledge of any ad valorem taxing power as the Territory does not levy property tax. Neither the Territory nor the Issuer will mortgage or grant any security interest in the improvements financed or refinanced with the proceeds of the Series 2015 Bonds or any portion thereof to secure payment of the Series 2015 Bonds. See "SECURITY FOR THE BONDS" herein.

EACH PURCHASER OF THE SERIES 2015 BONDS IS REQUIRED TO BE EITHER A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("THE SECURITIES ACT"), OR AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT. SEE "NOTICE TO INVESTORS" CONTAINED HEREIN AND THE SECTION ENTITLED "THE SERIES 2015 BONDS—PURCHASE AND TRANSFER RESTRICTIONS."

The Series 2015 Bonds are offered when, as and if issued by the Issuer and subject to the approval of their legality by Ballard Spahr LLP, Bond Counsel to the Issuer. Certain matters relating to disclosure will be passed upon for the Issuer by Ballard Spahr LLP, as disclosure counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by Talauega Eleasalo Ale, Territory Attorney General. The Underwriters are being represented by their counsel, Chapman and Cutler LLP. Lewis Young Robertson & Burningham, Inc. has acted as municipal advisor to the Issuer in connection with the issuance of the Series 2015 Bonds. It is expected that the Series 2015 Bonds, in book-entry only form, will be available for delivery to DTC or its agent on or about August 27, 2015.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision. This Limited Offering Memorandum is dated August 21, 2015, and the information contained herein speaks only as of that date.

George K. Baum & Company

KeyBanc Capital Markets Inc.

AMERICAN SAMOA ECONOMIC DEVELOPMENT AUTHORITY

**\$44,195,000
GENERAL REVENUE AND REFUNDING BONDS
SERIES 2015A (TAX-EXEMPT)**

MATURITIES, AMOUNTS, INTEREST RATES, AND PRICES

\$6,000,000 6.250% Term Bond Due September 1, 2029; Price 100% CUSIP[†] 02936T AA9

\$38,195,000 6.625% Term Bond Due September 1, 2035; Price 100% CUSIP[†] 02936T AB7

**\$11,720,000
GENERAL REVENUE AND REFUNDING BONDS
SERIES 2015C, (FEDERALLY TAXABLE)**

MATURITY, AMOUNT, INTEREST RATE, AND PRICE

\$11,720,000 7.500% Term Bond Due September 1, 2027; Price 100% CUSIP[†] 02936T AD3

[†] The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Series 2015 Bonds. None of the Issuer, the Territory, the Trustee or the Underwriters is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to its correctness on the particular Series 2015 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

The information set forth herein has been obtained from the Issuer, the Territory, DTC, and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or the Territory, or in any other information contained herein since the date hereof.

No dealer, broker, salesman or any other person has been authorized by the Issuer, the Territory or the Underwriters to give any information or to make any representations, other than those contained in this Limited Offering Memorandum, in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon. This Limited Offering Memorandum does not constitute an offer to sell or solicitation of an offer to buy nor shall there be any sale of the Series 2015 Bonds by any person in any jurisdiction in which it is unlawful for such offer, solicitation or sale.

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Forward-looking statements are included (among other places) in the Limited Offering Memorandum under the captions “PLAN OF REFUNDING,” “ESTIMATED SOURCES AND USES OF FUNDS,” “SECURITY FOR THE BONDS—Future Pledged Taxes Debt Plans,” and “RISK FACTORS – Revenue Projections.” The forward-looking statements in this Limited Offering Memorandum are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

The Underwriters have provided the following sentence for inclusion in this Limited Offering Memorandum:

The Underwriters have reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

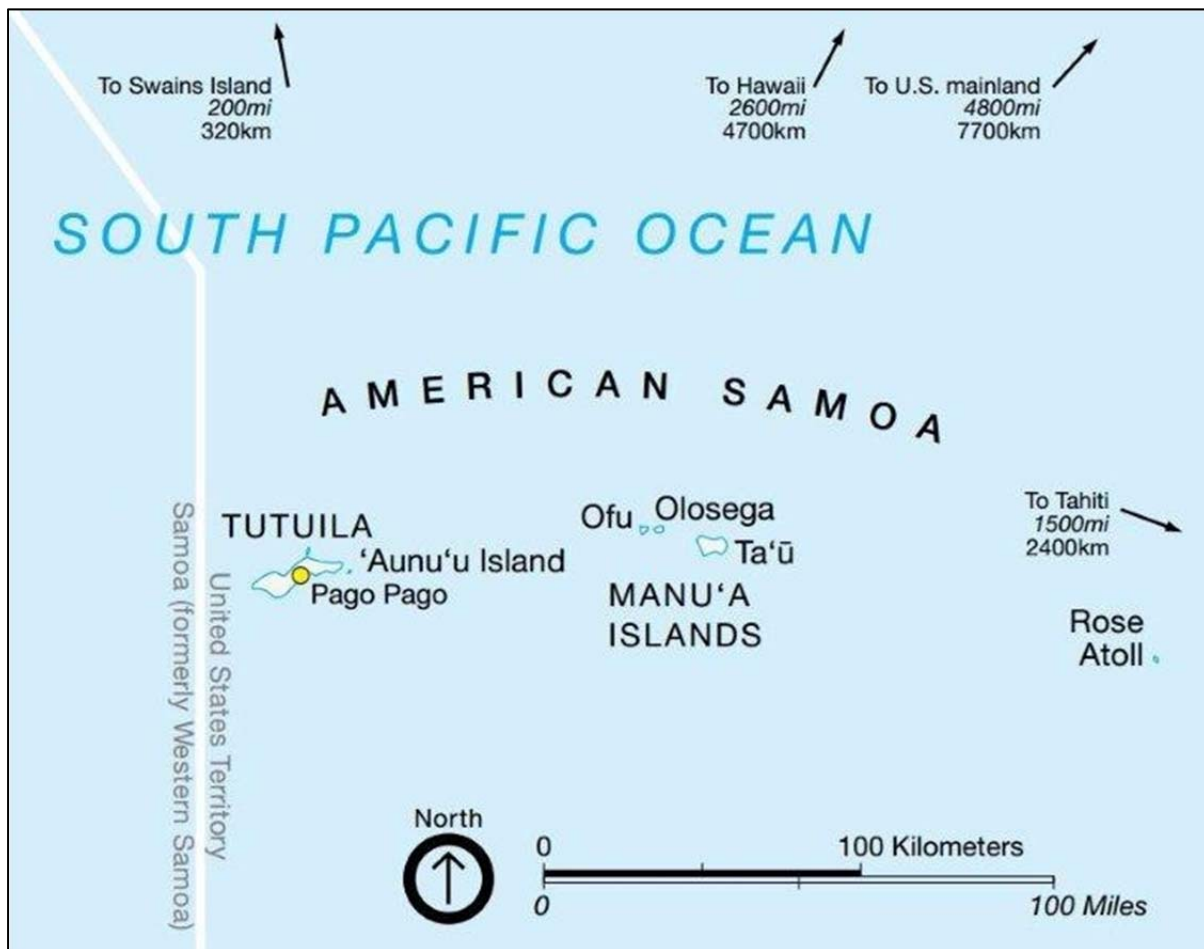
The yields at which the Series 2015 Bonds are offered to the public may vary from the initial reoffering yields on the inside front cover page of this Limited Offering Memorandum. In connection with this offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect market prices of the Series 2015 Bonds. Such transactions, if commenced, may be discontinued at any time.

The Territory maintains a website; however, the information presented there is not a part of this Limited Offering Memorandum and should not be relied upon in making an investment decision with respect to the Series 2015 Bonds.

Initial purchasers of the Series 2015 Bonds will be required to deliver an executed investor letter, a copy of which is attached as APPENDIX G to this Limited Offering Memorandum. Purchasers of the Series 2015 Bonds or any interest therein, will have acknowledged, represented, warranted, and agreed with and to the Issuer, the Underwriters and the Trustee as to the items set forth in such investor’s letter.

THE SERIES 2015 BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE SERIES 2015 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS LIMITED OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TERRITORY OF AMERICAN SAMOA



AMERICAN SAMOA ECONOMIC DEVELOPMENT AUTHORITY

\$44,195,000

**GENERAL REVENUE AND REFUNDING BONDS
SERIES 2015A, (TAX-EXEMPT)**

\$11,720,000

**GENERAL REVENUE AND REFUNDING BONDS
SERIES 2015C, (FEDERALLY TAXABLE)**

**AMERICAN SAMOA ECONOMIC DEVELOPMENT AUTHORITY
Board of Directors**

Ueligitone Tonumaie'a, Territory Treasurer
Utu Abe Malae, Executive Director, American Samoa Power Authority
Talauega Eleasalo Ale, Territory Attorney General
Keniseli Lafaele, Director, Department of Commerce
Iulogologo Joseph Pereira, Governor's Executive Assistant
Taimalelagi Claire Tuia Poumele, Director, Port Administration
Galea'i M. Tu'ufuli, Senator, Legislature of American Samoa
Maugaoali'i Le'apai Tusipa Anoa'i, Representative, Legislature of American Samoa
Steven H. Watson, Governor's Chief Legal Counsel

GOVERNOR

Lolo Letalu Matalasi Moliga

LIEUTENANT GOVERNOR

Lemanu Peleti Mauga

COUNSEL AND CONSULTANTS

Counsel to the Issuer
Talauega Eleasalo Ale, Territory Attorney General

Municipal Advisor
Lewis Young Robertson & Burningham Inc.
Salt Lake City, Utah

Bond and Disclosure Counsel
Ballard Spahr LLP
Salt Lake City, Utah

TRUSTEE

U.S. Bank National Association
Salt Lake City, Utah

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LIMITED OFFERING MEMORANDUM
RELATING TO
AMERICAN SAMOA ECONOMIC DEVELOPMENT AUTHORITY

\$44,195,000
GENERAL REVENUE AND REFUNDING BONDS
SERIES 2015A, (TAX-EXEMPT)

\$11,720,000
GENERAL REVENUE AND REFUNDING BONDS
SERIES 2015C, (FEDERALLY TAXABLE)

INTRODUCTION

This Limited Offering Memorandum, including the cover page, introduction, and appendices, provides information in connection with the issuance and sale by the American Samoa Economic Development Authority (the “Issuer”) of its \$44,195,000 General Revenue and Refunding Bonds, Series 2015A (Tax-Exempt) (the “Series 2015A Bonds”) and the \$11,720,000 General Revenue and Refunding Bonds, Series 2015C (Federally Taxable) (the “Series 2015C Bonds” and together with the Series 2015A Bonds, the “Series 2015 Bonds”), initially issued in book-entry form only. This introduction is not a summary of this Limited Offering Memorandum. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Limited Offering Memorandum, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Limited Offering Memorandum. The offering of Series 2015 Bonds to potential investors is made only by means of the entire Limited Offering Memorandum. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Indenture. See “APPENDIX B—FORM OF THE GENERAL INDENTURE OF TRUST.”

See also the following appendices attached hereto: APPENDIX A—REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION FOR TERRITORY OF AMERICAN SAMOA SEPTEMBER 30, 2014; APPENDIX B—FORM OF THE GENERAL INDENTURE OF TRUST; APPENDIX C—ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE TERRITORY OF AMERICAN SAMOA; APPENDIX D—FORM OF OPINION OF BOND COUNSEL; APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING; APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM; and APPENDIX G—FORM OF INVESTOR LETTER.

The Territory and the Issuer

The Territory of American Samoa (the “Territory”) is an unincorporated territory of the United States of America and is located in the South Pacific Ocean. The Territory consists of five main islands and two coral atolls. The total land area is 76 square miles and has a current population of approximately 55,000.

The Issuer is an independent body, corporate and politic, created by the Legislature of the Territory in 1986 in order to finance and refinance improvements for the benefit of the citizens of the Territory.

For additional information about the Territory and the Issuer, see the captions herein entitled “THE ISSUER,” “THE TERRITORY OF AMERICAN SAMOA,” and APPENDICES A and C.

Authorization and Purpose of the Series 2015 Bonds

The Series 2015 Bonds will be issued pursuant to American Samoa Code Annotated (“ASCA”), Title 11, Chapter 19, as amended (the “Act”), the bond resolution adopted by the Issuer on August 3, 2015 (the “Resolution”) and the General Indenture of Trust dated as of August 1, 2015 (the “General Indenture”), as supplemented by a First Supplemental Indenture dated as of August 1, 2015 (the “First Supplemental Indenture” and, together with the

General Indenture, the “Indenture”), each among the Issuer, the Territory, and U.S. Bank National Association, as trustee (the “Trustee”).

The proceeds from the sale of the Series 2015 Bonds will be used for the purpose of (i) financing the costs of acquisition and construction of various capital projects and acquisitions in the Territory (collectively, the “2015 Projects”); (ii) refunding certain outstanding obligations of the Territory; (iii) funding deposits to debt service reserve accounts; and (v) paying the costs of issuance of the Series 2015 Bonds. See “PLAN OF FINANCING” herein.

Initial Bonds

The Series 2015 Bonds are the initial Series of Bonds issued under the Indenture. The Issuer may issue Additional Bonds payable on a parity lien with the Series 2015 Bonds upon complying with certain requirements set forth in the Indenture. Such Additional Bonds together with the Series 2015 Bonds are sometimes collectively referred to herein as the “Bonds.” See “SECURITY FOR THE BONDS—Additional Parity Debt,” herein.

Security and Sources of Payment

The Series 2015 Bonds will be special limited obligations of the Issuer, payable solely from and secured solely by a pledge of the Revenues and certain funds and accounts established by the Indenture. “Revenues” are defined under the Indenture to mean (i) 100% of the Pledged Taxes (as defined below), (ii) all net revenues from the Projects financed with Bonds, and (iii) all revenues from any other source of funds legally available to the Issuer to pay debt service on the Series 2015 Bonds, including, but not limited to, grants from the United States Department of the Interior (the “Department of the Interior”) and funds received from the federal government to acquire, construct, finance, own, operate or lease a Project. The primary source of the Revenues consists of the revenues produced by the imposition of certain taxes (collectively the “Pledged Taxes”) imposed by the Territory as follows:

- (i) Personal income taxes imposed by the Samoan Income Tax Act (ASCA 11.0402 *et seq.*);
- (ii) Corporate income taxes levied under the Samoan Income Tax Act (ASCA 11.04 and 11.05 (after certain mandated distributions); and
- (iii) Certain excise taxes, including, but not limited to, a tax on imported beer, malt extract, alcoholic beverages, tobacco products and smoking accessories, firearms and firearm ammunition, motor vehicles, petroleum products, certain construction materials, and soft drinks or nonalcoholic carbonated beverages (after certain mandated distributions).

As noted above, Revenues also consist of all net revenues from the Projects financed with Bonds and all revenues from any other source of funds legally available to the Issuer, including (to the extent they can be used to pay debt service), but not limited to, grants from the Department of the Interior and funds received from the federal government to acquire, construct, finance, own, operate or lease a Project.

While the Revenues from the Pledged Taxes are specifically pledged to and are the main source of debt service payments on the Series 2015 Bonds, the full faith, credit and resources of the Territory are pledged for the full and prompt payment of the principal of and interest on the Series 2015 Bonds as the same become due and payable.

No assurance can be given that the Revenues will remain sufficient for the payment of the principal or interest on the Series 2015 Bonds. See “RISK FACTORS” herein. The Series 2015 Bonds are not secured by a pledge of any ad valorem taxing power. Neither the Issuer nor the Territory will mortgage or grant any security interest in the improvements financed or refinanced with the proceeds of the Series 2015 Bonds or any portion thereof to secure payment of the Series 2015 Bonds. See “SECURITY FOR THE BONDS” herein.

Debt Service Reserve Fund

The Indenture establishes a Debt Service Reserve Account with respect to the Series 2015A Bonds which is required to be funded in an amount equal to the Debt Service Reserve Requirement for the Series 2015A Bonds.

The Debt Service Reserve Requirement for the Series 2015A Bonds will be \$4,419,500 and will be funded by a portion of the proceeds of the Series 2015A Bonds. The Series 2015A Debt Service Reserve Account within the Debt Service Reserve Fund secures only the Series 2015A Bonds. No Debt Service Reserve Account will be established for the Series 2015C Bonds. See “SECURITY FOR THE BONDS—Debt Service Reserve Fund,” herein for additional information.

Additional Bonds

The Indenture permits the issuance of Additional Bonds secured by the Revenues, so long as no Event of Default has occurred and is continuing under the Indenture.

The Act places additional conditions upon the issuance of Bonds, requiring that Revenues for the most recently available bond fund year calculation within the last 36 months are not less than 400% of the sum of the average aggregate annual debt service requirement on all Bonds of the Issuer outstanding for said bond year plus the average aggregate annual debt service requirement on the proposed Bonds; provided, however, that such revenue coverage test shall not apply to refunding bonds assuming that certain conditions are satisfied.

See “SECURITY FOR THE BONDS—Additional Parity Debt” herein.

Redemption Provisions

The Series 2015 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “THE SERIES 2015 BONDS—Redemption Provisions” herein.

Registration, Denominations and Manner of Payment

The Series 2015 Bonds are issuable only as fully registered bonds without coupons and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Series 2015 Bonds. Purchases of Bonds will be made in book-entry form only, in the principal amount of \$100,000 or any integral multiple of \$5,000 in excess thereof, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Series 2015 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2015 Bonds.

Principal of and interest on the Series 2015 Bonds (interest payable March 1 and September 1 of each year, commencing March 1, 2016) are payable by U.S. Bank National Association, as paying agent (the “Paying Agent”), to the Registered Owners of the Series 2015 Bonds. So long as DTC is the Registered Owner, it will, in turn, remit such principal and interest to its Participants, for subsequent disbursements to the Beneficial Owners of the Series 2015 Bonds, as described under “THE SERIES 2015 BONDS—Book-Entry Only System” herein.

Tax Status of the Series 2015 Bonds

In the opinion of Ballard Spahr LLP, Bond Counsel to the Issuer, interest on the Series 2015A Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2015A Bonds is not a preference item for purposes of either individual or corporate federal alternative minimum tax (“AMT”); however interest paid to corporate holders of the Series 2015A Bonds may be indirectly subject to alternative minimum tax under circumstances described under “TAX MATTERS” herein.

Interest on the Series 2015C Bonds is not excludable from gross income for federal income tax purposes.

Bond Counsel is also of the opinion that, under 48 U.S.C. 1670(b)(1), the interest on the Series 2015A Bonds is exempt from taxation by the Territory and the governments of any of the several states of the United States, the District of Columbia, any territory or possession of the United States, and any subdivision thereof; provided, however, that the foregoing exemption does not apply to gift, estate, inheritance, legacy, succession, or other wealth transfer taxes.

Bond Counsel expresses no opinion regarding any other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2015 Bonds. See “TAX MATTERS” herein.

Conditions of Delivery, Anticipated Date, Manner and Place of Delivery

The Series 2015 Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriters subject to approval of legality by Ballard Spahr LLP, Bond Counsel to the Issuer, and certain other conditions. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, Disclosure Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by Talauega Eleasalo Ale, Territory Attorney General. The Underwriters are being represented by their counsel, Chapman and Cutler LLP. Lewis Young Robertson & Burningham, Inc. has acted as municipal advisor to the Issuer in connection with the issuance of the Series 2015 Bonds. It is expected that the Series 2015 Bonds in book-entry form will be available for delivery and for deposit with DTC or its agent on or about August 27, 2015.

Purchase and Transfer Restrictions

Purchasers of the Series 2015 Bonds must be “qualified institutional buyers” (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended) (the “Securities Act”), or institutions that are “accredited investors” within the meaning of Rule 501 of Regulation D promulgated under the Securities Act. Unless the Series 2015 Bonds have been assigned, at the time of transfer, an unenhanced rating (or an enhanced rating, if the applicable credit enhancement extends to the final maturity of the Series 2015 Bonds) of at least Baa2, BBB or BBB, respectively, by Moody’s Investors Service, Standard & Poor’s Ratings Service or Fitch, Inc., the Series 2015 Bonds may only be transferred with the understanding that the transferee is a “qualified institutional buyer” or an institution that is an “accredited investor” under the Securities Act of 1933. The initial purchasers of the Series 2015 Bonds will be required to execute an Investor Letter substantially in the form attached hereto as “APPENDIX G—FORM OF INVESTOR LETTER.” See “THE SERIES 2015 BONDS—Purchase and Transfer Restrictions.”

Changes from Preliminary Limited Offering Memorandum

Information in the Preliminary Limited Offering Memorandum relating to the Series 2015 Bonds dated July 23, 2015, was supplemented by a Supplement to the Preliminary Limited Offering Memorandum, dated August 18, 2015 (the “Supplement”). Additional information provided in the Supplement related to (i) the addition of a second series of federally taxable bonds, the Series 2015C Bonds; (ii) clarifications regarding ASCA as it relates to individual and corporate income taxes found under “SECURITY FOR THE BONDS—Revenues—Pledged Taxes”; (iii) further explanation of how expected revenues from the hotel room tax were calculated under “SECURITY FOR THE BONDS—Revenues—Other Revenues”; (iv) the addition of information under “RISK FACTORS—Risks Related to the Territory’s Financial and Fiscal Condition—Limited Tax Base”; (v) the addition of two new items to the description under “PLAN OF FINANCING—The 2015 Projects”; and (vi) the addition of certain provisions to the form of Continuing Disclosure Undertaking attached as APPENDIX E.

In addition to the changes described in the Supplement, the Issuer has determined not to issue the Series 2015B Bonds at this time. The Issuer still plans to issue the Series 2015B Bonds but it currently does not know when such Bonds will be issued. Consequently, descriptions of the Series 2015B Bonds have been deleted from this Limited Offering Memorandum. The Issuer cannot predict the impact on the Territory of the inability to issue the Series 2015B Bonds.

Basic Documentation

This Limited Offering Memorandum speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Issuer, the Territory, the Series 2015 Bonds, and the Indenture are included in this Limited Offering Memorandum. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture are qualified in their entirety by reference to such document, and references herein to the Series 2015 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the information with respect thereto included in the aforementioned document, copies of which are available for inspection at the principal office of the Trustee on or after the delivery of the Series 2015 Bonds. Descriptions of the Indenture and the Series 2015 Bonds are qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police

power by any entity having jurisdiction. During the period of the offering of the Series 2015 Bonds, copies of the preliminary forms of any of the aforementioned documents will be available from the “contact persons” as indicated below. Also see “APPENDIX B—FORM OF THE GENERAL INDENTURE OF TRUST” herein. The “basic documentation” which includes the Indenture and other documentation, authorizing the issuance of the Series 2015 Bonds and establishing the rights and responsibilities of the Issuer and other parties to the transaction, may be obtained from the “contact persons” as indicated below.

Contact Persons

The chief contact person for the Issuer concerning the Series 2015 Bonds is:

Ueligitone Tonumaie’
American Samoa Economic Development Authority
Pago Pago, American Samoa 96799
(684) 633-5155
ueli.tonumaiepa@tr.as.gov

The chief contact person for the Municipal Advisor concerning the Series 2015 Bonds is:

Cody Deeter, Vice President
Lewis Young Robertson & Burningham
41 North Rio Grande, Suite 101
Salt Lake City, Utah 84101
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THE SERIES 2015 BONDS

General

The Series 2015 Bonds are dated their date of delivery and, except as otherwise provided in the Indenture, shall bear interest from said date. Interest on the Series 2015 Bonds will be payable semiannually on March 1 and September 1 of each year commencing March 1, 2016. The Series 2015 Bonds are issued as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

The Series 2015 Bonds shall bear interest at the rates and shall mature in each of the years as described inside the front cover page hereof. Interest on the Series 2015 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Series 2015 Bonds will be payable either by wire transfer or by check or draft mailed by the Trustee to the Registered Owner thereof (initially DTC) as of the Regular Record Date.

The Series 2015 Bonds are payable from the Revenues, moneys, securities and certain funds and accounts pledged therefor in the Indenture between the Issuer and the Trustee. The Revenues consist of revenues generated from the imposition of the Pledged Taxes, all net revenues from Projects financed with the Bonds, and all revenues from any other source of funds legally available to the Issuer to pay debt service on the Series 2015 Bonds. While the Revenues from the Pledged Taxes are specifically pledged to and are the main source of debt service payments on the Series 2015 Bonds, the full faith, credit and resources of the Territory are pledged for the full and prompt payment of the principal of and interest on the Series 2015 Bonds as the same become due and payable. The Series 2015 Bonds are not secured by a pledge of any ad valorem taxing power as the Territory does not levy property tax. Neither the Territory nor the Issuer will mortgage or grant any security interest in the improvements financed or refinanced with the proceeds of the Series 2015 Bonds or any portion thereof to secure payment of the Series 2015 Bonds. See “SECURITY FOR THE BONDS” herein.

Purchase and Transfer Restrictions; Investor Letter Requirement

Purchasers of the Series 2015 Bonds are required to be “qualified institutional buyers,” as defined in Rule 144A promulgated under the Securities Act, or institutions that are “accredited investors” within the meaning of Rule 501 of Regulation D promulgated under the Securities Act. Unless the Series 2015 Bonds have been assigned, at the time of transfer, an unenhanced rating (or an enhanced rating, if the applicable credit enhancement extends to the final maturity of the Series 2015 Bonds) of at least Baa2, BBB or BBB, respectively, by Moody’s Investors Service, Standard & Poor’s Ratings Service or Fitch, Inc., the Series 2015 Bonds may only be transferred with the understanding that the transferee is a “qualified institutional buyer” or an institution that is an “accredited investor” under the Security Act of 1933. The initial purchasers of the Series 2015 Bonds will be required to execute an Investor Letter substantially in the form attached hereto as “APPENDIX G—FORM OF INVESTOR LETTER.” Purchasers of the Series 2015 Bonds will be deemed to have acknowledged, represented, warranted, and agreed with and to the Issuer, the Underwriters and the Trustee as to the items set forth in such investor letter.

Redemption Provisions

Series 2015A Bonds Optional Redemption. The Series 2015A Bonds are subject to redemption at the option of the Issuer on September 1, 2025, and on any date thereafter prior to maturity, in such order of maturity as shall be directed by the Issuer and by lot within each maturity, in whole or in part, at a redemption price equal to 100% of the principal amount of the Series 2015A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

Series 2015A Bonds Mandatory Sinking Fund Redemption. The Series 2015A Bonds maturing on September 1, 2029, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption on the dates and in the principal amounts as follows:

Redemption Date (September 1)	Principal Amount
2026	\$240,000
2027	1,735,000
2028	3,990,000
2029 [†]	35,000

[†] Final maturity.

The Series 2015A Bonds maturing on September 1, 2035, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption on the dates and in the principal amounts as follows:

Redemption Date (September 1)	Principal Amount
2029	\$4,240,000
2030	4,505,000
2031	4,650,000
2032	4,630,000
2033	4,935,000
2034	5,260,000
2035 [†]	9,975,000

[†] Final maturity.

Upon redemption of any Series 2015 Bond maturing on September 1, 2029 or September 1, 2035, other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption

amounts for the Series 2015 Bonds maturing on September 1, 2029 or September 1, 2035, in such order of mandatory sinking fund date as shall be directed by the Issuer.

Series 2015C Bonds Optional Redemption. The Series 2015C Bonds are subject to redemption at the option of the Issuer at any time, in such order of maturity as shall be directed by the Issuer and by lot within each maturity, in whole or in part, at a redemption price equal to 100% of the principal amount of the Series 2015C Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

Series 2015C Mandatory Sinking Fund Redemption. The Series 2015C Bonds maturing on September 1, 2027, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption on the dates and in the principal amounts as follows:

Redemption Date (September 1)	Principal Amount
2024	\$3,250,000
2025	3,230,000
2026	3,240,000
2027 [†]	2,000,000

[†] Final maturity.

Upon redemption of any Series 2015C Bond maturing on September 1, 2027, other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the Series 2015C Bonds maturing on September 1, 2027, in such order of mandatory sinking fund date as shall be directed by the Issuer.

Partially Redeemed Fully Registered Bonds. If fewer than all of the Series 2015 Bonds of any maturity are to be so redeemed, the particular Series 2015 Bonds or portion of the Series 2015 Bonds to be redeemed shall be selected by the Trustee, in such manner as the Trustee in its discretion may deem proper.

In case any registered Bond shall be redeemed in part only, upon the presentation of such Bond for such partial redemption, the Issuer shall execute and the Trustee shall authenticate and deliver or cause to be delivered to, or upon the written order of the Registered Owner thereof, at the expense of the Issuer, a Bond or Bonds of the same Series, interest rate and maturity, in aggregate principal amount equal to the unredeemed portion of such registered Bond. A portion of any Bond of a denomination of more than the minimum denomination of such Series specified in the Indenture or in the related Supplemental Indenture to be redeemed will be in the principal amount of such minimum denomination or an integral multiple thereof and in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bonds by such minimum denomination.

Notice and Effect of Redemption. In the event any of the Series 2015 Bonds are to be redeemed, the Registrar shall cause notice to be given as provided in the Indenture. Notice of such redemption shall be mailed by first class mail, postage prepaid, to all Registered Owners of Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar, at least 30 days but not more than 60 days prior to the date fixed for redemption. If at the time of mailing of any notice of optional redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the Series 2015 Bonds called for redemption, such notice shall state that such redemption shall be conditioned upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

Book-Entry Only System

The Series 2015 Bonds originally will be issued solely in book-entry form to The Depository Trust Company ("DTC"), New York, NY, or its nominee, Cede & Co., to be held in DTC's book-entry system. So long as such Series 2015 Bonds are held in the book-entry only system, DTC or its nominee will be the Registered Owner

of such Series 2015 Bonds for all purposes of the Indenture, the Series 2015 Bonds and this Limited Offering Memorandum. Purchases of beneficial ownership interests in the Series 2015 Bonds may be made in denominations described above. For a description of the book-entry only system for the Series 2015 Bonds, see “APPENDIX F—PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM.”

Registration, Transfer and Exchange

In the event that the book-entry only system has been terminated, the Series 2015 Bonds, upon surrender thereof at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the Bondowner or his duly authorized attorney, may be exchanged for an equal aggregate principal amount of Bonds of the same series, designation, interest rate, and maturity and of any other authorized denominations. For every such exchange or transfer of the Series 2015 Bonds, the Trustee may make a charge sufficient to reimburse it for any tax or governmental charge required to be paid with respect to such exchange or transfer of the Series 2015 Bonds, but may impose no other charge therefor.

The Trustee shall not be required to issue, transfer, or exchange any Bond after the Regular Record Date with respect to any redemption of such Bond or during a period from and including any Regular Record Date with respect to any interest payment date to and including such interest payment date. The Regular Record Date is the fifteenth day immediately preceding each interest payment date.

SECURITY FOR THE BONDS

Revenues

The Bonds are payable from the Revenues, moneys, securities and certain funds and accounts pledged therefor in the Indenture. Under the Indenture, “Revenues” means (i) 100% of revenues from the Pledged Taxes, (ii) all net revenues from the Projects financed with Bonds, and (iii) all revenues from any other source of funds legally available to the Issuer to pay debt service on the Series 2015 Bonds, including, but not limited to, grants from the Department of the Interior and funds received from the federal government to acquire, construct, finance, own, operate or lease a Project. While the Revenues from the Pledged Taxes are specifically pledged to and are the main source of debt service payments on the Bonds, the full faith, credit and resources of the Territory are pledged for the full and prompt payment of the principal of and interest on the Bonds as the same become due and payable. The Bonds are not secured by a pledge of any ad valorem taxing power.

Pledged Taxes. The largest source of Revenues is composed of revenues from certain taxes levied within the Territory. A brief description of such taxes follows:

Individual Income Taxes. Title 11, Chapters 4 and 5 ASCA, as amended, and certain provisions of the United States Revenue Code of 1954 (the “US Code”) adopted by reference in Section 11.0403(a) ASCA (the “Samoan Income Tax Act”) provide that the Territory may levy income taxes on individuals in the same manner and at the same rate as the US Code as in effect in fiscal year 2000, with a 4% minimum income tax, except as specifically modified by Title 11 Chapter 05 of ASCA, “Amendments to Internal Revenue Code. The Treasurer of the Territory has the responsibility of administering and enforcing the Samoan Income Tax Act.

Corporate Income Taxes. The Samoan Income Tax Act also provides that the Territory may levy income taxes on corporations in the same manner and at the same rate as the US Code as in effect in fiscal year 2000, except as specifically modified by Title 11 Chapter 05 of ASCA, “Amendments to Internal Revenue Code. In particular, ASCA 11.0533 amends 26 U.S.C. § 11 pertaining to corporate tax on amounts over \$75,000 as follows:

Section 11(b), relating to the amount of tax imposed on corporations for taxable years beginning on and after July 1, 1987, is amended to read:

11(b) Amount of tax.

The amount of tax imposed by subsection(a) shall be the sum of;

- (1) 15 percent of so much of the taxable income as does not exceed \$50,000,
 - (2) 25 percent of so much of the taxable income as exceeds \$50,000 but does not exceed \$75,000,
 - (3) 34 percent of so much of the taxable income as exceeds \$75,000 but does not exceed \$650,000,
- and

(4) 44 percent of so much of the taxable income as exceeds \$650,000.

In the case of a corporation which has taxable income in excess of \$100,000 for any taxable year, the amount of tax determined under the preceding sentence for such taxable year shall be increased by the lesser of (a) 5 percent of such excess or (b) \$11,750.

Under Section 11.0407(a), 25% of all corporate incomes taxes are to be deposited into the Income Tax Reserve Account established under Section 11.0407 for the payment of refunds or any required adjustments, unless at the time of collection the Income Reserve Account has a net balance of not less than \$1,000,000. Currently the Income Tax Reserve Account has a balance of \$1,000,000 and no distributions are required for deposit into the Income Tax Reserve Account.

Excise Taxes. Title 11, Chapter 10 ASCA imposes several types of excise taxes. For purposes of the excise taxes described below, the “basis” for computing the tax is the purchase price of the items, except for certain petroleum products, and includes costs, charges, and expenses incident to placing the items in condition, packed and ready for shipment to the Territory. The basis for computing the tax on certain petroleum products as described below is the number of gallons. Freight charges, insurance, and other shipping expenses are not included in the basis for computing the tax. The excise taxes imposed under Title 11, Chapter 10 ASCA consist of the following:

(i) Beer, malt extract, alcoholic beverages, tobacco products and smoking accessories which are taxed and distributed as follows:

(a) 190% of the basis of beer, and malt extract, of which 150% shall be deposited in the general fund and shall be available for appropriation by the Legislature, and 40% of the basis of beer or malt extract shall be deposited in the general fund and is currently earmarked for the repayment of certain government loans which will be refinanced with proceeds of the Series 2015 Bonds. Upon full repayment of the loan on the date of issuance of the Series 2015 Bonds all of such funds will be available for repayment of the Series 2015 Bonds.

(b) \$0.15 per 1% of alcohol by weight per liter, of which (I) 50% is appropriated to fund the Feleti Barstow Public Library; (II) 25% is appropriated to the fund the Office of Administrative Law Judge; (III) 12.5% is deposited to the general fund and available for appropriation by the legislature; and (IV) 12.5% is to be deposited in the general fund and is currently earmarked for the repayment of certain government loans which will be refinanced with proceeds of the Series 2015 Bonds. Upon full repayment of the loan on the date of issuance of the Series 2015 Bonds, funds referenced in (III) and (IV) above will be available for repayment of the Series 2015 Bonds.

(c) \$0.125 per cigarette, etc., with 20% to be deposited in the general fund and currently earmarked for the repayment of certain government loans which will be refinanced with proceeds of the Series 2015 Bonds. Upon full repayment of the loan on the date of issuance of the Series 2015 Bonds, all of such funds will be available for repayment of the Series 2015 Bonds. The *Fono* recently approved an increase to the cigarette tax that will increase the tax to \$0.30 per cigarette, effective on July 1, 2015. Revenues attributable to the increase to the cigarette became part of the Pledged Taxes. The Territory estimates that the cigarette tax will, at the increased rate, generate approximately \$18 million in annual revenues. Such estimate assumes a 5% decline in cigarette purchases and would represent an approximately \$10.4 million annual increase over the \$8.2 million of cigarette tax revenues collected in fiscal year 2014. All of such revenues are pledged to the payment of the Series 2015 Bonds.

(ii) 150% of the basis of firearms and firearm ammunition.

(iii) Motor vehicles, which are taxed as follows:

(a) 25% of the basis for motor vehicles used for commercial purposes.

(b) 10% of the basis for motor vehicles used for personal or family use.

(iv) Petroleum products, which are taxed and distributed as follows:

- (a) \$0.35 a gallon on fuel for use in motor vehicles, other than diesel fuels, \$0.015 to be used for law enforcement costs and the driver's training control school, \$0.10 to be placed in an earmarked revenue fund for road assistance.
- (b) \$0.035 a gallon on fuel for use in diesel engines, other than aircraft fuels.
- (c) \$0.015 a gallon on kerosene and similar petroleum products.
- (d) 15% of the basis of lubricating oils.
- (e) \$0.03 a pound of liquefied petroleum gas such as butane and propane or mixtures thereof, and ethane.
- (f) \$0.315 a gallon on fuel for use in diesel engines, excluding diesel fuel used by stationary boilers or burners, stationary generators of electrical power and marine vessels.
- (v) 40% of the basis of certain construction materials (as defined in Title 26, Chapter 15, Section 1 ASCA).
- (vi) \$0.15 per 12 fluid ounces or a fraction thereof on all soft drinks or nonalcoholic carbonated beverages.
- (vii) Any other items not listed above which are imported for commercial or resale purposes are taxed at a rate of 5% of the basis. The revenues received from the tax shall be deposited in the general fund and shall be available for appropriation by the Legislature, except that \$500,000 is annually appropriated for the student financial aid provided in Title 11, Chapter 6, Section 5, ASCA. One percent of the tax is earmarked for repairs, renovations and upgrading of public schools.

Largest Corporate Income Tax Payers by Category (Fiscal Year 2014)⁽¹⁾

<u>Category</u>	<u>Percentage</u>
Canneries	52.4%
Construction	20.8
Petroleum	5.3
Hardware	1.3
Other	<u>20.1</u>
Total	<u>100.0%</u>

Largest Excise Tax Payers by Category (Fiscal Year 2014)⁽¹⁾

<u>Items/Categories</u>	<u>Amount</u>
Tobacco	\$8.2 Million
Miscellaneous ⁽²⁾	\$6.3 Million
Alcohol ⁽³⁾	\$3.1 Million
Petroleum & Products	\$2.3 Million
Soda	\$2.2 Million

⁽¹⁾ Unaudited numbers. Gross revenues; does not reflect amounts earmarked as described above.

⁽²⁾ This category includes all items not otherwise specifically listed in ASCA which are imported for commercial or resale purposes and are taxed at a rate of 5% of the basis.

⁽³⁾ This category includes excise taxes on beer and malt extract.

Historical Summary of Revenues from Pledged Taxes. The following tables show the amounts of Revenues from Pledged Taxes received by the Territory for the fiscal years shown, what the net Pledged Taxes would have been, and a historical summary of the amounts that have been restricted for special uses.

Historical Summary of Pledged Taxes⁽¹⁾

<i>Fiscal Year</i>	<i>Corporate Taxes⁽²⁾</i>	<i>Individual Income Taxes</i>	<i>Excise Taxes⁽³⁾</i>	<i>Total Taxes</i>	<i>Earmark Deductions⁽⁴⁾</i>	<i>Total Pledged Taxes</i>	<i>Military Cover Over Taxes⁽⁵⁾</i>	<i>Total Taxes⁽⁵⁾</i>
2004	\$14,440,111	\$14,571,678	\$22,777,964	\$51,789,753	\$(4,140,464)	\$47,649,289	\$821,631	\$52,611,384
2005	11,197,050	14,824,624	21,358,658	47,380,332	(3,520,043)	43,860,289	655,314	48,035,646
2006	10,230,036	16,152,281	20,509,817	46,892,134	(3,442,825)	43,449,309	8,894,053	55,786,187
2007	11,627,126	17,617,728	18,805,705	48,050,559	(3,414,035)	44,636,524	1,082,200	49,132,759
2008	14,387,396	19,605,421	21,488,782	55,481,599	(3,454,169)	52,027,430	1,039,324	56,520,923
2009	10,588,811	18,875,591	20,411,108	49,875,510	(3,529,667)	46,345,843	911,742	50,787,252
2010	12,068,542	20,015,924	23,153,371	55,237,837	(3,900,561)	51,337,276	1,251,771	56,489,608
2011	8,651,296	21,331,817	22,361,267	52,344,380	(4,110,748)	48,233,632	1,146,226	53,490,606
2012	9,777,032	29,224,181	21,839,322	60,840,535	(3,916,255)	56,924,280	1,366,004	62,206,539
2013	11,337,220	19,562,647	21,657,398	52,557,265	(3,871,507)	48,685,758	1,352,621	53,909,886
2014	14,854,056	23,839,494	24,327,420	63,020,970	(4,120,526)	58,900,444	2,311,595	65,332,565

(1) The Revenues from Pledged Taxes are the primary source for payment of debt service on the Bonds and represent the majority of the Revenues.

(2) Amount shown is total collections and does not reflect deduction of any legislative earmarks.

(3) Includes revenues from all excise taxes levied under ASCA Title 11, Chapter 10, as described under “SECURITY FOR THE BONDS—Revenues—Pledged Taxes” herein. Amount shown is total collections, does not reflect deduction of legislative earmarks.

(4) Total amount of legislative earmarks from corporate taxes and excise taxes designated for special purposes by ASCA code and not available for debt service on the Bonds. For purposes of this table, amounts previously earmarked for payment of loans and obligations which will be paid or refinanced by the Bonds are shown as available, rather than earmarked Pledged Taxes. See the following table “Summary of Legislative Earmark Deductions” for more detail.

(5) In order to tie the foregoing amounts to the line item “Taxes” in the “Historical Summary of Revenues” shown below, it is necessary to add to the total tax revenues shown in column five “military cover over tax” revenues, which are payroll taxes withheld by the federal government from American Samoa federal employees and paid to the Territory. Although the military cover-over taxes are not Pledged Taxes, they are nonetheless Revenues under the Indenture and are available to pay debt service on the Bonds.

(Source: The Territory.)

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Historical Summary of Legislative Earmarks Deductions

<i>Fiscal Year</i>	<i>Corporate Tax Earmark (a)</i>	<i>Alcoholic Beverages Earmarks (b)</i>	<i>MV/Petroleum Earmarks (c)</i>	<i>5% Excise Tax Earmarks (d)</i>	<i>Total</i>
2004	\$(1,000,000)	\$(177,389)	\$(784,175)	\$(2,178,900)	\$(4,140,464)
2005	(1,000,000)	(178,288)	(731,507)	(1,610,248)	(3,520,043)
2006	(1,000,000)	(230,989)	(687,101)	(1,524,735)	(3,442,825)
2007	(1,000,000)	(166,068)	(689,550)	(1,558,417)	(3,414,035)
2008	(1,000,000)	(198,348)	(636,724)	(1,619,097)	(3,454,169)
2009	(1,000,000)	(195,209)	(695,276)	(1,639,182)	(3,529,667)
2010	(1,000,000)	(277,608)	(718,633)	(1,904,320)	(3,900,561)
2011	(1,000,000)	(251,358)	(684,941)	(2,174,449)	(4,110,748)
2012	(1,000,000)	(280,179)	(656,052)	(1,980,024)	(3,916,255)
2013	(1,000,000)	(333,773)	(576,628)	(1,961,106)	(3,871,507)
2014	(1,000,000)	(262,976)	(723,395)	(2,134,156)	(4,120,527)

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- (a) 25% of all corporate income taxes are to be deposited in the Income Tax Reserve Account unless at the time of collection such account has a net balance of not less than \$1,000,000.
- (b) 50% of tax on alcohol is appropriated to fund a public library and 25% to fund the Office of Administrative Law Judge.
- (c) Of \$0.35 per gallon tax on motor vehicle fuels, \$0.015 is appropriated to law enforcement and driver training and \$0.10 is appropriated for road assistance. 100% of \$0.01 per gallon tax on jet and aircraft fuels is appropriated for operation of the Pago Pago Airport.
- (d) \$500,000 of 5% tax is annually appropriated for student financial aid and 1% of the tax is appropriated for maintenance and improvement of public schools.

Tax Collection. Individual and corporate income taxes. The Territory is vested with the legal powers to place liens on business and personal property, garnish wages, place a lien on bank accounts, and file legal action with the High Court of American Samoa to compel the payment of taxes owed by businesses as well as individuals.

Historically approximately only 30% of businesses have filed annual tax returns in the Territory. Due to a lack of enforcement and collections staff, historically the Territory has not enforced collection measures against delinquent filers or non-filers. New initiatives implemented by the Territory to increase collection of individual and corporate income taxes include the hiring of a new tax manager and four new auditors to increase the audit capability of the Tax Office. Four new tax collections officers have also been added since the new tax manager assumed leadership of the Tax Office. In addition, the tax manager plans to establish a compliance and enforcement section in the Tax Office with the sole purpose of identifying and enforcing tax laws for individuals and corporate non-filers. The Territory believes that such actions significantly increase the ability of the Territory to collect past due tax liabilities. The tax manager continues to recruit IRS professionals and trained individuals returning to the Territory to further expand the enforcement and tax collection effectiveness of the Tax Office, which to this point has been limited due to lack of manpower.

The Tax Office has also taken steps to screen all government contracts and all requests for business licenses to ensure tax compliance. The Tax Office plans to review all W2's and 1099's to determine individual compliance. With the expansion of the compliance and enforcement group, the Territory believes it will be able to investigate businesses and individuals on compliance issues. The Governor also authorized the establishment of a Tax Amnesty Program to allow taxpayers to pay off their outstanding tax liabilities and reduce penalty and interest payments if such taxpayer pays his delinquent taxes. The Territory is permitted by law to assess whether other amounts are owing up to three years prior to the date of any filing and to conduct audits without limitation as to date if no filing has occurred. The Tax Amnesty Program commenced in the fall of 2014 and the Territory currently does not have any plans to discontinue the program.

To ensure that all employed documented immigrants file tax returns annually, the Attorney General and the Immigration Board are implementing new requirements for the annual renewal of immigration status to include verification from the Tax Office that a tax return has been filed. The Department of Commerce, the Department of

Treasury, and Tax Office will collaborate to ensure that all immigrant businesses evidenced by the issuance of a business license file annual tax returns.

Excise Taxes. The Territory manages its own customs division separate from that of the United States government. The Customs Division operates under the Territory Treasurer and is in charge of levying and collecting excise taxes on imported goods. Under Title 27 of the ASCA governing commerce and trade, excise taxes constitute a personal debt due from the importer to the Territory which can be discharged only by payment in full of duties legally accruing. If a consignee owes delinquent excise taxes or any fees or penalties, the chief customs officer may refuse to release any goods from the customs jurisdiction to the consignee until such delinquent account is settled. Nonpayment of excise taxes or other customs fees or penalties may result in additional penalties and interest ranging from the greater of \$25 or 10% (and in some cases 10% plus additional interest) of the amount due depending on when the tax bill is paid. A customs officer may also seize and/or reseal any container that has left the customs jurisdiction but upon which the excise tax was not properly paid. In addition, a person, firm, or corporation who fails to pay the excise tax for cigarette; at the point of entry is subject to a Class A misdemeanor and/or \$1,000 fine per cigarette, per cigar or per 10 grams of smoking tobacco.

The Territory is working to increase collection of excise taxes by adding customs staff for inspection and enforcement.

Other Revenues Pledged to the Bonds

Project Revenues. The Revenues also include all net revenues from the Projects financed with Bonds. The Manu'a Vessel Project and the Border Security Project (as such terms are defined below) are expected to generate Revenues which can be used to pay debt service on the Bonds. The Territory expects that Revenues from the operation of the Manu'a Vessel Project (after payment of operation expenses) will equal approximately \$1.3 million in its first year of operation and that Revenues (after payment of operation expenses) from the Border Security Project will generate approximately \$1.5 million annually. See "PLAN OF FINANCING – The 2015 Projects."

Other Legally Available Revenues. All revenues from any other source of funds legally available to the Issuer to pay debt service on the Series 2015 Bonds are also pledged for payment of the Bonds. These Revenues include, but are not limited to (to the extent they can be used to pay debt service), grants from the Department of the Interior and funds received from the federal government to acquire, construct, finance, own, operate or lease a Project and general fund revenues derived from licenses and permits, intergovernmental revenues, charges for services, fines and fees, interdepartmental revenues, and other miscellaneous revenues.

The Territory also receives Revenues from a "military cover-over tax," which are payroll taxes withheld by the federal government from American Samoan federal employees (the majority of whom are in the United States Armed Forces) and transferred to the Territory pursuant to Section 7654 of the Internal Revenue Code.

The *Fono* has recently adopted a 5% hotel room tax which is expected to generate \$150,000 annually; 75% of these revenues are earmarked for improvements and operation of the Pago Pago Airport but the remaining 25% will be available to pay debt service on the Bonds.¹ The *Fono* has also increased the business license fee from \$55 to \$125 per license, which is expected to produce approximately \$412,600 in additional revenues from business license fees, all of which will be available to pay debt service on the Bonds. Furthermore, as previously discussed, the *Fono* increased the rate of the cigarette tax to \$.30 per cigarette and the increased rate is expected to generate approximately \$18 million annually, an increase of approximately \$10.4 million over the previous year's collections.

While the Revenues from the Pledged Taxes are specifically pledged to and are the main source of debt service payments on the Bonds, the full faith, credit and resources of the Territory are pledged for the full and prompt payment of the principal of and interest on the Bonds as the same become due and payable. The Bonds are not secured by a pledge of any ad valorem taxing power as the Territory does not levy property tax. Neither the Territory nor the Issuer will mortgage or grant any security interest in the improvements financed or refinanced with the proceeds of the Bonds or any portion thereof to secure payment of the Bonds.

¹ Expected revenue from the hotel tax is calculated based on a 40% taxable occupancy rate out of a total of 200 rooms available and an average room rate of \$105.

Historical Summary of Revenues

Below is a summary of the Revenues for the last ten years.

HISTORICAL SUMMARY OF REVENUES

Revenue Type	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Taxes ⁽¹⁾	\$65,332,565	\$53,909,886	\$62,206,531	\$53,490,608	\$56,489,609	\$50,787,251	\$56,520,922	\$48,390,641	\$55,786,185	\$48,079,825
Licenses and Permits	1,145,068	946,808	984,537	976,012	1,003,204	912,787	992,767	1,382,906	1,026,761	1,159,883
Intergovernmental	13,859,354	14,223,671	14,725,669	13,041,078	13,448,705	13,340,016	7,736,518	9,986,127	8,964,000	14,801,784
Charges for Services	5,743,876	5,708,377	5,142,824	6,306,325	5,545,817	6,093,896	5,879,971	4,139,486	4,410,783	4,242,916
Interdepartmental	4,937,480	5,669,789	4,484,513	4,488,342	6,391,129	6,065,493	6,541,933	3,451,493	5,218,104	5,371,126
Miscellaneous	<u>4,543,992</u>	<u>1,554,210</u>	<u>1,545,591</u>	<u>2,294,056</u>	<u>2,774,901</u>	<u>1,423,788</u>	<u>10,665,390</u>	<u>1,510,053</u>	<u>3,486,817</u>	<u>251,214</u>
TOTAL	<u>\$95,562,335</u>	<u>\$82,012,741</u>	<u>\$89,089,665</u>	<u>\$80,596,421</u>	<u>\$85,653,365</u>	<u>\$78,623,231</u>	<u>\$88,337,501</u>	<u>\$68,860,706</u>	<u>\$78,892,650</u>	<u>\$73,906,748</u>

⁽¹⁾ Represents the total amount of income tax, excise tax, and other taxes collected, including amounts earmarked for prior projects. Also includes the cover-over taxes. See "Historical Summary of Pledged Taxes" above for a break-out of and more detail on these revenues.

(Source: Audited financial statements of the Territory for the years shown.)

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Pro Forma Debt Service Coverage. The table below shows projected debt service coverage on the Series 2015 Bonds solely from Pledged Taxes, assuming the Pledged Taxes remain the same as fiscal year 2014, and projected debt service coverage on the Bonds from all Revenues, assuming Revenues remain the same as fiscal year 2014.

Pro Forma Debt Service Coverage Table⁽¹⁾

<u>Year</u>	<u>Estimated Debt Service</u>	<u>Pledged Taxes⁽²⁾</u>	<u>Pledged Taxes Coverage</u>	<u>All Revenues⁽³⁾</u>	<u>All Revenues Coverage</u>
2016	\$3,826,468	\$58,900,444	15.4 x	\$91,441,808	23.9 x
2017	3,784,419	58,900,444	15.6	91,441,808	24.2
2018	3,784,419	58,900,444	15.6	91,441,808	24.2
2019	3,784,419	58,900,444	15.6	91,441,808	24.2
2020	3,784,419	58,900,444	15.6	91,441,808	24.2
2021	3,784,419	58,900,444	15.6	91,441,808	24.2
2022	3,784,419	58,900,444	15.6	91,441,808	24.2
2023	3,784,419	58,900,444	15.6	91,441,808	24.2
2024	7,034,419	58,900,444	8.4	91,441,808	13.0
2025	6,770,669	58,900,444	8.7	91,441,808	13.5
2026	6,778,419	58,900,444	8.7	91,441,808	13.5
2027	6,775,419	58,900,444	8.7	91,441,808	13.5
2028	6,771,981	58,900,444	8.7	91,441,808	13.5
2029	6,807,606	58,900,444	8.7	91,441,808	13.4
2030	6,754,519	58,900,444	8.7	91,441,808	13.5
2031	6,601,063	58,900,444	8.9	91,441,808	13.9
2032	6,273,000	58,900,444	9.4	91,441,808	14.6
2033	6,271,263	58,900,444	9.4	91,441,808	14.6
2034	6,269,319	58,900,444	9.4	91,441,808	14.6
2035 ⁽⁴⁾	10,635,844	58,900,444	5.5	91,441,808	8.6

⁽¹⁾ Includes only the Series 2015A and Series 2015C Bonds. Does not include Series 2015B Bonds.

⁽²⁾ Based on audited fiscal year 2014 amounts. Does not reflect an increase in the cigarette tax rate which increased rate is expected to generate \$18 million annually in Revenues, representing an approximately \$10.4 million annual increase over the \$8.2 million of cigarette tax revenues collected in fiscal year 2014. See “SECURITY FOR THE BONDS—Revenues—Pledged Taxes—Excise Taxes.”

⁽³⁾ Based on audited fiscal year 2014 amounts, including Pledged Taxes (and net of legislative earmarks). Does not reflect Revenues expected to be generated from the recent adoption of a hotel tax or the increase in the fee assessed for business licenses or the operation of the Manu’a Vessel Project or the operation of the Border Security Project. See “SECURITY FOR THE BONDS—Revenues—Other Revenues Pledged to the Bonds.”

⁽⁴⁾ Debt service in 2035 represents the maximum annual debt service on the Series 2015 Bonds.

Flow of Funds

All Revenues shall be accounted for by the Territory separate and apart from all other moneys of the Territory.

(a) So long as any Bonds are Outstanding and as a first charge and lien on the Revenues, the Territory shall on or before the fifteenth day of each month transfer to the Trustee for deposit in the Revenue Fund an amount equal to:

(i) approximately one-sixth of the interest falling due on the Bonds (or, if the first Interest Payment Date is less than six months away, the Territory shall transfer an amount sufficient to total the interest payable on the Bonds in equal monthly installments) on the next succeeding Interest Payment Date established for the Bonds (provided, however, that so long as there are moneys representing capitalized interest on deposit with the Trustee to pay interest on the Bonds next coming due, the Territory need not transfer to the Revenue Fund to pay interest on the Bonds); plus

(ii) if principal is due on the Bonds within the next succeeding 12 months, approximately one-twelfth of the principal and premium, if any, falling due on the next succeeding principal payment date established for the Bonds (or, if the first principal payable on the Bonds is less than twelve months away, the Territory shall transfer an amount sufficient to total the principal payable on the Bonds in equal monthly installments); plus

(iii) if a Sinking Fund Installment is due on the Bonds within the next succeeding 12 months, approximately one-twelfth of the Sinking Fund Installment falling due on the next succeeding Sinking Fund Installment payment date (or, if the first Sinking Fund Installment is less than twelve months away, the Territory shall transfer an amount sufficient to total the first Sinking Fund Installment on the Bonds in equal monthly installments), plus

(iv) Administrative Costs which shall be paid by the Trustee from time to time as they become due and payable;

the sum of which shall be sufficient, when added to the existing balance in the Bond Fund, to pay the principal of, premium, if any, and interest on the Bonds promptly on each such Interest Payment Date as the same become due and payable and to pay Administrative Costs. The Trustee shall transfer from the Revenue Fund for deposit to the Bond Fund at least fifteen days prior to each Interest Payment Date amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds promptly on each such Interest Payment Date as the same become due and payable. The foregoing provisions may be revised by a Supplemental Indenture for any Series of Bonds having other than semiannual Interest Payment Dates.

(b) As a second charge and lien on the Revenues, the Territory shall transfer to the Trustee for deposit into the following accounts on or before the fifteenth day of each month of each year:

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the accounts in the Debt Service Reserve Fund any amounts required by the Indenture and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided in the General Indenture and in any Supplemental Indenture and (B) if funds shall have been withdrawn from an account in the Debt Service Reserve Fund or any account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the Territory shall transfer Revenues to the Trustee for deposit in such account(s) in the Debt Service Reserve Fund sufficient in amount to restore such account(s) within one year with twelve substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement); or a ratable portion (based on the amount to be transferred pursuant to subparagraph (b)(ii) below of remaining Revenues if less than the amount necessary), and

(ii) Equally and ratably to the accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount of the remaining Revenues, or a ratable portion (based on the amount to be transferred pursuant to subparagraph (b)(i) above of the amount so remaining if less than the amount necessary, that is required to be paid, on or before the next such monthly transfer or deposit of Revenues into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit, such that the

Reserve Instrument Coverage shall equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

The Revenues remaining after the foregoing deposits and transfers in each month and not required to be used for remedying any deficiencies in payments previously made into the Funds established under the Indenture, may be used at any time for any other lawful purpose.

Debt Service Reserve Fund

The Debt Service Reserve Requirement with respect to the Series 2015A Bonds will be \$4,419,500 and the Series 2015A Debt Service Reserve Account will be initially funded by a portion of the proceeds of the Series 2015A Bonds. There is no Debt Service Reserve Requirement or Debt Service Reserve Account for the Series 2015C Bonds.

Moneys in each account in the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement, if any. In calculating the amount on deposit in each account in the Debt Service Reserve Fund, the amount of any Reserve Instrument Coverage will be treated as an amount on deposit in such account in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds shall specify the Debt Service Reserve Requirement, if any, applicable to such Series which amount shall be (i) deposited immediately upon the issuance and delivery of such Series from (a) proceeds from the sale thereof or from any other legally available source, or (b) by a Reserve Instrument or Instruments, or (c) any combination thereof or (ii) deposited from available Revenues over the period of time specified therein, or (iii) deposited from any combination of (i) and (ii) above; provided however, the foregoing provisions shall be subject to the requirements of any bond insurer or other Security Instrument Issuer set forth in any Supplemental Indenture. If at any time the amount on deposit in any account of the Debt Service Reserve Fund is less than the minimum amount to be maintained therein under the Indenture, the Issuer is required to make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund, subject to the provisions of any Supplemental Indenture,.

Moneys on deposit in any account of the Debt Service Reserve Fund shall be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument shall only be drawn upon with respect to Bonds for which such Reserve Instrument was obtained.

Additional Parity Debt

The Issuer and the Territory covenant and agree that they will not issue any additional bonds or notes or incur other obligations of the Issuer or the Territory on a basis senior to the lien of this Indenture. So long as an Event of Default has not occurred and is continuing under the Indenture, the Issuer or the Territory may issue Bonds under the Indenture and any additional indebtedness, bonds or notes of the Issuer or the Territory payable on parity with the Bonds or the Security Instrument Repayment Obligations authorized under the Indenture, as permitted by the Act. Nothing in the Indenture limits the rights and power of the Issuer and the Territory to issue or incur any obligations or indebtedness secured by a lien on the Revenues subordinate to that created under the Indenture.

The Issuer is authorized to issue general revenue bonds for projects under the Act so as long as the revenues pledged to such bonds for the most recently available bond fund year calculation (within the last 36 months) are not less than 400% of the sum of the average aggregate annual debt service requirement on all bonds of the Issuer outstanding for said bond year (plus the average aggregate annual debt service requirement on the proposed bonds); provided, however, such revenue coverage test shall not apply to refunding bonds issued for the purpose of refunding bonds originally issued as general obligation revenue bonds under the Act, to the extent that (1) the average aggregate annual debt service requirement for such refunding bonds does not exceed the then remaining average aggregate annual debt service requirement for the bonds being refunded therewith and (2) the maximum aggregate annual debt service requirement for such refunding bonds is less than or equal to the maximum aggregate annual debt service requirement for the bonds being refunded therewith.

Future Bond Issuances

The Issuer anticipates issuing a series of Bonds payable from the same sources of payment as those pledged for the Series 2015 Bonds in the amount of \$50 million within the next two years. The Issuer will need to issue such Bonds in compliance with the requirements for Additional Bonds described above.

Pledge of Non-impairment

In accordance with Section 11.1909, ASCA, the Territory pledges and agrees with the holders of the Series 2015 Bonds that it will not alter, impair or limit the Revenues pledged for the payment of the Series 2015 Bonds until the Series 2015 Bonds, together with applicable interest, are fully paid and discharged; provided, however, that nothing shall preclude such alteration, impairment or limitation if and when adequate provision shall be made by law for the protection of the holders of the Series 2015 Bonds.

RISK FACTORS

A purchase of the Series 2015 Bonds involves significant risks. Prospective purchasers should carefully consider the risk factors set forth below regarding a purchase of the Series 2015 Bonds, as well as all other information contained in this Limited Offering Memorandum. The following discussion of risk factors is not meant to be a complete list of risks associated with the purchase of the Series 2015 Bonds and does not necessarily reflect the relative importance of various factors. Additional risks and uncertainties not currently known by the Territory, or that the Territory does not currently consider to be material, or that are generally applicable to all states and governmental instrumentalities, also may materially and adversely affect the financial condition of the Territory and its ability to repay the Series 2015 Bonds. Any one or more of the factors discussed herein, and other factors not described herein, could lead to a decrease in the market value and the liquidity of the Series 2015 Bonds. There can be no assurance that other risk factors not discussed below will not become material in the future.

Risks Related to the Territory's Financial and Fiscal Condition

Operating Deficit. The Territory faces certain fiscal and economic challenges that, either individually or in the aggregate, could adversely affect the Revenues and the Issuer's ability to pay debt service on the Series 2015 Bonds when due. The Territory has been operating with an operational deficit for several years. However, the Territory believes that it has identified the causes for the deficit and has initiated measures to correct the problems. However, no guaranty can be given that such measures will be effective to eliminate the deficits. While the Series 2015 Bonds enjoy certain protections afforded by the Act and the Indenture, under certain circumstances some of the risk factors identified in this Limited Offering Memorandum, either individually or in combination with other risks described herein or other factors not described herein, may result in the Issuer being unable to pay the principal of and interest on the Series 2015 Bonds in full or in a timely manner. See "TERRITORY OF AMERICAN SAMOA—Budget and Appropriation Process," herein, for a discussion of the Territory's strengthened budgeting procedures and proposed balanced budget covenant.

The Territory's ability to reduce its general fund deficit and to achieve a balanced budget depends on a number of factors, some of which are not wholly within its control, including the performance of the Territory's economy, that actual collections of taxes meet projections, and the government's ability to reduce and control governmental expenditures.

The Territory has frequently failed to meet its revenue and expense projections, and its accounting, payroll and fiscal oversight information systems and processes have deficiencies that significantly affect its ability to forecast expenditures. Thus, there can be no assurance that the Territory will be able to collect the revenues or achieve the required spending cuts and achieve a balanced general fund budget.

Revenue Projections. In order to eliminate the deficits experienced by the Territory in recent years, the Territory has, in addition to implementing new internal controls designed to enable the Territory to maintain a balanced budget, as described under the caption, "TERRITORY OF AMERICAN SAMOA—Budget and Appropriation Process—Recent Developments," recently approved the implementation of a variety of measures designed to generate new Revenues, including an increase of the tax on tobacco, an increase of the new business license fees, a new hotel room tax, and increased income tax enforcement, and customs/inspection measures to

generate additional excise tax revenues. See “SECURITY FOR THE BONDS—Revenues.” Although the Territory estimates that such measures will, in the aggregate, generate a substantial amount of annual Revenues in excess of the amounts collected in fiscal year 2014, due to the newness of such current and proposed measures and the lack of operating history with respect to such measures, the Territory cannot guarantee that the new Revenue sources will meet such estimates. Readers are cautioned not to place undue reliance on these estimates or other forward-looking statements contained in this Limited Offering Memorandum. See the third paragraph on page i regarding forward-looking statements.

Bankruptcy, Restructuring and Creditors’ Rights. Continued budget deficits, economic challenges, fiscal difficulties and high levels of pension obligations, among other factors, could have a negative impact on the financial condition of the Territory.

If the Territory’s financial condition worsens, it may impact the ability of the Territory to fund all necessary governmental programs and services as well as generate sufficient Revenues to permit timely payment of principal and interest on the Series 2015 Bonds. In such event, it may be forced to take emergency measures. Although no specific contingency plans have been adopted to address any such situation, the Territory may need to consider various courses of action. Such actions could include measures that give effect to the “priority norms” established by law by the Territory for the disbursement of funds when available Territory resources are insufficient to cover all appropriations. However, it should be noted that the Series 2015 Bonds enjoy a priority on the Revenues pursuant to the Act and the Indenture. See “SECURITY FOR THE BONDS.” Furthermore, the *Fono* has covenanted in the Act that it will not materially impair the payment of the debt service on the Series 2015 Bonds.

The Territory is not currently eligible to seek relief under Chapter 9 of the United States Bankruptcy Code. In the future however, new legislation could be enacted by the United States Congress or by the *Fono* that would entitle the Territory to seek the protection of a statute providing for restructuring, moratorium and similar laws affecting creditors’ rights. Recently, Senators Charles Schumer and Richard Blumenthal introduced The Puerto Rico Chapter 9 Uniformity Act that would treat Puerto Rico as a state for purposes of the Federal Bankruptcy Code. Pursuant to the legislation, local governments and state and local agencies would be permitted to enter into federal bankruptcy proceedings. Puerto Rico itself would not be eligible for Chapter 9 in the same way that state governments are not eligible. In the event that similar legislation were adopted that extends to the Territory, it may affect the rights and remedies of the holders of the Series 2015 Bonds.

The Territory may continue to pledge its good faith and credit to issue its own bonds and to guarantee bonds and notes issued by certain of its instrumentalities. Currently, the Territory does not have any debts owing to outside creditors. In the event that the Territory decides to incur any obligations that rank on a parity with the Series 2015 Bonds, it will need to comply with the provisions for the issuance of Additional Bonds under the Indenture.

Limited Tax Base. The economy of the Territory is limited and depends on two primary income sources: two tuna canneries and the Territory government, which relies on income and capital subsidies from the United States. Roughly 90% of the Territory’s economy is based directly or indirectly on canned fish exports and federal revenues. There are no assurances that the fish canneries will continue operating at current levels, or at all, through the term of the Series 2015 Bonds or that the current level of federal subsidies and grants will be continued. A slowdown or shutdown of the canneries or reductions in federal subsidies and grants could cause a decline in tax receipts and other revenues of the Territory pledged to the Series 2015 Bonds and thereby affect the ability of the Territory to make payments on the Series 2015 Bonds.

The Territory notes that the likelihood of a slowdown or shutdown of the tuna canneries is increased by potential restrictions on certain types of fishing in the region and further notes that there have been from time-to-time developments that have threatened the amount of fishing in the area. Earlier this year, the National Oceanic and Atmospheric Administration (NOAA) closed off for the remainder of the year an important fishing area near the Territory to pursue seine high seas fishing as a conservation measure. The Territory believes that NOAA should grant the Territory an exception to this restriction as provided by the related regulation which allows boats that are part of the tuna fisheries of Small Island Developing States, such as the Territory, to continue fishing in the restricted area and has filed an emergency petition to the National Marine Fisheries Service to authorize this exception. If the exemption to NOAA’s restriction is not granted, tuna fishing in the area will be limited and this would likely have a negative impact on the economy. At this time, the Territory cannot predict the outcome of its petition for the fishing exception.

Reliance on Federal Grants. A reduction of federal grants may significantly affect the Territory's ability to provide many important services and may force the Territory to allocate resources that would otherwise be used to pay debt service to the provision of such essential services. Each fiscal year, the Territory receives a significant amount of grant funding from the United States government. A significant portion of those funds is utilized to cover operating costs of a variety of the Territory's programs that are subsidized by such grants. If the aggregate amount of federal grant funds transferred to the Territory were to be reduced, the Territory would have to make reductions to these federally supported programs or fund those programs from the general fund. Reductions in federal funding would have an adverse impact on the Territory's economy and on efforts to reduce its general fund budget deficit. In addition, since the per capita income of the residents of American Samoa is substantially lower than those of the 50 states, a high percentage of the population of the Territory benefits from those government programs. As a result, the impact on the Territory's economy of any reduction in federal grant funds for such governmental programs would be greater than on the 50 states. Moreover, to the extent the Territory is required to divert resources to continue providing essential services primarily funded through federal funds, the Territory may be unable to honor its other obligations as they come due.

Retirement Fund. Due to recent changes implemented by the Governmental Accounting Standards Board, it was discovered that the Territory government employees' retirement fund has a significant unfunded actuarial accrued liability and a very low funding ratio. The Territory has not yet determined how it will reduce the unfunded actuarial accrued liability. One of the solutions may require the Territory to provide significant additional annual funding to meet the fund's annual pension obligations. Those funding requirements place an additional demand on the Territory's need to raise revenues, reduce expenditures, or both. There is no assurance that the general fund will be able to make any annual contributions to the retirement fund. To the extent the Territory is unable to make such contributions, the retirement fund's condition may continue to deteriorate. See "TERRITORY OF AMERICAN SAMOA—Government and Financial Information—Retirement Fund."

Qualified Opinions Relating to 2014 Audit. Moss-Adams LLP (the "Auditors") conducted an audit of the Territory's financial statements for the fiscal year ended September 30, 2014 (the "2014 Financials"). Based upon its audit of the 2014 Financials, the Auditors believed that the evidence provided a basis for qualified and unmodified opinions with respect to certain aspects of the 2014 Financials. Specifically the Auditors provided a qualified opinion with respect to the 2014 financials relating to the Governmental Activities, General Fund, Grant Fund and the Aggregate Discretely Presented Component Units. In addition, the Auditors stated that they were unable to obtain appropriate audit evidence for the recorded amounts of tax revenues of \$65.3 million in the General Fund as the system of financial accounting and reporting was inadequate to prevent and correct material misstatements on a timely basis and to ensure that transactions were recorded in the proper period. Investors should strongly consider the Auditors' findings relating to the 2014 Financials when making an investment decision with respect to the Series 2015 Bonds. See "APPENDIX A—REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION FOR TERRITORY OF AMERICAN SAMOA SEPTEMBER 30, 2014."

Uncertainty With Respect to Charter Bank

As stated herein, a portion of the proceeds will be used to fund the costs of starting a charter bank to be owned and operated by the Territory. The charter bank is being formed due to the impending cessation of banking operations in the Territory by the only bank currently providing full service banking services in the Territory. The charter bank is a new enterprise and the Territory has no previous experience operating a bank. Although the Territory has undertaken a variety of studies and engaged experts and consultants, the likelihood of success of the charter bank is unknown at this time. Failure of the charter bank may be deleterious to the Territory.

Risks Related to the Territory's Economy

The Territory's gross domestic product has decreased in real terms in recent years. Such a prolonged, persistent decrease affects employment and tax revenues, and may have contributed to general fund budget deficits in those fiscal years. Factors that can adversely affect the Territory's ability to increase the level of economic activity, some of which are not within the control of the Territory, include the high cost of energy and global economic and trade conditions. There is no certainty that the measures being taken by the Territory to grow its economy will produce the level of increase in economic activity required to generate sufficient revenues to resolve the structural budget deficits that have affected the Territory and to enable it to continue to meet all of its debt

service obligations, including the Series 2015 Bonds, when due. The failure by the Territory to increase revenues, together with other factors discussed herein, may affect the Territory's ability to continue to provide services at their current level and permit payment of debt service on the Series 2015 Bonds.

Risks Related to Natural Disasters

As an island in the South Pacific, the Territory is subject to various natural disasters including cyclones and tsunamis. Within the last 30 years, cyclones have impacted the Territory at least once within each decade. The most recent natural disaster to impact the Territory occurred on September 29, 2009, when Pago Pago was inundated by a tsunami generated by an undersea earthquake centered 120 miles to the south. The tsunami caused extensive damage throughout the Samoan archipelago, much of which has been restored and rebuilt. When a natural disaster has previously impacted the Territory, the Territory has sought and obtained disaster relief from the Federal Emergency Management Agency ("FEMA") in a timely manner. However, the Territory makes no representation with respect to FEMA actions should another natural disaster occur in the future. Furthermore, should another natural disaster occur in the Territory, the ability of the Territory to collect Revenues and make debt service payments on the Series 2015 Bonds could be substantially affected.

Risks Related to the Series 2015 Bonds

Delays in Enforcement of Revenues. The Series 2015 Bonds constitute a first lien on Revenues. The Indenture provides that the holders of the Series 2015 Bonds may bring an action against the Territory, to compel the Territory to apply available Territory resources first to the payment of the Series 2015 Bonds. The Indenture also provides that the right to bring an action against the Territory, as described above, and any other remedies that may be available to holders of Series 2015 Bonds, are the only remedies available to the holders of the Series 2015 Bonds. Public policy considerations relating to the safety and well-being of the residents of the Territory, as well as procedural matters, could result in delays in, or limitations on, the judicial enforcement of any such remedies, and in limitations on the effectiveness of such remedies. The remedies available to bondholders are dependent on judicial actions, which are often subject to substantial discretion and delay.

The Indenture also provides, in accordance with the Act, that the full faith and credit of the Territory are pledged to the payment of the Series 2015 Bonds. Since the Territory has never failed to make a debt service payment on any general obligation bond when due, the highest court of American Samoa has never had the opportunity to rule on whether bondholders have the right to compel the *Fono* to reallocate resources in the event that available Revenues are insufficient to pay the Series 2015 Bonds, or to rule on how such right, if determined to exist, could be enforced.

No Mortgage in Real Property; Governing Law. The Series 2015 Bonds are not secured by a lien on any physical asset of the Territory.

Although the Series 2015 Bonds are backed up by a pledge of the full faith and credit of the Territory, holders of the Series 2015 Bonds may not be able to attach the Territory's property. A court may hold that the Territory may not waive its sovereign immunity with respect to public property located in the Territory and may further rule that Territory property cannot be attached or garnished in an attempt to enforce a judicial order, as it could undermine the Territory's ability to operate and use its property for a public purpose.

The Indenture provides that the laws of the State of New York shall apply to any action or proceeding arising out of the Series 2015 Bonds or the Indenture, and that any such actions shall be brought in U.S. federal courts sitting in New York, New York. No assurance can be given that any litigation brought by a bondholder will be accepted by or, once accepted, be continued in a U.S. federal court located in New York if the particular court determines by law that it does not have jurisdiction over the Territory or that the case should be removed to a court in the Territory, as being more suitable on grounds of judicial fairness to the parties involved.

The Indenture also provides that the laws of the State of New York shall apply to any action or proceeding arising out of the Series 2015 Bonds or the Indenture. The Territory has not previously issued any bonds that are governed by the laws of New York. Accordingly, there can be no assurance given as to how a court would apply New York law to a claim brought for the enforcement of the Territory's obligations under the Series 2015 Bonds.

Even if the bondholders were to obtain a judgment from a U.S. federal court located in New York, there is no assurance that the issuing court will have the power to enforce the terms of the judgment against the Territory.

In addition, since there is no precedent in the Territory for the submission by the Territory to the governing law of the State of New York and the jurisdiction of the federal courts sitting in New York and the fact that a court has considerable discretion in the exercise of its powers, there is no assurance that the inclusion of the choice of law and jurisdiction provisions contained in the Indenture will provide any benefit to, or alternatively, will not work to the detriment of, the holders of the Series 2015 Bonds.

Limited Secondary Market. There is no assurance that the secondary market for the Territory's bonds will provide the holders of the Series 2015 Bonds with sufficient liquidity for their investment or that such secondary market will continue through the final maturity of the Series 2015 Bonds. The Underwriters are not obligated to maintain a market for the Series 2015 Bonds, and any such market making may be discontinued at any time at the sole discretion of the Underwriters.

A purchase of the Series 2015 Bonds is suitable only for purchasers that can bear the risks associated with the potential limited liquidity and price declines of the Series 2015 Bonds.

No Review by Auditor. The Auditors were not asked to, and did not, review this Limited Offering Memorandum. In addition, the Territory did not request the consent of the Auditors to incorporate by reference its report, dated June 26, 2015, into this Limited Offering Memorandum. Accordingly, the Auditors did not perform any "subsequent event" procedures relating to such basic financial statements, which procedures are designed to identify events occurring between the date of their report and the date of this Limited Offering Memorandum that require adjustment to, or disclosure in, such basic financial statements. Prospective purchasers of the Series 2015 Bonds will not enjoy the benefit of the performance of these procedures, if any. In addition, the Auditors rendered qualified opinions with respect to certain aspects of the 2014 Financials. See "APPENDIX A—REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION FOR TERRITORY OF AMERICAN SAMOA SEPTEMBER 30, 2014."

Uncertainty of Revenues

The amount of Revenues to be collected by the Territory is dependent on a number of factors beyond the control of either the Territory or the Issuer, including, but not limited to, the state of the economy. Any one or more of these factors could result in the Territory receiving less Revenue than anticipated. During periods in which economic activity declines, Revenues are likely to fall as compared to an earlier year.

Effect of Shipping-Related Labor Disputes on Territory Imports and Related Excise Tax Revenues

The excise tax component of the Pledged Taxes, as well as certain other revenues, are dependent on the flow of imported goods to the Territory. In the past year, a major labor dispute between longshoremen and shippers in ports along the western coast of the United States resulted in a slowdown of shipments throughout the world, including to the Territory. While this dispute has recently been resolved, it could take several months to decrease the backlog and restore shipping to normal levels. Any decrease in shipments to the Territory will result in a decrease in excise tax revenues and revenues related to port activity. The Issuer and the Territory cannot anticipate the likelihood, if any, of future labor disputes of this type and what effect they may have on the overall Revenues.

PLAN OF FINANCING

The 2015 Projects

A portion of the proceeds from the Series 2015 Bonds will be used to finance all or a portion of the costs of the costs of acquisition and construction of a variety of capital improvement projects in the Territory, including:

Manu'a Vessel. Approximately \$5 million will be used to complete the construction of the Manu'a Vessel which will provide transport from the main island of Tutuila to Manu'a (the "Manu'a Vessel Project"). The vessel is a 140-foot Landing Craft Unit for Passenger and Cargo, capable of carrying 100 passengers. Total cost of the vessel is \$10.4 million; however, the Department of Interior has provided \$6.7 million toward the purchase of the

vessel and will provide future grants for this project of \$3.7 million which will be used to pay the majority of the debt service to acquire the vessel. The Territory reports that the Manu'a Vessel is scheduled for delivery in June, 2016.

Relocate Airport Fuel Tanks. Approximately \$6.0 million of Series 2015 Bond proceeds will be utilized to relocate and replace tanks, filters, and pumps at the Pago Pago International Airport to a new location that will provide for additional security. The Department of the Interior has committed \$1 million towards this project for fiscal year 2015. The Issuer expects that it will also receive payments from fees generated by the Territory Office of Petroleum Management that it will also apply to the payment of the Series 2015 Bonds.

Charter Bank. Approximately \$50,000 will be used to help establish a charter bank which will be wholly owned and operated by the Territory. In 2012, the Bank of Hawaii announced it would be moving out of the Territory, leaving only one bank in the Territory. The Territory has created an Office of Financial Institutions to provide oversight to all banking in the Territory, including the newly formed charter bank. The Office of Financial Institutions will operate under the auspices of the Territory Treasury Department. The Territory intends to operate the charter bank under Federal Deposit Insurance Corporation (FDIC) guidelines.

Renewable Energy Projects for American Samoa Power Authority. Approximately \$8.1 million will be provided to the American Samoa Power Authority ("ASPA") to acquire renewable energy projects (the "Renewable Energy Projects") for ASPA to help the Territory become more energy independent and provide a cleaner source of energy for the Territory. The Renewable Energy Projects consist of two solar Photo-Voltaic and battery storage systems for installation on the Manu'a Islands. The Renewable Energy Project also includes two 100 Kilowatt (kW) wind turbine generators for the main island of Tutuila and a community solar project for Tutuila. The Territory expects funds for the Renewable Energy Projects to be fully expended by December 31, 2016.

Border Security Project. Approximately \$10 million will be used to acquire imaging equipment that will allow the Territory to scan containers, boxes and other cargo (the "Border Security Project"). The imaging equipment will be located at all entry ports for the Territory including the airport and the wharf as well as at the post office. The Border Security Project is being acquired to help the Territory protect its borders by disrupting import and export of contraband and preventing the entrance of weapons into the Territory.

Accounting and Management Software. Approximately \$2 million will be used to acquire new accounting and management software for the American Samoa Government. It is anticipated that the new software will significantly improve the Territory's ability to track and control revenues and expenditures. Furthermore, the new software will replace outdated software that has required additional expenditures to maintain.

New Fono Building Engineering and Design. Approximately \$1.5 million will be used to fund the design and engineering of a new building to house the *Fono*, the legislative body of the Territory.

Repayment of Prior Obligations

Proceeds from the Series 2015 Bonds will be used to refinance certain outstanding obligations of the Territory, including:

Refund the 2006 ASGERF Loan. Approximately \$5.9 million will be utilized to refund a 2006 loan from the American Samoa Government Employees' Retirement Fund (ASGERF) to the Territory (the "2006 Loan"). The 2006 Loan was utilized to pay debts, obligations, and payables accumulated and owing to certain American Samoan Medical Center Authority (ASMCA) vendors and costs related to ASMCA operations.

Refund the 2007 ASGERF Loan. Approximately \$5.8 million will be utilized to refund a 2007 loan from the ASGERF to the Territory (the "2007 Loan"). The 2007 Loan was utilized for capital projects, including fiber optic cable, school buses, a tug boat, auditorium, stream improvements, antennae, warehouse, airport hangar, government building improvements, and other various capital projects and costs related to the 10th annual Festival of the Pacific Arts.

Settlements. Approximately \$4.6 million will be used to settle certain legal claims against the Territory. Since the occurrence of those legal claims, the Territory has adopted government immunity policies to guard against

such future claims. Those settlements are unique to those claims only and there are no other claims against the Territory that would have a material impact on the Territory or the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Series 2015A Bonds are shown below:

Sources of Funds

Par amount of Series 2015A Bonds.....\$44,195,000.00

TOTAL\$44,195,000.00

Uses of Funds

Deposit to Construction Fund.....\$32,600,000.00

Repayment of Prior Obligations.....5,154,631.54

Deposit to Series 2015A Debt Service Reserve Account.....4,419,500.00

Costs of issuance⁽¹⁾2,020,868.46

TOTAL\$44,195,000.00

⁽¹⁾ Costs of Issuance include Underwriters' discount, legal fees, rating agency fees, Trustee fees, municipal advisory fees and other costs and expenses related to the issuance of the Series 2015A Bonds.

The estimated sources and uses of funds for the Series 2015C Bonds are shown below:

Sources of Funds

Par amount of Series 2015C Bonds.....\$11,720,000.00

TOTAL\$11,720,000.00

Uses of Funds

Repayment of Prior Obligations/Settlements\$11,242,537.17

Deposit to Construction Fund.....47,731.83

Costs of issuance⁽¹⁾429,731.00

TOTAL\$11,720,00.00

⁽¹⁾ Costs of Issuance include Underwriters' discount, legal fees, rating agency fees, Trustee fees, municipal advisory fees and other costs and expenses related to the issuance of the Series 2015C Bonds.

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DEBT SERVICE SCHEDULE⁽¹⁾

The following table sets forth the debt service schedule for the Series 2015 Bonds.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fiscal Total</u>
2016	—	\$3,826,468	\$3,826,468
2017	—	3,784,419	3,784,419
2018	—	3,784,419	3,784,419
2019	—	3,784,419	3,784,419
2020	—	3,784,419	3,784,419
2021	—	3,784,419	3,784,419
2022	—	3,784,419	3,784,419
2023	—	3,784,419	3,784,419
2024	\$3,250,000	3,784,419	7,034,419
2025	3,230,000	3,540,669	6,770,669
2026	3,480,000	3,298,419	6,778,419
2027	3,735,000	3,040,419	6,775,419
2028	3,990,000	2,781,981	6,771,981
2029	4,275,000	2,532,606	6,807,606
2030	4,505,000	2,249,519	6,754,519
2031	4,650,000	1,951,063	6,601,063
2032	4,630,000	1,643,000	6,273,000
2033	4,935,000	1,336,263	6,271,263
2034	5,260,000	1,009,319	6,269,319
2035	<u>9,975,000</u>	<u>660,844</u>	<u>10,635,844</u>
Total	<u>\$55,915,000</u>	<u>\$58,145,918</u>	<u>\$114,060,918</u>

⁽¹⁾ Such table excludes debt service on the DOI Loan, which is secured by certain tobacco settlement proceeds and by the full faith and credit of the Territory. The annual principal and interest payments on such loan equal approximately \$1.2 million annually and extend to 2027. See “TERRITORY OF AMERICAN SAMOA—Governmental Financial Information—Outstanding Obligations.”

(Source: The Municipal Advisor.)

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THE ISSUER

The American Samoa Economic Development Authority (the “Issuer”) was created in 1986 by the 19th legislature of American Samoa and is governed by a Board of Directors (the “Board”). The Issuer has no bonds outstanding. The Issuer is a component unit which is part of the primary government.

The Issuer is authorized by the Act to issue revenue bonds and enter into other obligations to provide financing for housing projects, agricultural businesses, industrial enterprises, commercial enterprises, utilities, health care facilities, educational facilities, governmental facilities and other facilities, and to acquire real property wherever situated to promote and develop the expansion of existing employment and the establishment of new agricultural business, industrial enterprises, commercial enterprises, residential housing, health care facilities, educational facilities, facilities for agencies of the government, and any other facilities.

While the Issuer was established in 1986 and financed the Territory’s first ever bond issuance in 1988, it was inactive since that time until reconstituted in 2013 by Governor Lolo Matalasi Moliga.

The Board

Under the Act, the Board reviews project applications, holds a public hearing on projects meeting the requirements of the Issuer, and then makes a recommendation to the Governor of the Territory regarding which projects should be approved for funding. The Governor must give final approval of each project. The Board and the Governor approved the 2015 Projects and issuance of the Series 2015 Bonds to fund the 2015 Projects.

The Board consists of nine members, seven of whom are appointed by the Governor of the Territory with the advice and consent of the Legislature and two members of the Legislature, one from the Senate appointed by the President of the Senate and one from the House of Representatives appointed by its Speaker. The current members of the Board are as follows:

<u>Name</u>	<u>Position</u>	<u>Governmental Office</u>	<u>Term Ends⁽¹⁾</u>
Ueligitone Tonumaie’a	Chairman	Territory of American Samoa, Treasurer American Samoa Power Authority, Executive	2019
Utu Abe Malae	Vice Chairman	Director	2018
Keniseli Lafaele	Boardmember	Department of Commerce, Director	2019
Iulogologo Joseph Pereira	Boardmember	Governor’s Executive Assistant	2018
Taimalelagi Claire Poumele	Boardmember	Port Administration, Director	2017
Steve Watson	Boardmember	Office of the Governor, Chief Legal Counsel	2019
Galea’i M. Tu’ufuli	Boardmember	Senator, Legislature of American Samoa	2019
Talauaga Eleasalo Ale	Boardmember	Territory of American Samoa, Attorney General	2017
Maugaoali’i Le’apai Tusipa Anoa’i	Boardmember	Representative, Legislature of American Samoa	2019

⁽¹⁾ As discussed above, the Issuer was recently reconstituted in 2013 and the terms of the Governor’s appointees have been staggered in the same manner as the initial Board in order to provide continuity. All subsequent Board appointments will be for four-year terms. The terms of legislative appointees cannot exceed their term as legislators.

Ueligitone P. Tonumaie’a (“Ueli”) is Chairman of the Board. He was born and raised in American Samoa and later attended University of Hawaii at Manoa, from which he graduated in 1987 with a BS in Accounting. After returning to American Samoa, he took up employment at Treasury, his first position being Grants Analyst. In 1990 Ueli moved to the American Samoa Power Authority Finance and Accounting Division, eventually rising to the position of Chief Accountant. In 1996 Ueli returned to Treasury where he served as Chief Accounting Officer for several years. In 2005, through a career service promotion, he became the Deputy Director, a position he held through a succession of politically-appointed Treasurers until 2014, when he was nominated and confirmed by the Legislature as the new Treasurer upon the passing of his predecessor.

Utu Abe Malae is Vice Chair of the Board. Also born and raised in the territory, Utu holds multiple graduate degrees in science and engineering from Iowa State University and the University of Pittsburgh, in Physical Chemistry/General Science, Public Works Management and Civil Engineering. He is currently the Executive Director of the American Samoa Power Authority (“ASPA”), and over the years has served for various periods of time as Director of various government departments including Department of Public Works, ASPA in the 1980’s and 1990’s, LBJ Tropical Medical Center, Department of Port Administration, the Development Bank of American Samoa and the Territorial Energy Office. He has also served as the Executive Director of the Commonwealth Utilities Corporation in the Commonwealth of the Northern Marianas Islands, and as a Senator from Sa’ole County in the Legislature of American Samoa. In 2001 Utu was named a “Top Ten” Public Works Leader by the American Public Works Association.

Steven H. Watson is Secretary of the Board. A lawyer by education and training, in between stints in private law practice Steve served as Chief of Staff to the Governor of American Samoa in the mid-1980’s, and 20 years in a senior management (non-legal) role with first a locally-owned community bank, and the final 12 years as a senior manager in a wholly owned subsidiary of the ANZ Banking Group which had acquired the local bank. His roles there included Head of Credit, Head of Retail, and acting Head of Risk and Compliance. Steve is now the Governor’s Chief Legal Counsel, and also serves as Chairman of the High Risk Task Force and is a member of the Tax Exemption Board. He took his undergraduate degree at University of Southern California (BA Sociology) and graduate degree at University of San Diego School of Law (JD Law).

Taimalelagi Claire Tuia (“Claire”) is Board Treasurer and currently serves as the Director of Port Administration, managing the territory’s main seaport (Port of Pago Pago) along with small harbors on the outer islands, and the airports (Tafuna International Airport, Ofu and Fitiuta). An educator for most of her career, Claire received a BS in Secondary Education, and an MA in Educational Administration from University of Portland. She also holds a Doctorate in Higher Education from BYU Provo. Claire spent over 30 years with DOE, culminating in being named Director of Education from 2007-2011. A member of the original Board in the late 1980’s, Claire has over the years been involved with several government long-range economic development planning efforts. She is currently a member of the Western Pacific Regional Fishery Management Council.

Iulogologo Joseph M. Pereira (“Iu”) has been the Executive Assistant to the Governor since Governor Lolo took office in January 2013. Iu graduated from Chanel College in Independent Samoa, and holds a degree from University of Hawaii (BA Economics) and a graduate degree from San Diego State University (MA Public Administration/Human Resources). In the 1970’s and 1980’s Iu served the government as Director of the Department of Commerce, Director of Human Resources, and Deputy Director of the Office of Program Planning and Budget. He was Chairman of the ASPA Board in the early 1980’s and spent several years as the Chairman of the American Samoa Medical Center Authority in the late 1990’s. From 1989 to date he has been a principle in a consulting firm doing work for various local government agencies in the areas of economic development planning, social planning and tourism development. He has worked on Veterans Affairs issues and with several non-profit organizations.

Keniseli F. Lafaele (“Keni”), currently the Director of the Department of Commerce, graduated from Samoana High School where he was Student Body President and Valedictorian. Keni studied economics in university and graduate school, taking a BA in Economics from George Washington University and a MA in Economic Development from University of Hawaii at Manoa. For over 25 years he provided financial advisory services for families and individuals in American Samoa through Ameriprise Financial Services, Inc., then later through his own independent consulting firm. Keni is the holder of several National and State of Hawaii Securities Licenses, and the author or co-author of several papers pertaining health care issues in the territory and matters concerning economic development. In addition to Keni’s role with the Issuer, he is Co-Chair of the Governor’s Economic Development Implementation Plan Task Force, and a member of the Pago Pago Harbor Commercial Complex Management Team.

Talauega Eleasalo Ale (“Salo”) is the Attorney General of American Samoa. Born and raised in the territory, Talauega attended Northeast Missouri State University and then attended Drake University Law School from which he graduated with honors. He served as a legislative assistant to the late Hawaii Senator Daniel K. Inouye after graduation from college and then as a law clerk to Chief Judge James S. Burns of the Hawaii Intermediate Court of Appeals after law school. Attorney General Ale returned to American Samoa in 2012 after 17

years of successful law practice in Minneapolis, Minnesota, where he was a partner in a full-service international law firm with offices across the United States, the United Kingdom and China.

Senator Galea'i Moa'ali'itele L.K. Tu'ufuli ("Senator") is a traditional leader sitting on the Board by appointment of the President of the Senate. Originally a police officer by education and training, he served the government as Chief of Police in the 1970's, and in the 1980's first as Special Assistant to the Governor and then as Commissioner of Public Safety. The Senator has served multiple, non-consecutive four years terms in the Senate, and also served a four year term as the Manu'a District Governor. While in the Senate he has chaired the Hospital and Public Health Committee. The Senator is the former long-time Chair of the territorial Democratic Party and a member of the Native American Samoan Advisory Council.

Representative Maugaoali'i Le'apai Tusipa Anoa'i ("Sipa") is a member of the House of Representatives who sits on the Board by appointment of the Speaker of the House. Representative Maugaoali'i, who was raised and educated in San Francisco, brings a broad range of private sector and government experience to the Board. Aside from now sitting in a second, non-concurrent term in the House of Representatives, he spent many years as *Pulenu'u* (Mayor) of his home village of Fagatogo, where he was and remains an outspoken advocate for village and county infrastructure improvement and beautification. In the private sector he has small business experience in the travel industry, the insurance business and the entertainment industry. At various times he has also worked for the Transportation Security Agency as well as for the Department of Human Resources.

TERRITORY OF AMERICAN SAMOA

General

The Territory of American Samoa, a self-governing, unincorporated territory of the United States, comprises a group of seven islands in the eastern South Pacific, located approximately 2,700 miles southwest of Hawaii and 2,300 miles northeast of New Zealand. The seven islands together make up about 76.1 square miles of land. The largest island, Tutuila, includes 70 percent of the total land area and is home to about 90 percent of the population. Pago Pago on Tutuila is the governmental seat of the Territory and the site of one of the Pacific's great natural harbors. The volcanic islands of the Territory have rugged interiors mostly covered with rain forests. In 1993, a U.S. national park was established on the north side of Tutuila and parts of the two outer islands of Ta'u and Ofu. The islands of the Territory are in the path of the Southwest trade winds resulting in frequent rains and a pleasant, tropical climate. The current population of the Territory is approximately 55,000.

As an unincorporated and unorganized territory of the United States, not all provisions of the U.S. constitution apply in the Territory. Residents of the Territory are not U.S. citizens. Rather, they are U.S. nationals who can freely enter the United States and work and reside anywhere they choose.

Over 90% of the residents of the Territory are ethnically Samoan. The balance of the population is made up of Caucasians, neighboring islanders of Tonga, Tokelau, and Niue, and miscellaneous other groups. English is widely spoken within the Territory, although many residents speak Samoan in the home. Land has traditionally been the primary basis for family organization and most land is owned in common by Samoan families. The Territory has legal provisions which restrict the ownership of land to Samoans, although land can be leased to non-Samoans for extended periods.

For additional general economic and demographic information regarding the Territory, see "APPENDIX C—ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE TERRITORY OF AMERICAN SAMOA."

Relations with United States Government

The United States Department of the Interior is responsible for coordinating federal policy with respect to the territories of American Samoa, Guam, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands, and administering and overseeing U.S. federal assistance provided to the Freely Associated States of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau under the Compacts of Free Association. The Office of Insular Affairs' (OIA) mission is to foster economic opportunities, promote government efficiency, and improve the quality of life for the people of the insular areas.

The Department of the Interior, through the OIA's Operations Grant Program, provides an annual operating grant to the Territory. For the fiscal year ending September 30, 2015, the territory was granted a \$23.02 million subsidy. These funds are used to support the daily operations of the Territory, the LBJ Tropical Medical Center, the American Samoa Community College, and the High Court of American Samoa. The purpose of the OIA program is to fund the difference between budget needs and local revenue and the absolute dollar amount received from the OIA has remained at consistent levels each year to promote self-sufficiency requiring the Territory to absorb other costs such as inflation.

Government Organization

The Territory adopted a constitution in 1966 which established a government resembling that of a U.S. state. The Governor and the Lieutenant Governor are popularly elected; however, prior to 1977 they were appointed by the Secretary of the Interior. Territory voters elected their first governor and lieutenant governor in November 1977. The Constitution of the Territory defines the basic governmental and legal organization. It provides for executive, legislative, and judicial branches. The Governor and Lieutenant Governor heading the executive branch are popularly elected to four-year terms. The current Governor and Lieutenant Governor are Lolo Matalasi Moliga and Lemanu Peleti Mauga, respectively, whose terms expire December 31, 2016. The legislative branch, known as the *Fono*, is bicameral: an 18-member Senate and a 20-member House of Representatives. The Senators are chosen by the 12 county councils, in accordance with Samoan custom, and serve four-year terms. The 20 Representatives are elected by popular vote to represent 17 established districts (three of which elect two Representatives) and serve for two year terms.

Governor Lolo M. Moliga was sworn in as governor of American Samoa on January 3, 2013. Lolo was born in Ta'u, Manu'a, American Samoa. After graduating from Samoana High School he earned his bachelor's degree in education from Chadron State College in Nebraska, and master's degree in public administration from San Diego State University. Lolo began his career as a teacher. He went on to become an elementary and secondary education administrator in the Department of Education. Lolo also served as director of the Office of Program Planning and Budget, as well as the government's Chief Procurement Officer for two terms. He was elected to the American Samoa House of Representatives for four terms and later became a senator, serving as Senate President. He was then nominated and confirmed by the Legislature as President of the Development Bank of American Samoa, which is the position he held until resigning the office to run for Governor in 2012.

Lieutenant Governor Lemanu Peleti Mauga took his seat as Lt. Governor on January 3, 2013. Born in Nu'uuli, American Samoa, Lemanu matriculated through the local school system including the American Samoa Community College. Lemanu served 23 years in the U.S. Armed Forces, first in the Marine Corps then the U.S. Army from which he retired as a Major (O-4). His service included tours in Desert Shield and Desert Storm, and Operation Iraqi Freedom. He holds degrees from University of Hawaii at Manoa and a Masters from San Diego State University in Public Administration. After retirement from the Army Lemanu became the Director of Army Instruction for the JROTC program at DOE. He is a former member of the Senate where he chaired several committees, and has served as Vice-Chair of the Development Bank Board of Directors.

The judiciary branch has three courts: High Court, District Court and Village Courts. Village Courts have jurisdiction over violations of their respective village regulations. The High Court is vested with general judicial jurisdiction and is a court of record, while the District Court is not a court of record. The judicial branch is headed by a Chief Justice, who is appointed by the Secretary of the Interior. The Interior Secretary also appoints an Associate Justice who assists the Chief Justice. Court proceedings are conducted in Samoan and English, unless the presiding judge specifies that the hearing will be held in only one language. A unique part of the High Court is the Lands and Titles Division. It adjudicates claims made to traditional *matai* (chief) titles and real property boundary disputes.

The Territory provides the services offered by the city, county, state, and even federal levels of government in the United States. The Territory provides the usual local government services such as public safety, public works, and community development. It also has agriculture, immigration, and marine resources departments. It owns and operates the port, the airport, the public school system, and the television station. The employees of the Territory are not represented by any union in their employment with the Territory and the Territory reports that its relations with its employees is good.

Besides the offices and departments that report to the Executive Branch, the Governor appoints the directors of, and the *Fono* approves, the budgets for ASPA, the American Samoa Development Bank, the American Samoa Hospital Authority, ASTCA, the American Samoan Community College, and the Issuer. The Development Bank gives loans to encourage economic development and housing construction.

Legal System

The judicial authority of the Territory is vested in the High Court of American Samoa. This authority is derived from 48 USC §1661(c) which provides in part that all judicial power “shall be vested in such person or persons and shall be exercised in such manner as the President of the United States shall direct.” The President vested power over the judiciary of American Samoa in the Secretary of Interior (Executive Order No. 10264 of June 29, 1951). The Secretary has in turn authorized the adoption of the Constitution of American Samoa and laws enacted thereunder, including ASCA § 3.0101 *et seq.* The *Fono* also has enacted ASCA §1.0201 providing that the appropriate provisions of the U.S. Constitution and the common law of England shall have the effect of law in the Territory. The High Court of American Samoa has adopted rules of procedure modeled closely after the Federal Rules of Civil, Criminal, and Appellate Procedure, as well as the Federal Rules of Evidence. To encourage the independence of the American Samoa judiciary, the Secretary of the Interior continues to appoint justices, require independent budgetary provisions, and maintain approval authority over any *Fono* legislation affecting the judiciary.

While the Territory is not physically located within the district of any U.S. District Court, the Territory is a legal entity that is subject to suit in any district in which jurisdiction over it may be obtained, the same as any other “person.”

While legislation by the *Fono* is codified in the ASCA, a hard copy of the code has not been published since 1988. However, the code was updated electronically in 2013. For legislation passed subsequent to the last revision of the code, reference must be made to the legislative session laws.

Government Financial Information

General. The Territorial government is the largest employer in the Territory and provides services equivalent to the federal, state and local services in the United States. The Territory is heavily subsidized by the United States in the form of grants, primarily monitored by the Department of Interior.

Government Finance. Governmental fund accounting is used for most of the Territory’s governmental functions. The general fund is the Territory’s general operating fund. It accounts for resources that fund the services governments traditionally provide to its citizens except those required to be accounted for in another fund. Special revenue funds account for specific revenue sources and include a federal grants fund and a capital projects fund.

The primary sources of revenues are taxes and payments from the Department of Interior in the form of an annual operating grant. In 2013, taxes accounted for \$53,909,886 or approximately 60% of general fund revenues, and intergovernmental revenues accounted for \$14,223,671, or approximately 16% of general fund revenues. In fiscal year 2014, taxes accounted for \$65,332,565 or approximately 66% of general fund revenues, and intergovernmental revenues accounted for \$13,859,354, or approximately 14% of general fund revenues.

The Department of Interior operating grant and other grants received by the Territory from the U.S. government generally are subject to annual appropriation by Congress. As shown in the five-year summary tables, the operating grants averaged about \$13.8 million annually from 2010 through 2014 (shown as “Intergovernmental” revenues). In addition, the Territory regularly receives federal grant money for specific programs. In fiscal years 2013 and 2014, the Territory received \$142,084,629 and \$171,481,388, respectively, in such special federal grants.

Outside of the general governmental funds, the Territory operates a number of enterprise funds and trust funds including ASPA, the American Samoa Telecommunications Authority, and ASGERF.

Residents of American Samoa do not pay U.S. income taxes, but instead pay the same tax rate to the Territory as a local tax. There are no property taxes or sales taxes.

Retirement Fund. ASGERF or the “Fund” is a cost-sharing multiple employer, contributory defined benefit retirement fund which was established in 1971 to provide retirement annuities for the employees of the Territory, its component units, the ASPA, the American Samoa Community College (“ASCC”), the American Samoa Medical Center (“LBJ”), and ASTCA, and for the employees of the Development Bank of American Samoa (“Development Bank”). The Fund is a blended component unit of the Territory and is reported in the fiduciary fund of the Territory. The Territory is financially accountable to the Fund in that the Governor appoints the members of the Fund’s Board of Trustees with advice and consent of the *Fono* and the Territory is responsible for the unfunded liabilities of the Fund.

Virtually all full-time employees of the Territory, ASPA, ASCC, LBJ, ASTCA, and the Development Bank, other than contract specialists, are covered by the ASGERF. The ASGERF is governed by a Board of Trustees appointed by the Governor of the Territory and confirmed by the Legislature.

The Territory, ASPA, ASCC, LBJ, ASTCA, and the Development Bank have agreed to contribute such amounts as provided by the ASCA to the Fund each year on an actuarially determined basis and as approved by the Fund Board of Trustees. For the year ended September 30, 2014, the actuary developed a sponsor contribution rate of 11.45% of total payroll. The sponsor rate approved by the Board of Trustees is 8% of employees’ regular earnings, excluding overtime.

Each member of the Fund contributes 3% of earnings and earns interest at 5% compounded annually. Employee contributions are made through payroll deductions. Employee contributions and the related interest earned are refunded in full to members whose employment is terminated for any reason other than retirement, and as a death benefit to the survivors of deceased employees not yet eligible for retirement. Employees are fully vested in the employer portion, payable as a retirement annuity, after ten years of participation in the Fund.

For fiscal years 2014, 2013, and 2012, actual employer contributions totaled \$7,851,815; \$7,591,013; and \$7,456,517; respectively. Actual contributions funded 100% of the contributions required by ASCA. All employee contributions are used to reduce the normal cost liability before the employer’s required contribution rate is calculated. Employer and employee contributions as a percentage of covered payroll are 8% and 3%, respectively. The net pension liability as of September 30, 2014, was \$122,784,935 (based on an actuarial valuation as of October 1, 2013) and the ratio of the Fund’s fiduciary net position as a percentage of total pension liability was 63.5%. Such net position liability was calculated based on actuarial assumptions which included an (a) 8.0% investment long-term expected rate of return, net of investment expenses and (b) projected salary increases of 5.0% to 15.0%, based on attained age, and each of these including an inflation component of 3.5%. As of September 30, 2014, the discount rate used to measure the Fund’s total pension liability was 6.10%.

In June 2012, the Governmental Accounting Standards Board issued Statement 68, Accounting and Financial Reporting for Pensions, which requires entities providing defined benefit pension to recognize their long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This statement is effective for the Territory beginning with the fiscal year ending September 30, 2015. The Territory has not determined at this time what its actual net pension liability will be for fiscal year 2015, and what effect the implementation of Statement 68 will have on its financial statements overall. The Territory intends to fully comply with GASB requirements related to its pension liability.

See “RISK FACTORS—Risks Related to the Territory’s Financial and Fiscal Condition—Retirement Fund” above.

Outstanding Obligations. The Territory entered into a Loan Agreement dated November 9, 2000 (the “DOI Loan”) with the United States Department of the Interior (the “DOI”). Pursuant to the DOI Loan, the Territory makes annual principal and interest payments of \$1,221,591 to DOI. The DOI Loan is scheduled to be retired in 2027. The DOI Loan is payable from and secured by proceeds from a tobacco settlement as well as the full faith and credit of the Territory.

Budget and Appropriation Process

While the effects of the global recession, local economic challenges, and the 2009 tsunami have contributed to persistent general fund deficits, the Territory has recently tightened budgetary controls and taken aggressive steps to achieve a balanced budget. The budgetary process outlined in ASCA details the procedures for adopting a budget. Economic factors are reviewed and incorporated into the overall planning for the upcoming fiscal year. The Territory recently reviewed and updated its budgetary procedures to strengthen controls on spending and oversight. The Territory believes that the budgetary system now has the necessary checks and balances in place to ensure no budgeted appropriations are exceeded. A general overview of the budgetary process is provided below.

Prior to the call for the final budgets, the Director of the Office of Program Planning and Budget Development and the Treasurer meet with the Governor to discuss budget policies, which include the establishment of the budget ceiling. It has been the common practice in recent Territory administrations to use the present fiscal year budget level as the budget threshold for the final budget. The Treasurer presents to the Governor his/her revenue projections for review and action. The Director of the Office of Program Planning and Budget Development presents current spending levels of the American Samoa Government, particularly the cost of the government's workforce. Based on the presentations from the Treasurer and the Director of the Program Planning and Budget Development, the budget ceiling for the final budget is set. Other policies may arise from this meeting, particularly the development priorities the Governor wishes to pursue during the succeeding year. In an effort to ensure that the budget ceiling is more accurate, the new budgetary procedures call for the inclusion of representatives from all revenue producing departments at the budget ceiling meeting and advance preparation and availability of prior year revenue figures as the basis for projections.

The Director of the Office of Program Planning and Budget Development then prepares the budget call for distribution to all agencies of the government, including the legislative and judicial branches. The budget call promulgates to the agencies and the legislative and judicial branches of the government the budget ceiling that has been established by the Governor. The department and agencies must submit their proposed work plan and budget submission consistent with the budget ceiling. In times of austerity, the Governor has required that all government agencies restrict the new budget to the level of the present fiscal year budget. The departments and agencies must submit their budget work plan to reflect the effectiveness and quality of services being provided as well as the number of people being served. Their proposed budget plan must be consistent with their departments' goals and objectives. Revised budget procedures require each department to develop contingency plans to reduce its budget by 5% and 10%, should emergency budget reduction measures be requested by the Governor.

Normally, the budget cycle covers a period of two years and the budget preparation phase is activated immediately after the start of the new fiscal year in October. As a practical matter, the advance budget has not been prepared for a number of years. Rather, the budget call currently goes out in April to all government departments, agencies, and authorities. Each department and agency normally has up to two weeks to submit their budget respective proposals. Then budget plan negotiations are conducted, with budgets being edited and finalized. The Proposed Final Budget for the upcoming fiscal year (beginning October 1) is then transmitted by the Governor to the Legislature one week prior to the date the legislative session starts (usually during the second week of July every year). As soon as the new budget appropriation bill is signed into law, the Budget Director issues a directive memorandum to all agencies and departments to submit their quarterly budget allocations and work plan, usually due one week from the date of the outgoing memorandum.

Initially, the budget analyst loads each department budget allocation into the system by object class for the first quarter based on the details in the approved budget. The amounts are modified accordingly to reflect quarterly allocations submissions from agencies and departments. These figures, as well as any precautionary budget containment measure (normally of up to 10% withholding upon approval by the Governor) are intended to restrict and insert into and serve as a control on the agency and departmental spending budgets for each quarter throughout the fiscal year.

The new approved budget for each fiscal year is allocated and loaded quarterly into the system. A department or agency may stipulate a special request to allocate resources from other quarters to cover expenditures incurred in the current quarter. The budget director evaluates each requested need on a case by case basis given proper justification.

All documented expenditures must be submitted in proper form to be reviewed and acted upon by the Office of Program and Budget Development as well as to other agencies such as Attorney General, Procurement Office, and Treasury. In cases of personnel hires, the Department of Human Resources is required to perform a personnel action review. If the amount is within the budget analyst's set of authorized approvals, the analyst can approve or disapprove an expenditure request. Otherwise, based on the budgeting goals, the budget analyst determines whether to recommend to the Budget Director his/her approval on pending personnel actions, contracts, and on documented expenditures with amounts above the analyst's authorized approval range.

The overall internal review process and assessment by the budget analysts is guided by the four broad budgeting goals which include controlling spending, improving productivity, prudent planning and resource allocation, and budget policy compliance. The primary goal is to do more with less as all documented expenditures must be submitted with proper justifications for review and to insure that overall spending is in line with the approved budget, thereby avoiding budget overruns. The application of the four budgeting goals into the decision making process insures internal controls are fully in place to further secure and advance system effectiveness and efficiencies.

The revised budget procedures include steps to ensure ongoing adherence to budget goals and oversight, including:

- i. Treasury and Budget will meet on a monthly basis to reconcile actual revenues and expenditures to budget and then brief the Governor;
- ii. Any fiscal shocks between meetings will be reported immediately to Governor;
- iii. Department of Commerce will report any major economic changes directly to Governor, Treasury and Budget, in particular economic changes directly affecting revenues;
- iv. The Governor's office will be included on the daily cash receipt report;
- v. If revenues appear below projections, Treasury and Budget will send a formal request to Governor to instruct all departments to execute 5% or 10% contingency plans as appropriate;
- vi. The Governor will send a general memorandum to department heads after briefing and review of Treasury and budget memo;
- vii. The budget will be formally amended at the beginning of the second *Fono* session to bring the budget in line with actual budgetary changes; and
- viii. A general freeze on new purchase orders and discretionary hires will be put in effect in the fourth quarter to reconcile accounts.

Recent Developments

The 2014 financial statements show a general fund deficit of \$13,157,226. Although fiscal year 2014 was a record revenue collection year for the government, expenditures exceeded revenue collections by \$7,161,651. The Territory's initial analysis of the fiscal year 2014 results suggests that the deficit was a result of various factors, including a lack of budget controls. As part of the current administration's efforts to retire all prior obligations, it has made it a priority to meet in a timely manner the responsibilities of the government to its contracted vendors and to other outstanding obligations (including, amounts owed in connection with the settlement of certain litigation).

To address the deficit, the Territory plans to implement the new budget procedures described above. The Territory also plans to fill the position of comptroller and chief financial officer. The Territory plans to gradually reduce such deficit within the next few years.

Balanced Budget. To demonstrate its commitment to fiscal responsibility, the Territory enacted measures to enforce previously existing budget limits (the “Anti-Deficiency Act”) which historically have not been strictly enforced. The Anti-Deficiency “Act provides in pertinent part that:

(a) No officer or employee of the government may make or authorize an expenditure from or create or authorize an obligation under any appropriation or fund excess of the amount available therein; nor may officers or employees involve the government in contracts or other obligations, for the payment of money for any purpose, in advance, of appropriations made for that purpose unless the contract or obligation is authorized by law.

(b) No offer or employee of the government may accept voluntary service for the government or employ personal service in excess of that authorized by law, except in cases of emergency involving the safety of human life or the protection of property.

(c) In addition to any penalty or liability under other law, any officer or employee of the government who violates subsection (a) or (b) is subjected to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office. Any officer or employee of the government who knowingly violates subsection (a) or (b) shall, upon conviction, be sentenced for a class D felony.

In order to enforce the Anti-Deficiency Act, in April of 2015 the Territory implemented various procedures described above under “Budget and Appropriation Process.”

Moreover, the Issuer and the Territory agree in the Indenture that so long as there are Bonds Outstanding under the Indenture:

(a) Beginning with fiscal year 2016, the Territory shall ensure that it will approve and comply with a balanced budget. For purposes of this covenant, the Territory shall be considered in compliance so long as it does not run a deficit for any two consecutive fiscal years (calculated only with respect to that fiscal year and not on a cumulative basis). As long as the Territory can demonstrate either (i) it has operated without a deficit for a particular fiscal year or (ii) a government emergency, natural disaster or other significant event outside the control or ability of the Territory to anticipate has occurred as certified by the Governor of the Territory, the Territory shall be considered in compliance with this covenant for that fiscal year, even if a cumulative deficit still exists.

(b) The Territory shall enforce the Anti-Deficiency Act in all material respects.

(c) The sole remedy available for any violation of the covenants under this section shall be an action in the nature of mandamus, with no recourse to money damages of any kind, including but not limited to litigation costs, court fees, or attorneys’ fees.

No Defaulted Bonds

Although the Territory has been in arrears on certain intergovernmental loans, it has never failed to pay principal and interest when due on any of its bonds, notes or other financial obligations held by entities other than those associated with the Territory.

Five-Year Financial Summaries

The summaries contained herein were extracted from the Territory’s basic audited financial statements for the fiscal years ended September 30, 2010 through September 30, 2014. The summaries have not been audited. See “APPENDIX A—REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION FOR TERRITORY OF AMERICAN SAMOA SEPTEMBER 30, 2014” herein.

TERRITORY OF AMERICAN SAMOA
Statement of Net Position—Governmental Activities
(This summary has not been audited.)

	<u>Fiscal Year Ending September 30,</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:					
Cash and Cash Equivalents	\$6,051,234	\$17,392,549	\$12,953,983	\$17,046,494	\$20,084,851
Investments	4,327,007	4,709,711	7,707,583	6,950,202	8,380,238
Due to agency fund-pooled cash	—	1,221,427	—	—	—
Taxes receivable, net	6,822,432	3,449,705	1,775,839	1,907,228	7,474,714
Accounts receivable, net	2,812,634	3,531,509	9,085,831	7,021,123	103,681
Due from U.S. Government	25,824,229	19,982,855	26,537,438	32,239,179	31,533,811
Due from other funds, net	—	—	—	100,000	1,323,443
Prepaid expenses	613,602	625,893	607,729	622,504	652,504
Capital lease receivable	—	—	—	—	158,674
Capital Assets	—	—	—	—	219,835,594
Land and construction in progress	33,118,744	26,086,521	13,759,989	10,986,221	—
Depreciable buildings, equipment, and land improvements	<u>227,727,699</u>	<u>226,365,965</u>	<u>230,854,483</u>	<u>201,494,260</u>	<u>—</u>
Total Assets	<u>307,297,581</u>	<u>303,366,135</u>	<u>303,282,875</u>	<u>278,367,211</u>	<u>289,547,510</u>
Liabilities:					
Due to other funds-pooled cash	178,453	—	—	—	4,702,803
Due to agency fund-pooled cash	330,599	—	4,383,331	4,677,439	—
Accounts Payable	20,188,023	15,466,421	16,094,538	22,531,802	16,843,130
Income tax refunds payable	5,226,782	3,569,983	4,820,345	5,086,940	5,160,069
Accrued expenses	5,737,226	5,327,961	6,440,695	7,266,701	4,348,308
Due to other funds	—	—	—	—	533,586
Due to component units	12,948,046	12,826,330	9,069,213	8,329,289	5,001,981
Contract retention	311,063	561,399	721,185	356,653	601,285
Deposits	—	—	1,102,716	950,656	1,055,936
Claims payable	—	—	—	—	100,000
Advance from grants	—	—	—	6,842,418	8,868,913
Unearned revenue	6,323,785	8,833,581	10,079,486	2,332,706	12,370,875
Other accrued expenses	654,591	3,218,006	—	—	—
Long-term debt payable within one year	7,188,730	6,893,973	6,860,878	2,336,377	2,170,197
Other liabilities	9,400,000	12,600,000	7,400,000	15,451,602	11,367,306
Non-current liabilities:					
Long-term debt payable after one year	20,643,134	24,523,466	27,947,289	19,668,552	22,044,043
Other liabilities due after one year	<u>11,946,292</u>	<u>8,279,774</u>	<u>15,908,288</u>	<u>17,017,251</u>	<u>21,311,925</u>
Total liabilities	<u>101,076,724</u>	<u>102,100,894</u>	<u>110,827,964</u>	<u>112,848,386</u>	<u>116,480,357</u>
Net Position:					
Invested in capital assets, net of related debt	260,535,380	251,891,087	243,893,287	212,123,828	219,835,594
Restricted	2,820,020	1,984,651	4,362,320	2,490,056	—
Unrestricted	<u>(57,134,543)</u>	<u>(52,610,497)</u>	<u>(55,800,696)</u>	<u>(49,095,059)</u>	<u>(46,768,441)</u>
Total net position	<u>\$206,220,857</u>	<u>\$201,265,241</u>	<u>\$192,454,911</u>	<u>\$165,518,825</u>	<u>\$173,067,153</u>

(Source: Information extracted from the Territory's audited basic financial statements for fiscal years 2010 through 2014. This summary has not been audited.)

TERRITORY OF AMERICAN SAMOA
Balance Sheet—Governmental Funds – General Fund
(This summary has not been audited.)

	<u>Fiscal Year Ending September 30.</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets					
Cash and cash equivalents	\$2,244,762	\$8,377,791	\$5,860,169	\$6,185,661	\$8,071,505
Due from other funds—pooled cash	—	2,646,344	509,869	2,253,054	—
Due from other funds	—	267,686	—	—	—
Investments	4,327,007	4,403,548	3,193,707	2,193,764	3,735,944
Taxes receivable, net	6,822,432	3,449,705	1,775,839	1,907,228	7,474,714
Accounts receivable, net	2,484,973	1,474,146	245,902	499,042	103,681
Prepaid expenses	613,602	625,893	592,504	622,504	653,044
Capital lease receivable	—	—	—	—	<u>158,674</u>
Total Assets	<u>\$16,492,776</u>	<u>\$21,245,113</u>	<u>\$12,177,990</u>	<u>\$13,661,253</u>	<u>\$20,197,562</u>
Liabilities and Fund Balances					
Liabilities:					
Due to other funds—pooled cash	1,648,979	—	—	—	2,619,073
Accounts payable	5,235,418	3,106,264	1,496,250	704,176	1,552,392
Income tax refunds payable	5,226,782	3,569,983	4,820,345	5,086,940	5,160,069
Accrued expenses	3,716,064	3,255,891	4,423,117	4,132,322	4,336,133
Due to component units	12,595,195	12,431,559	8,738,396	7,997,726	3,649,042
Due to other funds	—	—	—	—	152,376
Contract retention	78,446	—	—	18,638	18,638
Due to internal service fund	—	—	2,525,000	—	—
Unearned revenue	823,909	843,182	862,455	3,449,137	10,834,315
Other accrued expenses	<u>325,209</u>	<u>2,842,905</u>	—	—	—
Total Liabilities	<u>29,650,002</u>	<u>26,049,784</u>	<u>22,865,563</u>	<u>21,388,939</u>	<u>28,322,038</u>
Fund Balances:					
Reserved for Encumbrances	—	—	—	—	796,682
Nonspendable	613,602	625,893	592,504	622,504	—
Committed	1,185,444	798,991	1,933,058	1,095,106	—
Unassigned	<u>(14,956,272)</u>	<u>(6,229,555)</u>	<u>(13,213,135)</u>	<u>(9,445,296)</u>	<u>(8,921,161)</u>
Total Fund Balances	<u>(13,157,226)</u>	<u>(4,804,671)</u>	<u>(10,687,573)</u>	<u>(7,727,686)</u>	<u>(8,124,476)</u>
Total Liabilities and Fund Balances	<u>\$16,492,776</u>	<u>\$21,245,113</u>	<u>\$12,177,990</u>	<u>\$13,661,253</u>	<u>\$20,197,562</u>

(Source: Information extracted from the Territory's audited basic financial statements for fiscal years 2010 through 2014. This summary has not been audited.)

TERRITORY OF AMERICAN SAMOA
Statement of Revenues, Expenses, and Changes in Fund Balances—General Fund
(This summary has not been audited.)

	<u>Fiscal Year Ending September 30,</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues					
Taxes	\$65,332,565	\$53,909,886	\$62,206,531	\$53,490,608	\$56,489,609
Licenses and Permits	1,145,068	946,808	984,537	976,012	1,003,204
Intergovernmental	13,859,354	14,223,671	14,725,669	13,041,078	13,448,705
Charges for Services	5,743,876	5,708,377	5,142,824	6,306,325	5,545,817
Fines and Fees	3,163,103	8,124,705	2,758,390	2,568,977	2,523,215
Interdepartmental	—	—	—	4,488,342	6,391,129
Indirect	4,937,480	5,669,789	4,484,513	—	—
Miscellaneous	<u>4,543,992</u>	<u>1,554,210</u>	<u>1,545,591</u>	<u>2,294,056</u>	<u>2,774,901</u>
Total Revenues	<u>98,725,438</u>	<u>90,137,446</u>	<u>91,848,055</u>	<u>83,165,398</u>	<u>88,176,580</u>
Expenditures					
Current:					
General Government	36,397,676	41,133,316	42,441,119	30,904,523	29,233,771
Education and Culture	31,284,144	25,548,537	22,980,758	23,652,256	28,401,129
Public Works	7,406,723	8,761,939	7,796,904	5,783,791	6,783,789
Health and Welfare	10,354,200	3,353,931	3,059,195	4,759,923	8,094,051
Public Safety	10,372,679	9,523,643	9,073,841	9,419,003	9,773,723
Economic Development	10,071,667	5,020,491	4,516,421	8,301,891	7,791,050
Principal	—	—	—	<u>31,736</u>	—
Total Expenditures	<u>105,887,089</u>	<u>93,341,857</u>	<u>89,868,238</u>	<u>82,853,123</u>	<u>90,077,513</u>
Excess (Deficiency)					
of Revenues Over Expenditures	<u>(7,161,651)</u>	<u>(3,204,411)</u>	<u>1,979,817</u>	<u>312,275</u>	<u>(1,900,933)</u>
Other Financing Sources (Uses)					
Loan Proceeds	—	—	—	4,641,207	2,430,263
Transfers In	1,321,033	8,948,360	—	16,419	281,703
Transfers Out	(2,511,937)	<u>(2,665,696)</u>	<u>(4,939,704)</u>	<u>(4,573,111)</u>	<u>(8,180,861)</u>
Total Other Financing					
Sources (Uses)	<u>(1,190,904)</u>	<u>6,282,664</u>	<u>(4,939,704)</u>	<u>84,515</u>	<u>(5,468,895)</u>
Changes in Fund Balances	(8,352,555)	3,078,253	(2,959,887)	396,790	(7,369,828)
Fund Balances (Deficit)					
Beginning of Year	<u>(4,804,671)</u>	<u>(7,882,924)⁽¹⁾</u>	<u>(7,727,686)</u>	<u>(8,124,476)</u>	<u>(754,648)</u>
Fund Balances (Deficit)					
End of Year	<u>\$(13,157,226)</u>	<u>\$(4,804,671)</u>	<u>\$(10,687,573)</u>	<u>\$(7,727,686)</u>	<u>\$(8,124,476)</u>

⁽¹⁾ The general fund beginning balance in fiscal year 2013 changed from the prior year's ending balance due to a reclassification of a non-major fund to the general fund.

(Source: Information extracted from the Territory's audited basic financial statements for fiscal years 2010 through 2014. This summary has not been audited.)

LEGAL MATTERS

General

The authorization and issuance of the Series 2015 Bonds is subject to the approval of legality by Ballard Spahr LLP, Bond Counsel to the Issuer. Certain matters relating to disclosure will be passed upon by Ballard Spahr LLP, Disclosure Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by Talauega Eleasalo Ale, Territory Attorney General. The Underwriters are being represented by their counsel, Chapman and Cutler LLP. Lewis Young Robertson & Burningham, Inc. has acted as municipal advisor to the Issuer in connection with the issuance of the Series 2015 Bonds. The approving opinion of Bond Counsel will be delivered with the Series 2015 Bonds. A copy of the form of the opinion of Bond Counsel is set forth in “APPENDIX D—FORM OF OPINION OF BOND COUNSEL” of this Limited Offering Memorandum.

Litigation

A non-litigation certificate issued by the attorney for the Issuer and the Territory, dated the date of closing, will be provided stating, among other things, that to the best of his knowledge, after due inquiry, no action, suit, proceeding, inquiry, or any other litigation or investigation at law or in equity, before or by any court, public board or body, has been served on the Issuer or is threatened, challenging the creation, organization, or existence of the Issuer or the titles of its officers to their respective offices or seeking to restrain or enjoin the issuance, sale, or delivery of the Series 2015 Bonds or for the purpose of restraining or enjoining the levy and collection of taxes or assessments by the Issuer or the Territory, or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2015 Bonds are issued or the validity of the Series 2015 Bonds or the issuance thereof.

TAX MATTERS

Federal Income Tax

The Series 2015A Bonds.

Excludability of Interest. In the opinion of Ballard Spahr LLP, Bond Counsel to the Issuer, interest on the Series 2015A Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2015A Bonds, assuming the accuracy of the certifications of the Issuer and the Territory and continuing compliance by the Issuer and the Territory with the requirements of the Internal Revenue Code of 1986. Interest on the Series 2015A Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Series 2015A Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

The Series 2015C Bonds.

Non-Excludability of Interest. Interest on the Series 2015C Bonds is not excludable from gross income for federal income tax purposes.

Taxes of Other Jurisdictions

Bond Counsel is also of the opinion that, under 48 U.S.C. 1670(b)(1), the interest on the Series 2015A Bonds is exempt from taxation by the Territory and the governments of any of the several states of the United States, the District of Columbia, any territory or possession of the United States, and any subdivision thereof; provided, however, that the foregoing exemption does not apply to gift, estate, inheritance, legacy, succession, or other wealth transfer taxes.

No Further Opinion

Bond Counsel expresses no opinion regarding any other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2015 Bonds.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2015A Bonds or otherwise prevent holders of the Series 2015A Bonds from realizing the full benefit of the tax exemption of interest on the Series 2015A Bonds. Further, such proposals may impact the marketability or market value of the Series 2015A Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Series 2015A Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2015A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2015A Bonds would be impacted thereby.

Purchasers of the Series 2015A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2015A Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Circular 230 Disclosure

The above discussion relating to the Series 2015C Bonds was written to support the promotion and marketing of the Series 2015C Bonds and was not intended or written to be used, and cannot be used, by a taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

INVESTOR LETTER

The initial purchasers of the Series 2015 Bonds will be required to execute an investor letter in substantially the form attached hereto as "APPENDIX G—FORM OF INVESTOR LETTER." See also "THE SERIES 2015 BONDS—Purchase and Transfer Restrictions."

UNDERWRITING

George K. Baum & Company and KeyBanc Capital Markets, Inc., as Underwriters of the Series 2015 Bonds have agreed, subject to certain conditions, to purchase all of the Series 2015A Bonds from the Issuer at an aggregate price of \$43,664,660 (representing the aggregate principal amount of the Series 2015A Bonds less an Underwriters' discount of \$530,340) and all of the Series 2015C Bonds from the Issuer at an aggregate price of \$11,579,360 (representing the aggregate principal amount of the Series 2015C Bonds less an Underwriters' discount of \$140,640). The Underwriters have advised the Issuer that the Series 2015 Bonds may be offered and sold to certain dealers at prices lower than the initial public offering prices set forth inside the front cover of this Limited Offering Memorandum and that such public offering prices may be changed from time to time.

Although the Underwriters expect to maintain a secondary market in the Series 2015 Bonds after the initial offering, no guarantee can be given concerning the future existence of such a secondary market or its maintenance by the Underwriters or others.

RATINGS

Moody's Investors Service, Inc. has assigned its municipal rating of "Ba3" to the Series 2015 Bonds.

Such rating reflects only the views of the rating agency and any explanation of the significance of such rating should be obtained from the rating agency furnishing the same. There is no assurance that the rating given to the outstanding obligations will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Series 2015 Bonds.

The Issuer will covenant in the Continuing Disclosure Undertaking to file on the Electronic Municipal Market Access (“EMMA”) system of the Municipal Securities Rulemaking Board (the “MSRB”), notices of any ratings changes on the Series 2015 Bonds. See “CONTINUING DISCLOSURE UNDERTAKING” below and “APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING.” Notwithstanding such covenant, information relating to ratings changes on the Series 2015 Bonds will generally be publicly available from the rating agencies prior to or simultaneously with such information being provided to the Issuer. Therefore, and prior to the date the Issuer is obligated to file a notice of rating change on EMMA, purchasers of the Series 2015 Bonds are directed to the ratings agencies and their respective websites and official media outlets may be considered for the most current source for any ratings changes on with respect to the Series 2015 Bonds after the initial issuance of the Series 2015 Bonds.

CONTINUING DISCLOSURE

The Issuer has undertaken for the benefit of the Bondholders and the beneficial owners of the Series 2015 Bonds to provide certain annual financial information and operating data to the MSRB and to provide notice of certain material events to the MSRB all in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (“Rule 15c2-12”). See APPENDIX E attached hereto and incorporated herein by reference for a form of the Continuing Disclosure Undertaking that will be executed and delivered by the Issuer.

The Issuer has not previously entered into any continuing disclosure undertaking pursuant to Rule 15c2-12. A failure by the Issuer to comply with the Continuing Disclosure Undertaking will not constitute a default under the Indenture and beneficial owners of the Series 2015 Bonds are limited to the remedies described in the Continuing Disclosure Undertaking. See “APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING—Default.” A failure by the Issuer to comply with the Continuing Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2015 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2015 Bonds and their market price.

MISCELLANEOUS

Independent Accountants

The financial statements of the Territory as of September 30, 2014 and for the year then ended, included in this Limited Offering Memorandum, have been audited by Moss-Adams LLP (“Moss-Adams”), as stated in their report in APPENDIX A to this Limited Offering Memorandum. Moss-Adams LLP has not consented to, and has not been asked to consent to, the use of its name and audited financial report of the Territory for fiscal year ended September 30, 2014 in this Limited Offering Memorandum.

Copies of the Territory’s audited financial statements may be obtained upon request from the Treasurer’s Office of the Territory at Executive Office Building, Highway 1, Pago Pago, American Samoa 96799; Fax (684) 633-4100.

Municipal Advisor

The Issuer and the Territory have entered into an agreement with Lewis Young Robertson & Burningham, Inc., Salt Lake City, Utah (the “Municipal Advisor”) whereunder the Municipal Advisor provides financial recommendations and guidance to the Issuer and the Territory with respect to timing of sale, bond market conditions, costs of issuance and other factors relating to the sale of the Bonds. The Municipal Advisor has read and participated in the drafting of this Limited Offering Memorandum. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the Limited Offering Memorandum, or any other

related information available to the Territory or the Issuer, with respect to accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Municipal Advisor respecting accuracy and completeness of the Limited Offering Memorandum or any other matters related to the Limited Offering Memorandum. Municipal Advisor fees are contingent upon the sale and delivery of the Series 2015 Bonds.

Additional Information

All quotations from and summaries and explanations of the statutes, programs, laws of the Territory, court decisions, and the Indenture, which are contained herein, do not purport to be complete, and reference is made to said statutes, programs, laws, court decisions, and the Indenture for full and complete statements of their respective provisions.

Any statement in this Limited Offering Memorandum involving matters of opinion, whether or not expressly so stated, is intended as such and not as representations of fact.

The appendices attached hereto are an integral part of this Limited Offering Memorandum, and should be read in conjunction with the foregoing material.

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The delivery of the Limited Offering Memorandum has been duly authorized by the Issuer and the Territory.

AMERICAN SAMOA ECONOMIC DEVELOPMENT
AUTHORITY

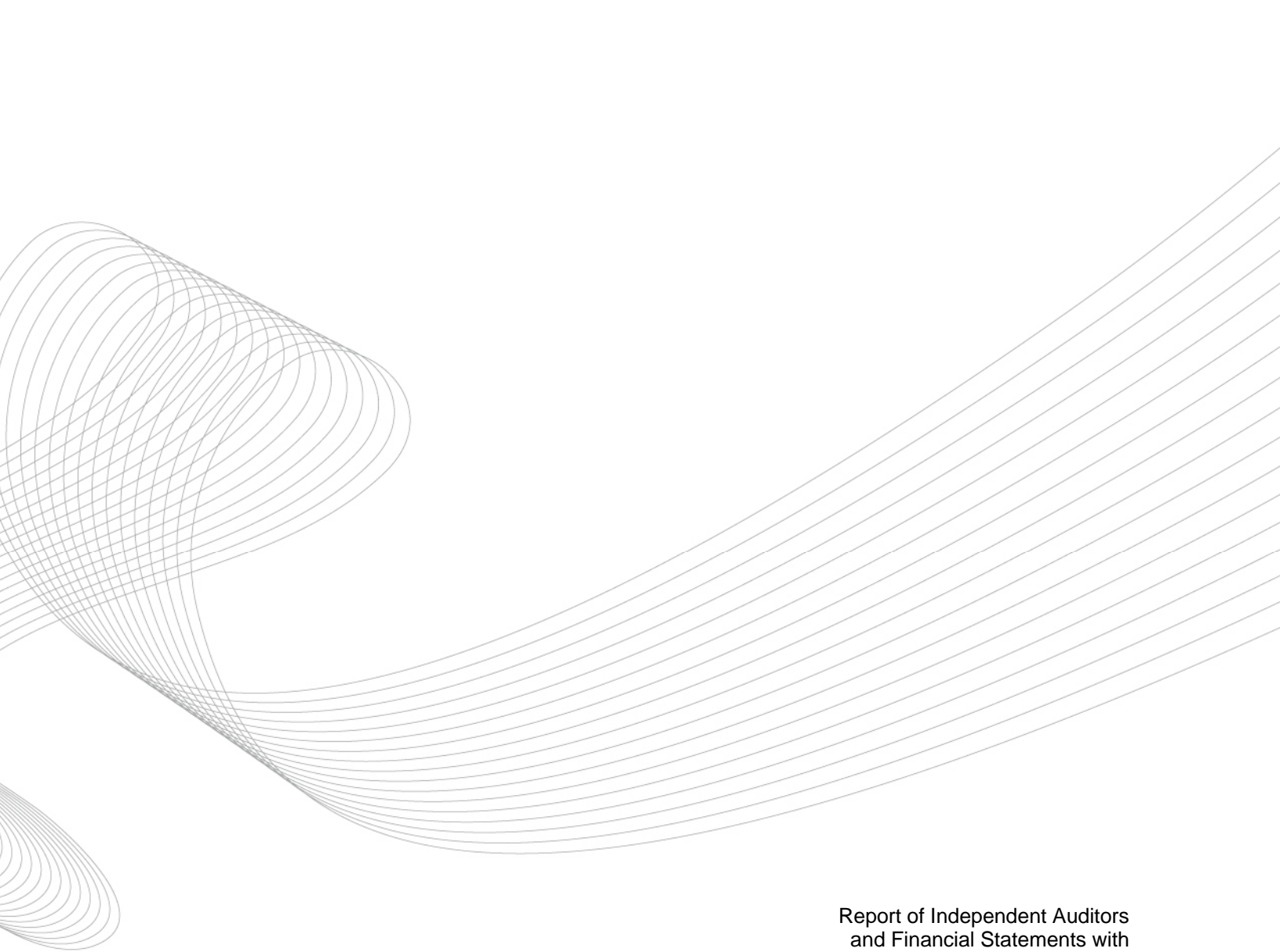
By: /s/ Ueligitone Tonumaipe'a
Chairman

TERRITORY OF AMERICAN SAMOA

By: /s/ Lolo Letalu Matalasi Moliga
Governor

APPENDIX A

**REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTARY INFORMATION FOR TERRITORY OF AMERICAN SAMOA
SEPTEMBER 30, 2014**



Report of Independent Auditors
and Financial Statements with
Required Supplementary Information for

Territory of American Samoa

September 30, 2014

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To Governor of the Territory of American Samoa
Territory of American Samoa
Pago Pago, American Samoa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Territory of American Samoa (the "Territory") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Territory's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: American Samoa Community College, American Samoa Power Authority, and American Samoa Telecommunications Authority, whose financial statements reflect 92% of the net position at September 30, 2014 and 81% of the operating revenues of the aggregate discretely presented component units for the year then ended. The financial statements of the American Samoa Community College, American Samoa Power Authority, and American Samoa Telecommunications Authority were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Territory's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions, as summarized below.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business Type Activities	Unmodified
General Fund	Qualified
Grant Fund	Qualified
Airport Fund	Unmodified
Aggregate Discretely Presented Component Units	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on the Governmental Activities, General Fund, Grant Fund and the Aggregate Discretely Presented Component Units

We were unable to obtain sufficient appropriate audit evidence for the recorded amounts of tax revenues of \$65.3 million in the general fund within the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the year ended September 30, 2014 as the system of financial accounting and reporting in operation for tax revenues for the year ended September 30, 2014 was inadequate to prevent or detect and correct material misstatements on a timely basis and to ensure that transactions were recorded in the proper period. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

We were unable to obtain sufficient appropriate audit evidence for the recorded amounts of accounts payable of \$14.4 million and unearned revenue of \$5.4 million recorded in the grant fund within the Balance Sheet – Governmental Funds as of September 30, 2014 as the system of financial accounting and reporting in operation for these accounts for the year ended September 30, 2014 was inadequate to ensure that transactions were recorded in the proper period. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Territory's \$9 million investment in ASH Cable LLC as of September 30, 2014 and the Territory's share of ASH Cable LLC's net income as this financial information has not been provided to the Territory from ASH Cable LLC. Consequently, we were unable to determine whether a joint venture interest should be recorded into the governmental activities of the Territory in the current year.

We were unable to obtain sufficient appropriate audit evidence for the recorded amounts for patient accounts receivable and net patient services revenue at the American Samoa Medical Center Authority within the aggregate discretely presented component unit financial statements as of September 30, 2014 and for the year then ended due to insufficient data being provided by the patient accounting information system. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinions

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinions on the Governmental Activities, General Fund, Grant Fund and the Aggregate Discretely Presented Component Units paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, the grant fund, and the aggregate discretely presented component units of the Territory of American Samoa as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the airport fund, and the aggregate remaining fund information of the Territory of American Samoa as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budget comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2015 on our consideration of the Territory's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Territory's internal control over financial reporting and compliance.

Moss Adams LLP

Seattle, Washington

June 26, 2015

TERRITORY OF AMERICAN SAMOA

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

This section of the Territory of American Samoa (the "Territory" or "ASG") Basic Financial Report presents a narrative overview and analysis of the financial activities of the Territory for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with the letter of transmittal and the financial statements. Fiscal year 2013 comparative information has been included, where appropriate.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2014, the Territory's total net position of the primary government increased by \$70,956 or 0.02% from the prior year.
- During the year, the Territory's expenses for governmental activities were \$284,718,386 and were funded by federal program revenues of \$193,459,284 and further funded with taxes, fees and other general revenues that totaled \$97,173,516.
- In the Territory's business-type activities, which include the airport, industrial park, and shipyard, program expenses exceeded program revenues by \$6,106,900.
- As of September 30, 2014, the General Fund reported a net fund deficit of (\$13,157,226) as compared to the prior year's net fund deficit of (\$4,804,671).

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Territory and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for each of two categories of activities – governmental and business-type, along with a separate category for discretely-presented component units. The government-wide financial statements present the most complete financial picture of the Territory from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the Territory (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the Territory as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities provide an overall assessment of the Territory's financial condition, and whether its financial condition improved, declined or remained steady over the past year. These statements include all assets and liabilities using the accrual basis of accounting. In addition all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

TERRITORY OF AMERICAN SAMOA

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

These two government-wide statements report the Territory's net position and changes in them from the prior year. Net position – the difference between assets and liabilities – represent a fundamental measure of an entity's financial condition, or position. Over time, increases or decreases in the Territory's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady.

In addition, you must consider other nonfinancial factors, such as changes in the Territory's overall economic environment, the condition of the Territory's roads and other infrastructure, and the quality of services to assess the overall health and performance of the Territory.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the Territory into three kinds of activities:

- Governmental activities – Most of the Territory's basic services are reported here, including public safety, health and welfare, education, culture, general administration, and public works. Income taxes and federal grants finance most of these activities.
- Business-type activities – The Territory charges various fees to recover the costs of operating certain services it provides. The Territory's airport, industrial park, and shipyard authority are activities reported here.
- Discretely-presented component units – These account for activities of the Territory's reporting entity that do not meet the criteria for blending, specifically the American Samoa Power Authority, the American Samoa Community College, the Lyndon B. Johnson Hospital, and the American Samoa Telecommunications Authority.

Reporting the Territory's Most Significant Funds

Fund Financial Statements

The fund financial statements are designed to report information about the most significant funds – not the Territory as a whole. Some funds are required to be established by law and/or by contract or grant agreements. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is using certain taxes, grants and other money, in accordance with applicable laws and regulations.

TERRITORY OF AMERICAN SAMOA

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental funds – Most of the Territory's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Territory's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Territory's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds – When the Territory charges customers for the services it provides – whether to outside customers or to other units of the Territory – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In fact, the Territory's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Fiduciary funds – The Territory is responsible for assets of these funds that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or other parties, such as the American Samoa Government Employees' Retirement Fund ("Retirement Fund"). The Territory is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the Territory's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the Territory's government-wide financial statements because the Territory cannot use these assets to finance operations.

TERRITORY OF AMERICAN SAMOA

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

FINANCIAL ANALYSIS OF THE TERRITORY AS A WHOLE

Net Position

The Territory's combined net position increased from \$291,838,684 to \$291,909,640 between fiscal years 2013 and 2014. There was a marked shift in governmental activities during fiscal 2014 as compared to previous year. This is due to majority of infrastructure improvements, such as the Manu'a harbor dredging, being financed by either capital improvement or local funds.

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Capital assets, net	\$ 252,452,486	\$ 260,846,443	\$ 86,662,312	\$ 85,024,827	\$ 339,114,798	\$ 345,871,270
Other assets	50,913,649	46,451,138	5,120,400	1,314,997	56,034,049	47,766,135
Total assets	<u>\$ 303,366,135</u>	<u>\$ 307,297,581</u>	<u>\$ 91,782,712</u>	<u>\$ 86,339,824</u>	<u>\$ 395,148,847</u>	<u>\$ 393,637,405</u>
Current liabilities	\$ 69,297,654	\$ 68,487,298	\$ 1,209,269	\$ 651,041	\$ 70,506,923	\$ 69,138,339
Non-current liabilities	32,803,240	32,589,426	-	-	32,803,240	32,589,426
Total liabilities	<u>\$ 102,100,894</u>	<u>\$ 101,076,724</u>	<u>\$ 1,209,269</u>	<u>\$ 651,041</u>	<u>\$ 103,310,163</u>	<u>\$ 101,727,765</u>
Net position						
Invested in capital assets, net of related debt	\$ 251,891,087	\$ 260,535,380	\$ 86,353,730	\$ 84,963,391	\$ 338,244,817	\$ 345,498,771
Restricted	1,984,651	2,820,020	3,135,151	-	5,119,802	2,820,020
Unrestricted	(52,610,497)	(57,134,543)	1,084,562	725,392	(51,525,935)	(56,409,151)
Total net position	<u>\$ 201,265,241</u>	<u>\$ 206,220,857</u>	<u>\$ 90,573,443</u>	<u>\$ 85,688,783</u>	<u>\$ 291,838,684</u>	<u>\$ 291,909,640</u>

Changes in Net Position

For the years ended September 30, 2013 and 2014, net position of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues						
Program revenues	\$ 150,238,059	\$ 193,459,284	\$ 6,697,001	\$ 5,808,034	\$ 156,935,060	\$ 199,267,318
Taxes and other general revenues	92,911,023	97,173,516	287,799	263,442	93,198,822	97,436,958
Total revenues	<u>243,149,082</u>	<u>290,632,800</u>	<u>6,984,800</u>	<u>6,071,476</u>	<u>250,133,882</u>	<u>296,704,276</u>
Expenses						
General government	80,880,184	61,453,905	-	-	80,880,184	61,453,905
Public safety	34,131,416	16,590,552	-	-	34,131,416	16,590,552
Health and welfare	10,495,457	55,206,811	-	-	10,495,457	55,206,811
Public works	22,617,546	24,967,868	-	-	22,617,546	24,967,868
Education and culture	66,324,186	90,825,183	-	-	66,324,186	90,825,183
Economic development	15,782,532	34,444,120	-	-	15,782,532	34,444,120
Interest	1,513,042	1,229,947	-	-	1,513,042	1,229,947
Non-major activities	-	-	2,300,441	2,453,575	2,300,441	2,453,575
Airport	-	-	7,790,859	9,461,359	7,790,859	9,461,359
Total expenses	<u>231,744,363</u>	<u>284,718,386</u>	<u>10,091,300</u>	<u>11,914,934</u>	<u>241,835,663</u>	<u>296,633,320</u>
Excess (deficiency) before transfers	11,404,719	5,914,414	(3,106,500)	(5,843,458)	8,298,219	70,956
Transfers	<u>(2,594,389)</u>	<u>(958,798)</u>	<u>2,594,389</u>	<u>958,798</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 8,810,330</u>	<u>\$ 4,955,616</u>	<u>\$ (512,111)</u>	<u>\$ (4,884,660)</u>	<u>\$ 8,298,219</u>	<u>\$ 70,956</u>

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

FINANCIAL ANALYSIS OF THE TERRITORY AS A WHOLE (CONTINUED)

In 2014, governmental activities revenue was \$290,632,800 as compared to \$243,149,082 in 2013 which is an increase of \$47,483,718. Governmental expenses also increased to \$284,718,386 as compared to \$231,744,363. The excess of revenues over expenditures was \$5,914,414.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Territory's taxpayers and citizens. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended September 30, 2014, total expenses for governmental activities amounted to \$284,718,386. Of these total expenses, taxpayers and other general revenues funded \$97,173,516 while those directly benefiting from the programs funded \$193,459,284 from charges for services. The increase in expenditures were due to a Department of Labor investigation requiring the Territory to pay overtime incurred in previous years (over \$1 million in back wages) and much needed infrastructure improvements in the Territory.

	Net Revenue (Expense) of Governmental Activities			
	Total Expense of Services		Net Revenue (Expense) of Services	
	2013	2014	2013	2014
General government	\$ 80,880,184	\$ 61,453,905	\$ (49,596,931)	\$ (9,596,567)
Public safety	34,131,416	16,590,552	(27,510,203)	(13,773,024)
Health and welfare	10,495,457	55,206,811	22,321,112	11,502,111
Public works	22,617,546	24,967,868	9,495,330	11,369,355
Education and culture	66,324,186	90,825,183	(26,698,620)	(62,589,344)
Economic development	15,782,532	34,444,120	(8,003,950)	(26,941,686)
Interest	1,513,042	1,229,947	(1,513,042)	(1,229,947)
Total	<u>\$ 231,744,363</u>	<u>\$ 284,718,386</u>	<u>\$ (81,506,304)</u>	<u>\$ (91,259,102)</u>

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

FINANCIAL ANALYSIS OF THE TERRITORY AS A WHOLE (CONTINUED)

Business-type Activities

In reviewing the business-type activities net revenue (expense), the following highlights should be noted:

- Total business-type activities reported a deficit in revenue (expense exceeding revenues) of \$5,843,458 for the year ended September 30, 2014.
- Of the business-type activities, the airport reported the majority of the net program expenses of \$5,956,516. Non-major business-type activities, including the industrial park and shipyard authority reported net program expenses of \$150,384.

	Net Revenue (Expense) of Business-type Activities			
	Total Expense of Services		Net Revenue (Expense) of Services	
	2013	2014	2013	2014
Airport	\$ 7,790,859	\$ 9,461,359	\$ (3,854,579)	\$ (5,956,516)
Non-major activities	2,300,441	2,453,575	460,280	(150,384)
Total	<u>\$ 10,091,300</u>	<u>\$ 11,914,934</u>	<u>\$ (3,394,299)</u>	<u>\$ (6,106,900)</u>

A FINANCIAL ANALYSIS OF THE TERRITORY'S FUNDS

As the Territory completed its 2014 fiscal year, the governmental funds reported a combined fund balance deficit of (\$10,690,121), as compared prior year's combined fund balance deficit of (\$2,996,290). During fiscal 2014, the Territory embarked on improving its infrastructure (roads and port entries) which has been neglected over the years. While the spending was within the approved budgets, the revenues did not meet expectation. The Territory planned to receive corporate tax settlements from local oil companies, which took longer than expected.

The enterprise funds reported combined net position of \$85,688,783 as compared to fiscal year 2013 total of \$86,662,312. The Airport is the largest fund within the business type activities. Expenses for the Airport includes approximately \$5 million in depreciation expense.

Other fund highlights include:

- The Retirement Fund posted an increase in net position of the fund by \$2,891,905 (1.4% increase) to \$213,798,802 by year-end 2014. This was mainly due to a net appreciation in the investment value.

TERRITORY OF AMERICAN SAMOA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2014, the Territory had \$345,871,270 invested in capital assets, net of depreciation, including land and land improvements, buildings, infrastructure and various machinery and equipment. See table below. This represents a net increase of \$6,756,472 or 2.0% over the prior year.

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land	\$ 2,488,079	\$ 2,488,079	\$ 1,886,887	\$ 1,886,887	\$ 4,374,966	\$ 4,374,966
Buildings and structures	89,360,126	90,161,004	41,585,383	39,871,143	130,945,509	130,032,147
Land improvements	18,110,914	17,363,480	30,962,474	28,178,890	49,073,388	45,542,370
Machinery and equipment	20,263,459	20,520,316	2,689,093	3,868,371	22,952,552	24,388,687
Infrastructure	98,631,466	99,682,899	-	-	98,631,466	99,682,899
Construction in progress	23,598,442	30,630,665	9,538,475	11,219,536	33,136,917	41,850,201
Total capital assets	<u>\$ 252,452,486</u>	<u>\$ 260,846,443</u>	<u>\$ 86,662,312</u>	<u>\$ 85,024,827</u>	<u>\$ 339,114,798</u>	<u>\$ 345,871,270</u>

See Note 5 to the financial statements for more detailed information on the Territory's capital assets and changes therein.

Long-Term Obligations

At year-end, the Territory had \$50,455,861 in long-term obligations outstanding, which represents a \$3,289,936 or 6.1% decrease from the prior year. As seen below, ASG continues to pay its obligations in a timely manner particularly in regard to the DOI loan (Tobacco settlement loan) and the two retirement fund loans. Currently, the business-type activities of the Territory have no long-term debt. The Territory's balances in long-term obligations by type are as follows:

	Governmental Activities	
	2013	2014
Accrued compensated absences	\$ 13,292,116	\$ 13,543,800
FEMA loan	3,220,196	3,304,493
DOI loan	11,014,555	10,068,460
Workers compensation claims	1,448,584	1,277,705
ASG Retirement Fund - \$10 million loan	6,998,630	6,438,155
ASG Retirement Fund - \$20 million loan	10,184,058	8,020,756
Landfill closure and post-closure	287,658	287,658
Claims and judgments	7,300,000	7,514,834
Total long-term obligations	<u>\$ 53,745,797</u>	<u>\$ 50,455,861</u>

See Note 8 to the financial statements for more detailed information on the Territory's long-term obligations and changes therein.

TERRITORY OF AMERICAN SAMOA

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

ECONOMIC FACTORS

Fiscal Year (FY) 2014 marked another step forward in the Territory's recovery from the effects of the global recession, the closure of the Samoa Packing cannery, and the 2009 tsunami.

Since 2012, the Lolo & Lemanu Administration set a bold agenda focused on spurring economic development, improving the quality of life and efficiency of government services, and marshaling the resources necessary to restore the Territory's crumbling infrastructure. Economic growth was projected in the local cannery output, increased revenues from tax collection and the private sector fully recovering from the natural disasters and closure of one of the canneries.

The American Samoa Economic Development Authority (ASEDA) was reactivated by in 2013 specifically to execute the Territory's plan for the betterment of the Territory's residents. Its main function is to find ways such as entering the bond market to build the Territory's infrastructure now instead of waiting for piecemeal federal funds/grants. ASEDA is currently looking at bond financing for improved transportation, stabilizing the local financial industry and other needed improvements.

The two largest economic drivers in the Territory are the tuna industry and the government sector. Tuna fishing and tuna processing plants are the backbone of the private sector with canned tuna the primary export. The two tuna canneries, Star Kist and Tri-Marine/Tuna Processing, account for 80% of private sector employment.

The tuna industry has a substantial impact on the local economy and recent events and investments speak to a solid future for the industry. The two main tuna canneries on the island have recently made large investments in the Territory. The Tri Marine cannery invested \$70 million in a new plant, which when fully deployed in mid-2015, will add 2,000 jobs to the economy. Starkist, with over 2,000 employees, recently invested \$10 million in new facilities which provide tuna for all branches of the U.S. military as well as the U.S. school lunch program.

The Territory receives a significant amount of support from the U.S. Government in the form of capital and operating grants. In 2014, ASG received \$177 million in grants out of a total of \$277 million in total governmental fund revenues for the year. The U.S. continues to have a significant geopolitical and economic interest in the strategic location of American Samoa. This is more pronounced with the Obama administration's emphasis on trade in the Southeast Asia/Pacific region.

Although a small portion of the current economy, approximately 20 cruise ships dock in American Samoa each year. Potential upgrades to the Marina in the next year will likely expand the number of cruise ships and in turn have a multiplier effect on the tourism industry and economy as a whole. The Territory, in cooperation with the chamber of commerce and Department of Commerce, has begun initiatives to promote a more vibrant tourism industry.

TERRITORY OF AMERICAN SAMOA








MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

ECONOMIC FACTORS (CONTINUED)

As with the rest of the global economy, American Samoa experienced an economic downturn between 2008 and 2011. Since then, exports (majority of it in fish products) have increased more rapidly than imports. The largest trading partners with American Samoa are the United States (55%), Fiji (12%), and New Zealand (8%). This is a fairly diversified group of trading partners.

Some of the Economic Development Initiatives by this administration and led by the Department of Commerce (DOC) include:

-  Review all economic development plans done in the past and streamline into one implementation plan called Economic Development Implementation Plan American Samoa (EDIPAS).
-  Divest coral reef initiative and national marine sanctuary from the DOC and relocate to the Department of Marine and Wildlife Resources.
-  Implement EDIPAS in the order of priority and availability of funding.
-  Engage in aggressive effort to seek funding to implement EDIPAS to include federal funds, local and mainland private investments and foreign direct investments through EB-5 program and investment for citizenship programs; and through public private partnerships.
-  Remove or lessen federal intervention or laws hampering economic development of the territory- federal minimum wage, cabotage, national marine monument; further, the Territory's voice which needs to be heard and heed in matters concerning their livelihood in the international arena- Transatlantic trade and investment treaty and the US South Pacific Tuna treaty.
-  American Samoa to become a more meaningful player in the Pacific region.
-  ASG has launched its US Treasury State Small Business Credit Initiative (SSBCI) program in 2015 leveraging \$100 million of private investments and lending with \$10.5 million of U.S. Treasury funds to start new or expand existing businesses in the territory.

While the administration did well in 2013 to achieve a surplus after several years of deficit spending, 2014 saw a net position deficit. While a lot of factors contributed, the main theme is that we need more revenues (including better tax/fee collection) for the Territory to move forward and achieve its goals of a better life for its citizens. The centerpiece for more revenues is improvement in our tax and customs department collections and enforcements. In addition, there is a need to have budgetary controls of spending to be in line with actual revenues collected.

The variations in income tax for individual and corporations in the past 5 years were attributed to the influx of federally funded projects. These projects included FEMA funds from the Tsunami Disaster as well as ARRA funded programs.

TERRITORY OF AMERICAN SAMOA

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

ECONOMIC FACTORS (CONTINUED)

While the personal tax collection saw increases due to more people being hired by these programs, the corporate or business side wasn't affected due to a misunderstanding of the current structure. Most US businesses did not pay local taxes because they felt they were not subject to those obligations.

With the current push and initiatives to increase revenues, all companies awarded contracts in American Samoa shall pay the applicable taxes as required. Most extensive projects are being awarded and bid out through the component units that include the American Samoa Power Authority who is building a \$53 million power plant that was decommissioned as a result of the tsunami that engulfed the entire plant. These contracts include all businesses, whether local or off island.

The Tax Office has implemented a thorough process to screen all government contracts and all requests for business licenses to ensure tax compliance. Another new Tax Office initiative will involve the review all W2's and 1099's to determine individual compliance. With the expansion of the Compliance and Enforcement Group, ASG will be able to investigate businesses and individuals on compliance issues.

There is optimism that these actions will yield additional revenues for ASG. Moreover, the Governor authorized the establishment of a Tax Amnesty Program to allow taxpayers to pay off their outstanding tax liabilities and reduce penalty and interest payments.

New revenue measures for 2015 include the hotel tax, review and increase fees and penalties (last massive review was done in the 1970's), excise tax review (including the front running cigarette tax), continued tax collection improvement, and the sales tax.

Finally, the Lolo and Lemanu Administration is serious on complying with the Anti-Deficiency Act and ensuring a balanced budget. Steps are being taken to improve its revenue forecast and watching spending carefully to safeguard against an over-budget situation. It is ASG's intention to have a balanced budget for 2015 and embark on getting new revenues to support its initiatives for better life for the Territory's residents.

CONTACTING THE TERRITORY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Territory's finances and to show the Territory's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at:

Executive Office Building
Hwy 1
Pago Pago
American Samoa 96799
Telephone: (684) 633-4155
Fax: (684) 633-4100

TERRITORY OF AMERICAN SAMOA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 6,051,234	\$ 262,393	\$ 6,313,627	\$ 14,142,850
Investments	4,327,007	-	4,327,007	3,166,653
Taxes receivable, net	6,822,432	-	6,822,432	-
Accounts receivable, net	2,812,634	964,817	3,777,451	20,946,420
Due from U.S. Government	25,824,229	-	25,824,229	5,676,479
Due from primary government	-	-	-	12,948,046
Inventory	-	68,348	68,348	8,486,195
Prepaid expenses	613,602	19,439	633,041	2,311,138
Other assets	-	-	-	972,854
Capital assets				
Land and construction in progress	33,118,744	13,106,423	46,225,167	90,989,410
Depreciable buildings, equipment, and land improvements	227,727,699	71,918,404	299,646,103	138,435,773
Total assets	<u>307,297,581</u>	<u>86,339,824</u>	<u>393,637,405</u>	<u>298,075,818</u>
LIABILITIES				
Due to (from) other funds-pooled cash, net	178,453	(178,453)	-	-
Due to agency fund - pooled cash	330,599	-	330,599	-
Accounts payable	20,188,023	117,965	20,305,988	23,426,370
Income tax refunds payable	5,226,782	-	5,226,782	-
Accrued expenses	5,737,226	650,093	6,387,319	7,600,674
Due to component units	12,948,046	-	12,948,046	-
Contract retention	311,063	61,436	372,499	-
Unearned revenue	6,323,785	-	6,323,785	-
Other accrued expenses	654,591	-	654,591	1,131,618
Long-term debt payable within one year	7,188,730	-	7,188,730	1,593,633
Other liabilities	9,400,000	-	9,400,000	-
Non-current liabilities				
Long-term debt payable after one year	20,643,134	-	20,643,134	9,991,738
Other liabilities due after one year	11,946,292	-	11,946,292	40,501,186
Total liabilities	<u>101,076,724</u>	<u>651,041</u>	<u>101,727,765</u>	<u>84,245,219</u>
NET POSITION				
Net investment in capital assets	260,535,380	84,963,391	345,498,771	223,490,879
Restricted	2,820,020	-	2,820,020	3,221,570
Unrestricted	(57,134,543)	725,392	(56,409,151)	(12,881,850)
Total net position	<u>\$ 206,220,857</u>	<u>\$ 85,688,783</u>	<u>\$ 291,909,640</u>	<u>\$ 213,830,599</u>

TERRITORY OF AMERICAN SAMOA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2014

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
			Charges for Services	Operation Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	Component Units
PRIMARY GOVERNMENT									
Governmental activities									
General government	\$ 61,453,905	\$ (4,280,325)	\$ 5,656,963	\$ 40,762,133	\$ 1,157,917	\$ (9,596,567)	\$ -	\$ (9,596,567)	\$ -
Education and culture	90,825,183	2,445,768	1,500	30,680,107	-	(62,589,344)	-	(62,589,344)	-
Health and welfare	55,206,811	927,238	33,935	67,602,225	-	11,502,111	-	11,502,111	-
Public safety	16,590,552	284,497	53,784	1,994,037	1,054,204	(13,773,024)	-	(13,773,024)	-
Economic development	34,444,120	325,734	3,292,815	4,521,989	13,364	(26,941,686)	-	(26,941,686)	-
Public works	24,967,868	297,088	211,959	3,385,937	33,036,415	11,369,355	-	11,369,355	-
Interest	1,229,947	-	-	-	-	(1,229,947)	-	(1,229,947)	-
Total governmental activities	284,718,386	-	9,250,956	148,946,428	35,261,900	(91,259,102)	-	(91,259,102)	-
Business-type activities									
Non-major activities	2,453,575		2,303,191	-	-	-	(150,384)	(150,384)	-
Airport	9,461,359		1,436,822	-	2,068,021	-	(5,956,516)	(5,956,516)	-
Total business-type activities	11,914,934		3,740,013	-	2,068,021	-	(6,106,900)	(6,106,900)	-
Total primary government	\$ 296,633,320		\$ 12,990,969	\$ 148,946,428	\$ 37,329,921	\$ (91,259,102)	\$ (6,106,900)	\$ (97,366,002)	\$ -
COMPONENT UNITS									
American Samoa Power Authority	\$ 87,606,915		\$ 72,921,478	\$ 240,796	\$ 22,841,224				\$ 8,396,583
American Samoa Community College	14,059,660		10,656,100	-	-				(3,403,560)
American Samoa Medical Center Authority	45,317,064		24,567,792	-	4,874,260				(15,875,012)
American Samoa Telecommunications Authority	19,723,793		16,769,597	-	-				(2,954,196)
	\$ 166,707,432		\$ 124,914,967	\$ 240,796	\$ 27,715,484				\$ (13,836,185)
GENERAL REVENUES									
Taxes									
Income taxes for general purposes						\$ 43,113,102	\$ -	\$ 43,113,102	\$ -
Excise taxes						24,411,501	40,850	24,452,351	-
Intergovernmental						16,174,029	-	16,174,029	12,078,799
Fines and fees						3,163,103	-	3,163,103	-
Tobacco settlement proceeds						2,106,265	-	2,106,265	-
Licenses and permits						1,145,068	-	1,145,068	-
Passenger facility charge						-	222,592	222,592	-
Payments from the American Samoa Government						-	-	-	10,357,994
Miscellaneous						7,060,448	-	7,060,448	521,376
Transfers						(958,798)	958,798	-	-
Total general revenues and transfers						96,214,718	1,222,240	97,436,958	22,958,169
CHANGES IN NET POSITION						4,955,616	(4,884,660)	70,956	9,121,984
NET POSITION, beginning of year						201,265,241	90,573,443	291,838,684	204,708,615
NET POSITION, end of year						\$ 206,220,857	\$ 85,688,783	\$ 291,909,640	\$ 213,830,599

See accompanying notes.

TERRITORY OF AMERICAN SAMOA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,244,762	\$ 2,225,749	\$ 68,271	\$ 4,538,782
Due from other				
funds-pooled cash	-	-	264,993	264,993
Due from other funds	-	758,737	-	758,737
Investments	4,327,007	-	-	4,327,007
Taxes receivable, net	6,822,432	-	-	6,822,432
Accounts receivable, net	2,484,973	20,789	306,872	2,812,634
Due from U.S. Government	-	24,803,460	1,020,769	25,824,229
Prepaid expenses	613,602	-	-	613,602
Total assets	<u>\$ 16,492,776</u>	<u>\$ 27,808,735</u>	<u>\$ 1,660,905</u>	<u>\$ 45,962,416</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other				
funds-pooled cash	\$ 1,648,979	\$ 4,238,626	\$ -	\$ 5,887,605
Accounts payable	5,235,418	14,366,565	558,756	20,160,739
Income tax refunds payable	5,226,782	-	-	5,226,782
Accrued expenses	3,716,064	665,125	-	4,381,189
Due to component units	12,595,195	352,851	-	12,948,046
Due to other funds	-	-	758,737	758,737
Contract retention	78,446	136,054	96,563	311,063
Unearned revenue	823,909	5,381,442	118,434	6,323,785
Other accrued expenses	325,209	329,382	-	654,591
Total liabilities	<u>29,650,002</u>	<u>25,470,045</u>	<u>1,532,490</u>	<u>56,652,537</u>
Fund balances				
Nonspendable	613,602	-	-	613,602
Restricted	-	2,338,690	481,330	2,820,020
Committed	1,185,444	-	-	1,185,444
Assigned	-	-	-	-
Unassigned	(14,956,272)	-	(352,915)	(15,309,187)
Total fund balances (deficit)	<u>(13,157,226)</u>	<u>2,338,690</u>	<u>128,415</u>	<u>(10,690,121)</u>
Total liabilities and fund balances	<u>\$ 16,492,776</u>	<u>\$ 27,808,735</u>	<u>\$ 1,660,905</u>	<u>\$ 45,962,416</u>

TERRITORY OF AMERICAN SAMOA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Fund balances - total government funds \$ (10,690,121)

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 464,616,966	
Less: Accumulated depreciation	<u>(203,953,652)</u>	260,663,314

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

ASGERF - \$20 million loan	(8,020,756)	
ASGERF - \$10 million loan	(6,438,155)	
Compensated absences	(13,543,800)	
Claims and judgments	(7,514,834)	
Loans payable to U.S. Government	(13,372,953)	
Landfill closure and postclosure liability	<u>(287,658)</u>	(49,178,156)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.

5,425,820

Net position of governmental activities	<u><u>\$ 206,220,857</u></u>
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TERRITORY OF AMERICAN SAMOA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 65,332,565	\$ -	\$ 2,192,038	\$ 67,524,603
Licenses and permits	1,145,068	-	-	1,145,068
Intergovernmental	13,859,354	170,103,155	2,998,357	186,960,866
Charges for services	5,743,876	-	1,302,516	7,046,392
Fines and fees	3,163,103	-	-	3,163,103
Indirect	4,937,480	-	-	4,937,480
Tobacco settlement proceeds	-	-	2,106,265	2,106,265
Miscellaneous	4,543,992	1,378,233	1,138,223	7,060,448
Total revenues	<u>98,725,438</u>	<u>171,481,388</u>	<u>9,737,399</u>	<u>279,944,225</u>
EXPENDITURES				
Current				
General government	36,397,676	14,931,911	4,061,117	55,390,704
Education and culture	31,284,144	54,711,211	-	85,995,355
Public works	7,406,723	10,020,728	-	17,427,451
Health and welfare	10,354,200	44,659,533	-	55,013,733
Public safety	10,372,679	5,941,794	-	16,314,473
Economic development	10,071,667	16,620,901	-	26,692,568
Capital outlays	-	24,660,534	-	24,660,534
Principal	-	-	3,669,871	3,669,871
Interest	-	-	1,229,947	1,229,947
Total expenditures	<u>105,887,089</u>	<u>171,546,612</u>	<u>8,960,935</u>	<u>286,394,636</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,161,651)</u>	<u>(65,224)</u>	<u>776,464</u>	<u>(6,450,411)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,321,033	696,644	761,010	2,778,687
Transfers out	<u>(2,511,937)</u>	<u>-</u>	<u>(1,540,170)</u>	<u>(4,052,107)</u>
Total other financing sources (uses)	<u>(1,190,904)</u>	<u>696,644</u>	<u>(779,160)</u>	<u>(1,273,420)</u>
CHANGES IN FUND BALANCES	(8,352,555)	631,420	(2,696)	(7,723,831)
FUND BALANCES (DEFICIT), beginning of year	<u>(4,804,671)</u>	<u>1,707,270</u>	<u>131,111</u>	<u>(2,966,290)</u>
FUND BALANCES (DEFICITS), end of year	<u>\$ (13,157,226)</u>	<u>\$ 2,338,690</u>	<u>\$ 128,415</u>	<u>\$ (10,690,121)</u>

TERRITORY OF AMERICAN SAMOA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total government funds \$ (7,723,831)

Amounts reported for governmental activities in the statement of net position are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets, net	\$ 24,660,534	
Less: Current year depreciation	<u>(16,188,747)</u>	8,471,787

Debt proceeds provide current financial resources to government funds, but debt obligations increase long- term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Accrued interest payable	(137,271)	
Principal payments	<u>3,669,871</u>	3,532,600

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Claims and judgments	(214,834)	
Change in long-term compensated absences	<u>(251,684)</u>	(466,518)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported on the statement of activities.

1,141,578

Change in net position of governmental activities	<u><u>\$ 4,955,616</u></u>
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TERRITORY OF AMERICAN SAMOA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Enterprise Funds			Governmental Activities: Internal Service Fund
	Airport	Non-Major Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 154,599	\$ 107,794	\$ 262,393	\$ 1,512,452
Due from other funds- pooled cash	-	178,453	178,453	5,113,560
Accounts receivable, net	219,297	745,520	964,817	-
Inventory	-	68,348	68,348	-
Prepaid expenses	-	19,439	19,439	-
Total current assets	373,896	1,119,554	1,493,450	6,626,012
Noncurrent assets				
Capital assets, net	83,556,433	1,468,394	85,024,827	183,129
Total assets	83,930,329	2,587,948	86,518,277	6,809,141
LIABILITIES				
Current liabilities				
Accounts payable	-	117,965	117,965	27,284
Accrued expenses	420,974	229,119	650,093	1,356,037
Contract retention	61,436	-	61,436	-
Total liabilities	482,410	347,084	829,494	1,383,321
NET POSITION				
Net investment in capital assets	83,494,997	1,468,394	84,963,391	183,129
Unrestricted	(47,078)	772,470	725,392	5,242,691
Total net position	\$ 83,447,919	\$ 2,240,864	\$ 85,688,783	\$ 5,425,820

TERRITORY OF AMERICAN SAMOA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Funds			Governmental Activities: Internal Service Fund
	Airport	Non-Major Activities	Total	
OPERATING REVENUES				
Charges for services	\$ 1,436,822	\$ 2,303,191	\$ 3,740,013	\$ 2,204,564
OPERATING EXPENSES				
Personnel	1,766,022	1,268,616	3,034,638	427,932
Operations and maintenance	2,789,031	954,127	3,743,158	916,042
Depreciation	4,906,306	230,832	5,137,138	33,634
Total operating expenses	9,461,359	2,453,575	11,914,934	1,377,608
OPERATING (LOSS) INCOME	(8,024,537)	(150,384)	(8,174,921)	826,956
NONOPERATING REVENUES				
Taxes	40,850	-	40,850	-
Passenger facility charges	222,592	-	222,592	-
Total nonoperating revenues	263,442	-	263,442	-
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(7,761,095)	(150,384)	(7,911,479)	826,956
TRANSFERS AND CONTRIBUTIONS				
Transfers in, net	958,798	-	958,798	314,622
Federal capital grants	2,068,021	-	2,068,021	-
CHANGES IN NET POSITION	(4,734,276)	(150,384)	(4,884,660)	1,141,578
NET POSITION, beginning of year	88,182,195	2,391,248	90,573,443	4,284,242
NET POSITION, end of year	\$ 83,447,919	\$ 2,240,864	\$ 85,688,783	\$ 5,425,820

TERRITORY OF AMERICAN SAMOA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Funds			Governmental Activities Internal Service Fund
	Airport	Non-Major Activities	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,351,213	\$ 2,547,673	\$ 3,898,886	\$ -
Receipts from other funds	-	(178,453)	(178,453)	1,279,663
Payments to suppliers	(2,966,742)	(864,937)	(3,831,679)	(960,290)
Payments to employees	(1,789,918)	(1,206,145)	(2,996,063)	(634,288)
Net cash (used) provided by operating activities	<u>(3,405,447)</u>	<u>298,138</u>	<u>(3,107,309)</u>	<u>(314,915)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Tax receipts	40,850	-	40,850	-
Passenger facility charge receipts	222,592	-	222,592	-
Additions to capital assets	(3,354,259)	(392,540)	(3,746,799)	(8,779)
Receipts of federal capital grants	3,168,559	-	3,168,559	-
Net cash provided by capital and related financing activities	<u>77,742</u>	<u>(392,540)</u>	<u>(314,798)</u>	<u>(8,779)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers in	958,798	-	958,798	314,622
CHANGE IN CASH AND CASH EQUIVALENTS	(2,368,907)	(94,402)	(2,463,309)	(9,072)
CASH AND CASH EQUIVALENTS, beginning of year	2,523,506	202,196	2,725,702	1,521,524
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 154,599</u>	<u>\$ 107,794</u>	<u>\$ 262,393</u>	<u>\$ 1,512,452</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES				
Operating (loss) income	\$ (8,024,537)	\$ (150,384)	\$ (8,174,921)	\$ 826,956
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities				
Depreciation and loss on disposal of capital assets	4,906,306	230,832	5,137,138	33,634
Change in assets and liabilities				
Accounts receivable, net	(85,609)	244,482	158,873	150
Inventory	-	(19,712)	(19,712)	-
Prepaid expenses	-	93,067	93,067	-
Due from other funds	-	(178,453)	(178,453)	(925,051)
Accounts payable and accrued expenses	(201,607)	78,306	(123,301)	(250,604)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (3,405,447)</u>	<u>\$ 298,138</u>	<u>\$ (3,107,309)</u>	<u>\$ (314,915)</u>

TERRITORY OF AMERICAN SAMOA
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
SEPTEMBER 30, 2014

	<u>Pension Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ 840,998	\$ 11,311,284
Due from other funds-pooled cash	-	330,599
Investments	212,424,291	2,250,000
Accounts receivable, net	537,264	-
Contributions receivable	507,071	-
Prepaid expenses and other assets	64,229	-
Capital assets, net	166,651	-
Total assets	<u>214,540,504</u>	<u>13,891,883</u>
LIABILITIES		
Accounts payable	148,052	38,673
Accrued expenses	-	74,070
Contribution refunds	593,650	-
High court deposits	-	1,924,007
Federal tax refunds	-	5,835,083
Immigration bonds	-	2,728,695
Small business loan collateral	-	3,291,355
Total liabilities	<u>741,702</u>	<u>13,891,883</u>
NET POSITION	<u>\$ 213,798,802</u>	<u>\$ -</u>

TERRITORY OF AMERICAN SAMOA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	<u>Pension Trust</u>
ADDITIONS	
Contributions	
Sponsors	\$ 7,851,815
Members	<u>3,097,044</u>
Total contributions	<u>10,948,859</u>
Investment income	
Dividends	2,831,842
Interest	1,230,278
Lease revenue from Centennial Office Building	740,507
Net appreciation in fair value of investments	<u>11,092,946</u>
	15,895,573
Less investment fees	360,317
Less Centennial Office Building maintenance expenses	<u>510,123</u>
Net investment income	<u>15,025,133</u>
Net additions	<u>25,973,992</u>
DEDUCTIONS	
Benefits	20,194,459
General and administrative expenses	1,424,468
Employee contributions refunded	991,816
Interest on employee contributions refunded	<u>471,344</u>
Total deductions	<u>23,082,087</u>
CHANGES IN NET POSITION	2,891,905
NET POSITION, beginning of year	<u>210,906,897</u>
NET POSITION, end of year	<u><u>\$ 213,798,802</u></u>

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

A. The Reporting Entity

The Territory of American Samoa (the “Territory” or “ASG”) is an unincorporated Territory of the United States of America and operates under the jurisdiction of the United States Department of Interior. A constitution was adopted in 1966, and in 1977 the Secretary of the Interior’s Order Number 3009 provided for a popularly elected Governor and Lieutenant Governor. The Legislative body (“Fono”) is comprised of Members of the House of Representatives who are popularly elected and Senators who are chosen by village councils.

The financial statements have been prepared primarily from records maintained by the Treasury Department. Additional information was obtained from agencies and other entities based on independent accounting records maintained by them.

The financial statements include all funds of the primary government, which is the Territory, as well as the component units and other organizational entities determined to be included in the Territory’s financial reporting entity.

The decision to include a potential component unit in the Territory’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the Territory’s reporting entity.

Primary Government

All offices, departments, agencies and authorities that are not legally separate entities have been included in the Territory reporting entity as part of the primary government unless otherwise noted. Most of these have executives or boards appointed by the Governor, the Fono or a combination thereof. The entities included as part of the primary government are financially accountable to and fiscally dependent on the Territory.

Blended Component Units

Although legally separate entities, blended component units are in substance, part of the primary government’s operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

Following is a brief description of the blended component units.

American Samoa Government Employees' Retirement Fund

The American Samoa Government Employees' Retirement Fund (the "Retirement Fund") was established in 1971 to provide retirement annuities for the employees of the Territory and its component units. It is governed by a Board of Trustees appointed by the Governor with the consent of the Senate and House of Representatives. The Retirement Fund's costs, based upon actuarial valuations, are funded by the participating governmental employers and participants. The Retirement Fund is a part of the primary government and is reported as a pension trust fund in the fiduciary funds. The Retirement Fund issued audited financial statements for the year ended September 30, 2014 with a report dated December 22, 2014. The report can be obtained at the Retirement Fund's administrative offices.

American Samoa Petroleum Cooperative, Inc.

The American Samoa Petroleum Cooperative, Inc. (the "Cooperative") was created by executive order in 1992 to ensure that the Territory is provided with a reliable and stable supply of petroleum products at reasonable costs and that the petroleum storage facilities of the Territory are properly constructed and maintained to meet applicable standards. The Cooperative is governed by a four-member board consisting of a member appointed by the Governor, a member appointed by the terminal operator, a member appointed by these two members, and a member appointed by the American Samoa Power Authority ("ASPA"). The Cooperative is fiscally dependent on the Territory and receives rent and fees levied by the primary government on the bulk petroleum products put through the Territory's facilities. The Cooperative provides services almost entirely to the primary government and all real property acquired by the Cooperative is the property of the Territory. The Territory provides administrative support and pays all personnel costs for the Cooperative. The Cooperative is a blended component unit and is included as part of the primary government in the non-major governmental funds. The Cooperative issued audited financial statements for the year ended September 30, 2014 with a report dated December 1, 2014. The report can be obtained at the Cooperative's administrative offices.

American Samoa Shipyard Services Authority

The American Samoa Shipyard Services Authority (the "Shipyard Authority") was created for the purpose of providing shipyard and water transportation services through the use of the Territory's Ronald Reagan Marine Railway. The Shipyard Authority is governed by a five-member board of directors, which is appointed by the Governor. The Shipyard Authority is fiscally dependent on the Territory and uses the real property of the Territory for its operations. The Shipyard Authority is included as part of the primary government as a non-major enterprise fund.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units

Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the financial statements to be misleading or incomplete. These discrete component units serve or benefit those outside the primary government. Following is a brief description of the discretely presented component units.

American Samoa Power Authority

The American Samoa Power Authority (“ASPA”) was created with corporate powers to generate and distribute power to the citizens of the Territory. ASPA also provides water, sewer and solid waste services to the Territory. The Governor appoints, and the Fono confirms, the Board of Directors. ASPA is a discretely presented component unit as the nature and relationship with the Territory is significant, and the Territory’s financial statements would be misleading if ASPA were excluded. ASPA issued audited financial statements for the year ended September 30, 2014 with a report dated May 11, 2015. The report can be obtained at ASPA’s administrative offices.

American Samoa Community College

The American Samoa Community College (“ASCC”) was created with corporate powers to develop a program of education to meet the current and future needs of the Territory. The Governor appoints a majority of the Board of Directors with the advice and consent of the Legislature. ASCC is funded through the Territory’s appropriations, tuition, federal grants and donations. ASCC is a discretely presented component unit as the nature of the Territory’s appropriations and ASCC’s relationship with the Territory are significant, and the Territory’s financial statements would be misleading if ASCC were excluded. ASCC issued audited financial statements for the year ended September 30, 2014 with a report dated February 26, 2015. The report can be obtained at ASCC’s administrative offices.

American Samoa Medical Center Authority – Lyndon B. Johnson Tropical Medical Center

The American Samoa Medical Center Authority – Lyndon B. Johnson Tropical Medical Center (“LBJ”) was established to create a medical system that can provide quality medical services to the citizens of the Territory. The Governor appoints, and the Fono confirms, the Board of Directors and LBJ is partially funded through the Territory’s appropriations. LBJ is a discretely presented component unit as the nature of the Territory’s appropriations and LBJ’s relationship with the Territory are significant, and the Territory’s financial statements would be misleading if it were excluded. LBJ issued audited financial statements for the year ended September 30, 2014 with a report dated June 26, 2015. The report can be obtained at LBJ’s administrative offices.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

American Samoa Telecommunications Authority

The American Samoa Telecommunications Authority (“ASTCA”), with corporate powers, was created to provide telecommunications capabilities to the citizens of the Territory. The Governor appoints, and the Fono confirms, the Board of Directors. ASTCA is a discretely presented component unit as the nature and relationship with the Territory is significant, and the Territory’s financial statements would be misleading if ASTCA were excluded. ASTCA issued audited financial statements for the year ended September 30, 2014 with a report dated May 22, 2015. The report can be obtained at ASTCA’s administrative offices.

Related Organizations

Organizations for which a primary government is accountable because the Territory appoints a voting majority of the board or has invested resources, but is not financially accountable, are related organizations.

The Development Bank of American Samoa (“Development Bank”) is a related organization to the primary government. The Development Bank’s Board of Directors consists of ten members, nine of whom are appointed by the Governor, with the advice and consent of the Senate. The Chairman, who is a board member, is elected by a majority of the board. The President of the Development Bank is a nonvoting ex-officio member of the board, and may not serve as chairman. The Territory is not financially accountable for the Development Bank, and no financial benefit or burden relationship exists between the Territory and the Development Bank. The Development Bank is classified as another stand-alone governmental unit, not a component unit of the Territory.

In May 2008, the Territory, along with three other parties, formed American Samoa Hawaii Cable, LLC, a Delaware limited liability company. The LLC was formed for the purpose of developing and operating an undersea fiber optic cable between Hawaii, American Samoa and the Independent State of Samoa. In 2009, ASG contributed \$9 million to the LLC in return for a 33.33% ownership percentage interest in the LLC. In fiscal year 2009, ASG recorded the cash expenditure; since that time, ASG has not recorded any activity associated with the ownership interest, nor has ASG’s share of the income/loss associated with the partnership been recorded. There is not sufficient evidence available to record this transaction into the financial statements; as such, this investment is not included in the Statement of Net Position for the Territory.

B. Basis of Presentation – Fund Accounting

The Territory uses fund accounting under which it segregates its resources and accounts for them in various individual funds. Each individual fund is an accounting entity with a self-balancing set of accounts. Individual funds that have similar characteristics are combined into fund types.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Funds

Governmental funds finance most of the territorial governmental functions. The measurement focus of the governmental funds is on sources, uses and balances of financial resources.

The general fund is the territorial general operating fund. It accounts for resources that fund the services governments traditionally provide to its citizens except those required to be accounted for in another fund.

Special revenue funds account for specific revenue sources (other than for capital projects and debt service) that are legally or donor restricted to expenditure for specified purposes.

Non-major governmental funds consist of capital project funds and a debt service fund. Capital projects funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds. The debt service fund is used to account for the accumulation of resources and payments of principal and interest on general long-term obligations.

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector. The measurement focus of the proprietary funds is upon determination of net income, financial position, and cash flows. Enterprise funds account for business-like territorial activities that provide goods and services to the public financed primarily through user charges.

Internal service funds provide goods and services to other funds, agencies, component units, or other activities on a cost allocation basis.

Fiduciary Funds

Fiduciary funds account for resources the Territory holds as trustee or agent for individuals, private organizations, or other governmental units. Agency funds are custodial in nature and do not involve measurement of results of operations.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the activities of the primary government and its component units, except for fiduciary activities. Interfund activity, which duplicates revenues or expenses, has been eliminated from these statements, except for those transactions and balances between governmental and business-type activities. Governmental activities and business-type activities are reported separately to highlight the differences in funding and operations. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely mostly on fees and charges that are designed to recover the costs of operations, including the cost of capital.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

The statement of activities outlines the direct expenses of each of the Territory's major functions and the program revenues generated by those functions. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Government-wide financial statements do not provide information by fund or account group, but distinguish between the Territory's governmental activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the Territory's statement of net position includes both noncurrent assets and noncurrent liabilities of the Territory. In addition, the government-wide statement of activities reflects depreciation expenses on the Territory's fixed assets, including infrastructure.

The fund statements include separate statements for Governmental, Fiduciary and Proprietary Funds. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Territory considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Income taxes, franchise taxes, licenses, grants from federal agencies included in intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Territory receives cash.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

The Territory reports the following major Governmental Funds:

- The General Fund is the Territory's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Grant Fund accounts for the majority of grants received by the Territory except for grants received by the Proprietary Funds. These activities are funded with grants from various federal agencies and private sources.

The Territory's enterprise funds are the Airport Fund, Industrial Park Fund, and Shipyard Services Fund. The Territory's internal service activities include the operation of the government housing, print shop and workers compensation funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Territory's proprietary activities are charges to the customers for services. Principal operating revenues of the internal service funds are premiums charged to individual departments for workers compensation coverage and charges to departments or funds for housing or printing. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are transfers between the business-type activities and the governmental activities.

D. Budgets and Budgetary Accounting

The Territory adopts an annual budget on a basis consistent with generally accepted accounting principles at the legal level of control, which is the department or project level. During the fiscal year supplementary appropriations are made as needed. The results are increases to the appropriations within the funds. The Director of the Office of Program Planning and Budget is permitted under law to move amounts up to \$25,000, or 30% of line amounts, whichever is less, from one line account to another; legislative appropriation is required on all line item account shifts over 30% or \$25,000. All annual appropriations lapse at the end of the fiscal year. Annual budgets are adopted for the general fund, certain special revenue funds and the debt service fund. Budgets for proprietary and trust fund operations are estimated in the annual budget, but controlled by available resources and demand for services.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

Federal grants, accounted for in certain special revenue funds, have a budget and project life determined by each grant award. The Department of Interior's operating grant is generally awarded after adoption of the Territorial budget. The Territory has to adopt a supplemental budget during the fiscal year to provide for differences between the estimated amount and the actual amount of the grant award. Budgets for capital improvement projects are determined by local funding appropriations and the annual Department of Interior Capital Improvement Projects grant award.

E. Investments

Statutes authorize the Treasurer to invest funds at his discretion. The Treasurer's investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. Investments are reported at fair value. The investment policies of the Land Grant Trust (a part of the American Samoa Community College) and the Retirement Fund are established by their respective boards. Investment of these funds are in a variety of securities such as corporate bonds, equities, real estate, trusts, collateralized mortgage obligations, asset backed securities and commercial paper.

F. Cash and Cash Equivalents

The amounts reported on the balance sheet as cash and cash equivalents represent the total of petty cash, cash on deposit in banks and certificates of deposits with original maturities of less than 90 days.

G. Interfund Transactions

The Territory accounts for the following types of interfund transactions:

Due To Other Funds-Pooled Cash and Due From Other Funds-Pooled Cash represent the deficiency (due to) or excess (due from) of cash received by the General Fund over the amount of expenditures for participating funds paid by the General Fund. For certain funds, the Territory deposits all receipts into a General Fund bank account and makes all disbursements from the same account creating a due to or due from in the General Fund. The recording of the receipt or disbursement on the participating funds' records creates a due to or due from for an equal amount. Since the total Due From Other Funds-Pooled Cash for a participating fund can exceed the amount of cash in the operating bank account these amounts are not classified as cash and cash equivalents.

Due To/Due From Other Funds represents transactions involving charges for goods or services that one fund delivers or provides to another fund or specific borrowings from one fund to another. These transactions are either recorded as a reduction or increase in Due To/Due From Other Funds-Pooled Cash, if they are a pooled cash participant, or as an interfund payable or receivable, if the agency is external to the pooled cash account.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

Operating transfers include all interfund transactions that are not loans or reimbursements.

H. Receivables

The Territory, with minor exceptions, has adopted the personal and corporate income tax code of the United States of America in effect as of December 31, 2000. No changes to the U.S. Tax Code since December 31, 2000 have been adopted by the Territory. Withheld income taxes held by employers or corporations, taxes levied and billed by the tax office and unpaid taxes on filed returns are accrued as receivables. Unbilled revenues for services provided between the last billing date and the end of the year are estimated and accrued as receivables. Interest earned and unpaid on investment securities is accrued and recorded as receivables for all funds. Receivables are stated net of allowances for uncollectible amounts. Uncollectible amounts are estimated based upon past collection experience.

I. Inventories

Inventories, comprised primarily of fuel and supplies inventories at ASPA and medical supplies and pharmaceuticals at LBJ in the discretely presented component units, are stated at the lower of cost or market.

J. Prepaid Expenses

Payments made to vendors for costs applicable to future accounting periods are recorded as prepaid expenses.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The Territory has established a capitalization policy to recognize capital assets as assets with an initial, individual cost greater than the amount as set forth in the table below and an estimated useful life in excess of two years. Such assets are recorded at historical costs. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land	\$ -
Land improvements	\$ 100,000
Buildings and improvements	\$ 100,000
Machinery and equipment	\$ 20,000
Vehicles	\$ -
Infrastructure	\$ 100,000

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the Territory are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-40
Buildings and improvements	30-40
Machinery and equipment	5-15
Vehicles	5-10
Infrastructure	25-40

L. Compensated Absences

It is the policy of the Territory to permit employees to accumulate earned but unused vacation benefits, which will be paid to the employees upon separation from service. Vacation leave is fully vested when earned but accumulated vacation leave cannot exceed 60 days at the end of any calendar year. Sick leave is vested when earned and the accumulation is not limited.

Employees separated from service are compensated for unused accrued sick leave at the rate of 50% of sick leave in excess of 239 hours. Retiring employees with less than 30 years of service may apply accumulated unused sick leave for additional service credits.

The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. Governmental Funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

M. Income Tax Refunds Payable

During the calendar year, the Territory collects employee withholdings and taxpayer's payments for individual and corporate income taxes. Taxpayers file returns by April 15, for the preceding calendar year. At September 30, the Territory estimates the amount it owes taxpayers for overpayments during the preceding nine months. This estimated payable is recorded as tax refunds payable and a reduction of tax revenues.

N. Unearned Revenue

Unearned revenues are recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in the governmental fund statements consist of the portion of the Army Reserve lease that is applicable to future years and advances received on federal grants.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

P. Fund Equity

The Territory has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Territory is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Territory will spend restricted resources first, followed by committed then assigned, with unassigned resources spent last. In accordance with GASB 54, the Territory has the following categories of governmental fund balances:

1. Nonspendable includes amounts that cannot be spent because they are either in a nonspendable form or legally required to be maintained intact. Nonspendable amounts consist of prepaid expenses.
2. Restricted includes amounts that can be spent only for the specific purposes stipulated by constitutional provisions or enabling legislation, or imposed by creditors, grantors, or other external resource providers.
3. Committed includes amounts that have specific constraints on how the resources may be used as determined by formal ordinances or resolutions of the Fono.
4. Assigned are those resources that are constrained by the Territory's intent to use them for a specific purpose, but are neither restricted nor committed. The Territory has not established a policy regarding the assignment of funds. Therefore, amounts in this fund balance category represent residual amounts in the debt service, capital projects, and special revenue funds, which are not classified as nonspendable, restricted or committed.
5. Unassigned are the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

Net position is segregated into restricted and unrestricted balances on the government-wide statement of net position and the statements of net position for the proprietary and fiduciary funds. Restrictions are limitations on how the net position may be used and may be placed on net position by an external party that provided the resources, by enabling legislation or by the nature of the asset.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Reconciliation of Government-Wide and Fund Financial Statements

The Governmental Fund balance sheet includes the reconciliation between fund balances in the Governmental Funds and net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. The Self-Insurance Fund balances are allocated from the Internal Service Fund to the governmental activities. In addition, capital assets and long-term debt are added to the Governmental Funds to compile the long-term view of the governmental activities column.

A similar reconciliation is included on the statement of revenues, expenditures and changes in fund balances for the Governmental Funds. These adjustments reflect the transition from the modified accrual accounting for Governmental Funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense. Capital lease revenues are added and principal payments on long-term debt are eliminated from the operating costs.

R. Indirect Cost Allocation

Indirect costs are those expenses that have been incurred for common or joint objectives and cannot be readily identified with a final cost objective. The Territory initially records indirect costs as general government expenses and utilizes an allocation system to allocate these costs among the governmental activities on the government-wide Statement of Activities.

S. Use of Estimates

The preparation of the basic financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the basic financial statements. Actual results could differ from these estimates.

Note 2 – Deposits and Investments

A. Deposits

Cash and cash equivalents held by various financial institutions for the Territory and its discretely presented component units, excluding the Retirement Fund, totals \$31,767,761. The majority of the Territory's cash deposits are held by a commercial bank that collateralizes these deposits with securities held in the Territory's name with the trust department of a third-party bank. Cash balances consist of amounts insured by the FDIC of \$500,000 and collateralized amounts of \$31,267,761.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 2 – Deposits and Investments (Continued)

Cash and cash equivalents comprise the following balances at September 30, 2014:

<u>Cash and Cash Equivalents</u>	<u>Balance</u>
Governmental funds	
General	\$ 2,244,762
Grant	2,225,749
Non-major governmental	68,271
Proprietary funds	
Airport	154,599
Non-major activities	107,794
Internal service	1,512,452
Agency fund	11,311,284
Discretely presented component units	14,142,850
	<hr/>
Total cash and cash equivalents	<u><u>\$ 31,767,761</u></u>

B. Investments

Investments are pooled in portfolios with various financial institutions and commercial banks. Investments for the Territory and its discretely presented component units, excluding the Retirement Fund, are categorized as follows at September 30, 2014:

<u>Investment Type</u>	<u>Fair Value</u>
General fund	
Exchange traded funds	
Fixed income	\$ 2,334,122
Growth	710,046
Money market funds	632,332
Corporate bonds	505,127
REIT	122,207
Common stock	23,173
	<hr/>
	4,327,007
Agency fund	
Certificate of deposit	2,250,000
Discretely presented component units	
U.S. Treasury obligations	1,239,304
U.S. Government agencies	1,099,839
Corporate bonds	635,030
Common stock	192,480
	<hr/>
Total investments	<u><u>\$ 9,743,660</u></u>

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 2 – Deposits and Investments (Continued)

Investment securities are exposed to various risks that can affect the value of the Territory's investments such as custodial credit risk, interest rate risk, credit risk, and concentration risk. The Territory invests in money market funds, certificates of deposit, and municipal and corporate bonds. Investment holdings in debt securities are particularly sensitive to credit risk and change in interest rates.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a failure by the counterparty, the Territory will not be able to recover the value of its investments that are in the possession of an outside party. In accordance with policies established by statute, all deposits and investments are insured or collateralized, and held by banks or other agents in the Territory's name.

Interest Rate Risk – Interest rate risk arises from the likelihood that interest rates will rise or fall during the holding period of a fixed rate security and adversely affect the selling price of the security prior to maturity. The price of a debt security typically moves in the opposite direction of the change in interest rates. As of September 30, 2014, the primary government had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Certificate of deposit	\$ 2,250,000	\$ 2,250,000	\$ -	\$ -	\$ -
Corporate bond	505,127	-	-	-	505,127
Exchange traded funds - fixed income	2,334,122	2,334,122	-	-	-
	<u>\$ 5,089,249</u>	<u>\$ 4,584,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505,127</u>

Credit Risk – Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its payments on a security under the original term. As of September 30, 2014, the primary government had the following credit quality mix in its fixed income securities:

Investment Type	Fair Value	Investment Ratings			
		AAA	AA	A or Below	Not Rated
Certificate of deposit	\$ 2,250,000	\$ -	\$ -	\$ -	\$ 2,250,000
Corporate bond	505,127	505,127	-	-	-
Exchange traded funds - fixed income	2,334,122	-	-	-	2,334,122
	<u>\$ 5,089,249</u>	<u>\$ 505,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,584,122</u>

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 2 – Deposits and Investments (Continued)

Concentration of Credit Risk – The following investments represent 5% or more of total investments as of September 30, 2014:

Zions Bank Certificate of Deposit (Agency Fund)	\$ 2,250,000
SLM Student Loan Trust 2003-B-SER A-4	\$ 505,127

Retirement Fund

The Board of Trustees of the Retirement Fund has the power and authority under territorial law to make all decisions on the investment of Retirement Fund assets and the employment of professional investment agents. Investment authority is not restricted by types of property or other investment options, but the law does limit the amount of an individual investment that may be made in any one instrument or security issued by a political subdivision, corporation or other entity. The law also provides guidelines on the qualifications of investment agents that may be employed by the Retirement Fund.

The Retirement Fund's Board of Trustees formally approved a restated Statement of Investment Policy ("Investment Policy"), which restructured the Retirement Fund's investment portfolio and investment managers. As of September 30, 2014, the Investment Policy allocation targets are 20% domestic equity, 20% international equity, 12% domestic fixed income, 3% real estate, 30% emerging markets equity, and 15% loans, with normal allocation ranges assigned to each classification. All equity and fixed income securities are held in registered investment companies (mutual funds) and collective trusts.

Their allocation is as follows as of September 30, 2014:

	Fair Value	Annual Percentage
Domestic equity	\$ 57,167,633	27%
International equity	115,201,919	54%
Fixed income	20,595,829	10%
Loans to American Samoa Government	14,458,910	7%
Real estate - Centennial Office Building	5,000,000	2%
Total	<u>\$ 212,424,291</u>	<u>100%</u>

The Retirement Fund pays investment fees either through direct payments to the investment manager or as a deduction from investment returns.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 2 – Deposits and Investments (Continued)

The Retirement Fund's investments are exposed to various risks, such as interest rate, market and credit risk. It is reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amounts reported in the financial statements. The Retirement Fund invests in securities with contractual cash flows, such as asset-backed securities, collateralized mortgage obligations and commercial mortgage backed securities, including securities backed by subprime mortgage loans. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Credit risk is the risk that an issuer, or other counterparty, to an investment will not fulfill its obligations. In accordance with the Investment Policy, the Retirement Fund's Board of Trustees provides each of the Retirement Fund's investment managers with a set of investment guidelines. These guidelines specify eligible investments, minimum diversification standards, and applicable investment restrictions necessary for diversification and risk control. Guidelines that restrict investments in fixed income securities and summaries of investment ratings and maturities for the Retirement Fund's fixed income securities are detailed in the Retirement Fund's financial statements.

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Interest rate and market risk are the greatest risks faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. The set of investment guidelines provided by the Retirement Fund's Board of Trustees to each investment manager specify eligible investments, duration (three to five years), and applicable investment restrictions necessary for diversification and risk control (no more than 5% of assets invested in any non-U.S. government issuer and no more than 30% of assets in any sector). As all investments are held in mutual funds, real estate, and loans with the Territory, interest rate risk is minimal.

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Retirement Fund's currency risk exposure, or exchange rate risk, resides within the international equity mutual funds holdings. The Investment Policy guidelines prohibit investments in securities that are not denominated in U.S. dollars or that are traded solely on an exchange outside of the United States. The Retirement Fund does not hold any direct investments, hedges or derivative instruments denominated in foreign currency.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 3 – Other Receivables

Other receivables (excluding the discretely presented component units) on the financial statements by account type and source are as follows:

	Receivable	Allowance	Balance
Taxes			
General fund	\$ 14,113,151	\$ 7,290,719	\$ 6,822,432
Accounts receivable			
General fund	8,961,410	6,476,437	2,484,973
Grant fund	20,789	-	20,789
Non-major governmental fund	306,872	-	306,872
Airport fund	1,289,414	1,070,117	219,297
Non-major activities fund	1,187,027	441,507	745,520
Due from U.S. Government			
Grant fund	27,549,312	2,745,852	24,803,460
Non-major governmental fund	1,020,769	-	1,020,769
	<u>\$ 54,448,744</u>	<u>\$ 18,024,632</u>	<u>\$ 36,424,112</u>

Note 4 – Interfund Accounts

Balances due to component units consist of amounts owed to ASPA and ASTCA for services provided to the Territory, including charges for utilities, and 2% wage tax remittances due to LBJ.

Balances due to ASPA and ASTCA are reported net of receivables recorded for services provided by the Territory. As of September 30, 2014, balances due to ASPA and ASTCA totaled \$9,051,183 and \$163,607, respectively. During the year ended September 30, 2014, the Territory incurred utility expenditures with ASPA and ASTCA approximating \$6.7 million and \$1.0 million, respectively.

The Fono has established Public Law No. 32.6, an act instituting a 2% wage tax on all wages earned in the Territory. Under the law, ASG Treasury collects the revenues generated from the 2% wage tax, and the accumulated proceeds are transferred to LBJ. As of September 30, 2014, balances due to LBJ for revenues collected under the 2% wage tax totaled \$3,733,256.

As of September 30, 2014, amounts due to/due from other funds totaling \$758,737 represent the balance of advances from the Grants Fund to the Operations and Maintenance Fund, a non-major governmental fund, for emergency maintenance at the Territory's schools.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 4 – Interfund Accounts (Continued)

A summary of interfund receivable and payable balances, Due From/Due To Other Funds-Pooled Cash accounts, are as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ -	\$ 1,648,979
Grant fund	-	4,238,746
Internal service funds		
Workers compensation	5,068,614	-
ASG Print Shop	44,946	-
Non-major governmental fund	264,993	-
Non-major enterprise fund	178,453	-
Agency fund		
Immigration bond	330,719	-
	<u>\$ 5,887,725</u>	<u>\$ 5,887,725</u>

Operating Transfers In/Out are as follows:

Out Of	Amount	In To	Purpose
General Fund	1,436,305	Airport Fund	Cover deficit and clear pool cash
	314,622	Government Housing	Cover deficit and clear pool cash
	761,010	Debt Service	Cover loan payments shortfall
Debt Service Fund	1,240,170	General Fund	Supplementary budget funding
Grant Fund	80,863	General Fund	Interfund cash transfers
Airport Fund	777,507	Grant Fund	Interfund cash transfers
Non-Major Governmental Fund	300,000	Airport Fund	Fund port operations

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 5 – Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2014 was as follows:

	Primary Government				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES					
General and grant funds					
Capital assets not being depreciated					
Land	\$ 2,436,036	\$ -	\$ -	\$ -	\$ 2,436,036
Construction in process	23,598,442	17,435,898	(10,403,675)	-	30,630,665
	<u>26,034,478</u>	<u>17,435,898</u>	<u>(10,403,675)</u>	<u>-</u>	<u>33,066,701</u>
Capital assets being depreciated					
Land improvements	42,179,509	103,111	-	-	42,282,620
Buildings and structures	143,005,069	2,582,311	3,882,543	-	149,469,923
Machinery and equipment	31,546,897	2,100,181	-	(75,270)	33,571,808
Vehicles	32,425,137	2,430,254	-	(1,221,736)	33,633,655
Infrastructure	166,071,127	-	6,521,132	-	172,592,259
	<u>415,227,739</u>	<u>7,215,857</u>	<u>10,403,675</u>	<u>(1,297,006)</u>	<u>431,550,265</u>
Less accumulated depreciation					
Land improvements	(24,068,595)	(850,545)	-	-	(24,919,140)
Buildings and structures	(53,731,698)	(5,654,279)	-	-	(59,385,977)
Machinery and equipment	(19,376,260)	(2,183,837)	-	75,270	(21,484,827)
Vehicles	(24,401,501)	(2,030,387)	-	1,177,540	(25,254,348)
Infrastructure	(67,439,661)	(5,469,699)	-	-	(72,909,360)
	<u>(189,017,715)</u>	<u>(16,188,747)</u>	<u>-</u>	<u>1,252,810</u>	<u>(203,953,652)</u>
Net capital assets being depreciated	<u>226,210,024</u>	<u>(8,972,890)</u>	<u>10,403,675</u>	<u>(44,196)</u>	<u>227,596,613</u>
Net capital assets - general and grant funds	<u>252,244,502</u>	<u>8,463,008</u>	<u>-</u>	<u>(44,196)</u>	<u>260,663,314</u>
Internal service funds					
Capital assets not being depreciated					
Land	<u>52,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,043</u>
Capital assets being depreciated					
Buildings and structures	1,225,283	-	-	-	1,225,283
Machinery and equipment	718,412	8,779	-	-	727,191
	<u>1,943,695</u>	<u>8,779</u>	<u>-</u>	<u>-</u>	<u>1,952,474</u>
Less accumulated depreciation					
Buildings and structures	(1,138,528)	(9,697)	-	-	(1,148,225)
Machinery and equipment	(649,226)	(23,937)	-	-	(673,163)
	<u>(1,787,754)</u>	<u>(33,634)</u>	<u>-</u>	<u>-</u>	<u>(1,821,388)</u>
Net capital assets being depreciated	<u>155,941</u>	<u>(24,855)</u>	<u>-</u>	<u>-</u>	<u>131,086</u>
Net capital assets - internal service funds	<u>207,984</u>	<u>(24,855)</u>	<u>-</u>	<u>-</u>	<u>183,129</u>
NET CAPITAL ASSETS	\$ 252,452,486	\$ 8,438,153	\$ -	\$ (44,196)	\$ 260,846,443

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 5 – Capital Assets and Depreciation (Continued)

	Primary Government				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated					
Land	\$ 1,886,887	\$ -	\$ -	\$ -	\$ 1,886,887
Work in process	9,538,475	1,681,061	-	-	11,219,536
	<u>11,425,362</u>	<u>1,681,061</u>	<u>-</u>	<u>-</u>	<u>13,106,423</u>
Capital assets being depreciated					
Land improvements	73,689,178	-	-	-	73,689,178
Buildings and structures	55,157,803	-	-	-	55,157,803
Machinery and equipment	7,711,226	1,837,227	-	(43,188)	9,505,265
	<u>136,558,207</u>	<u>1,837,227</u>	<u>-</u>	<u>(43,188)</u>	<u>138,352,246</u>
Less accumulated depreciation					
Land improvements	(42,726,704)	(2,783,584)	-	-	(45,510,288)
Buildings and structures	(13,572,420)	(1,714,240)	-	-	(15,286,660)
Machinery and equipment	(5,022,133)	(639,314)	-	24,553	(5,636,894)
	<u>(61,321,257)</u>	<u>(5,137,138)</u>	<u>-</u>	<u>24,553</u>	<u>(66,433,842)</u>
Total capital assets being depreciated, net	<u>75,236,950</u>	<u>(3,299,911)</u>	<u>-</u>	<u>(18,635)</u>	<u>71,918,404</u>
NET CAPITAL ASSETS	<u>\$ 86,662,312</u>	<u>\$ (1,618,850)</u>	<u>\$ -</u>	<u>\$ (18,635)</u>	<u>\$ 85,024,827</u>

Depreciation expense was charged by function as follows:

Governmental activities	
General and grant funds	
General government	\$ 8,541,582
Education and culture	4,865,449
Economic development	1,736,842
Public safety	458,114
Health and welfare	391,957
Transportation	75,983
Conservation and environment	89,642
Capital improvements	29,178
	<u>16,188,747</u>
Internal service funds	
General government	33,634
	<u>\$ 16,222,381</u>
Airport	\$ 4,906,306
Nonmajor	230,832
	<u>\$ 5,137,138</u>

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 6 – Prepaid Expense

The Territory leases property for the Lava Lava Golf Course from various landowners. Annual payments of \$30,000 to June 30, 2032 for a total of \$1,500,000 were prepaid during the year ended September 30, 1985 and are being amortized over the term of the lease. The unamortized balance of the prepaid lease as of September 30, 2014 was \$532,504 and is included in prepaid expenses on the statement of net position.

Note 7 – Defined Benefit Pension Plan (ASG Employees' Retirement Fund)

The Retirement Fund is a cost-sharing, multiple-employer, contributory defined benefit retirement plan that was established in 1971 to provide retirement annuities for the employees of ASG and its component units. Employees of the Development Bank, a related organization, are also included in the Retirement Fund.

The Retirement Fund issues an annual audited financial report that includes financial statements and required supplementary information. This report may be obtained by contacting:

American Samoa Government
Employees' Retirement Fund
PO Box 2448
Pago Pago, AS 96799-2448

A. Administrators of the Fund

The responsibility for proper administration of the Retirement Fund and the direction of its policies is vested in a seven-member Board of Trustees appointed by the governor. The Board of Trustees has the power and authority under territorial law to make all decisions on the investment of Retirement Fund assets and the employment of professional investment agents. Investment authority is not restricted by types of property or other investment options, but the law does limit the amount of an individual investment that may be made in any one instrument or security issued by a political subdivision, corporation or other entity.

B. Benefit Payments to Retired Members

The annual retirement benefit, payable monthly for life, equals 2% of the highest average annual salary for three consecutive years, multiplied by the number of years of service to a maximum of 30 years (from 10% to 60% based on years of service). The minimum annual benefit is \$600.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 7 – Defined Benefit Pension Plan (ASG Employees’ Retirement Fund) (Continued)

C. Contributions

ASG, its component units, and the Development Bank have agreed to contribute such amounts as provided by the A.S.C.A. Section 7.1433 to the Retirement Fund each year at a statutory rate approved by the Board of Trustees after consideration of actuarially determined contribution amounts. For the year ended September 30, 2014, the actuary developed a sponsor contribution rate of 11.45% of total payroll. The sponsor rate approved by the Board of Trustees is 8% of employees’ regular earnings, excluding overtime.

Each member of the Fund contributes 3% of earnings and earns interest at 5% compounded annually. Employee contributions are made through payroll deductions. Employee contributions and the related interest earned are refunded in full to members whose employment is terminated for any reason other than retirement and as a death benefit to the survivors of deceased employees not yet eligible for retirement. Employees are fully vested in the employer portion, payable as a retirement annuity after ten years of participation in the Retirement Fund. For fiscal years 2014, 2013 and 2012, actual employer contributions totaled \$7,851,815, \$7,591,013 and \$7,456,519, respectively. Actual contributions funded 100% of the contributions required by A.S.C.A. Section 7.1433.

All employee contributions are used to reduce the normal cost liability before the employer’s required contribution rate is calculated. Employer and employee contributions as a percentage of covered payroll are 8.0% and 3.2%, respectively. As of October 1, 2013, the plan fiduciary net position as a percentage of total pension liability of the Retirement Fund was 63.5%.

Note 8 – Long-Term Obligations

A. Long-term Obligations

Outstanding balances of long-term debt and other liabilities as of September 30, 2014, and changes during the year then ended, are summarized below. Other liabilities for compensated absences, claims and judgments, and landfill closure will be liquidated by the general fund. The workers compensation claims liability is reported in the workers compensation internal service fund and will be liquidated by that fund.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 8 – Long-Term Obligations (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
Retirement Fund -					
\$10 million loan	\$ 6,998,630	\$ -	\$ 560,475	\$ 6,438,155	\$ 606,993
Retirement Fund -					
\$20 million loan	10,184,058	-	2,163,302	8,020,756	2,331,244
Department of Interior	11,014,555	-	946,095	10,068,460	946,000
Loan payable FEMA	3,220,196	84,297	-	3,304,493	3,304,493
	<u>31,417,439</u>	<u>84,297</u>	<u>3,669,872</u>	<u>27,831,864</u>	<u>7,188,730</u>
Other liabilities					
Claims and judgments	7,300,000	316,902	102,068	7,514,834	500,000
Landfill closure and post-closure liability	287,658	-	-	287,658	-
Compensated absences	13,292,116	9,185,144	8,933,460	13,543,800	8,900,000
	<u>20,879,774</u>	<u>9,502,046</u>	<u>9,035,528</u>	<u>21,346,292</u>	<u>9,400,000</u>
Internal service fund					
Workers compensation claims	1,448,584	-	170,879	1,277,705	171,000
	<u>\$ 53,745,797</u>	<u>\$ 9,586,343</u>	<u>\$ 12,876,279</u>	<u>\$ 50,455,861</u>	<u>\$ 16,759,730</u>

B. Loan Payable – FEMA Primary Government

The Territory received proceeds of special community disaster loans from FEMA totaling \$10,179,089 during 1993 and 1994. There is a provision in the FEMA regulations that permits FEMA to cancel all or a portion of this loan.

During May 2000, FEMA cancelled \$8,638,009 of principal and \$3,227,779 of interest on these notes. The Territory expects the remaining amounts of these notes plus interest to be cancelled in subsequent years. Interest is accrued on outstanding balance at 5.47%. As of September 30, 2014, the outstanding principal and unpaid interest on the FEMA notes totaled \$1,541,080 and \$1,763,413, respectively.

C. Department of Interior Loan

In 1999, Congress passed legislation that authorized the Secretary of the Interior to lend the Territory up to \$18,600,000 at 5.4% interest for an irrevocable assignment of the payments due to the Territory under the Master Settlement Agreement with certain tobacco companies. The legislation requires the Territory to pledge its full faith and credit to repay the loan, should the payments from the Tobacco Settlement be insufficient. The Territory required this pledge to be subordinated with respect to the pledged taxes. Proceeds of \$14,300,000 from the loan were used to pay creditors of the Territory and \$4,300,000 was used to plan and implement a fiscal reform program. The loan, including all unpaid principal, accrued interest, and accrued capitalized interest, is due and payable on April 15, 2027. Principal and interest payments are funded from the periodic receipt of the Territory's share of the Tobacco Settlement.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 8 – Long-Term Obligations (Continued)

D. ASG Employees' Retirement Fund – \$10 Million Loan

In April 2006, the Territory entered into a loan agreement with the Retirement Fund to borrow \$10,000,000. The purpose of the loan was to pay the debts and obligations of the American Samoa Medical Center Authority – Lyndon B. Johnson Tropical Medical Center. Interest on the loan is 8.0% per annum, with equal quarterly payments of principal and interest on the principal amount outstanding of the last day of each quarter. The loan will be paid with funds received from ASTCA as a payment in lieu of taxes. Payments in lieu of taxes received from ASTCA during 2014 totaled \$1,100,000, or approximately 6.6% of ASTCA's operating revenues.

The loan has been secured by a security interest in the real property and all improvements of the Tafuna Industrial Park as well as the assignment of rents and leases in the Tafuna Industrial Park. The loan is to be repaid in 16 1/3 years terminating on May 1, 2022.

Annual debt service requirements for this loan are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Unpaid Interest</u>	<u>Total</u>
2015	\$ 606,993	\$ 493,007	\$ 1,100,000
2016	656,104	443,896	1,100,000
2017	711,830	388,170	1,100,000
2018	770,911	329,089	1,100,000
2019	834,896	265,104	1,100,000
2020-2022	2,857,421	356,720	3,214,141
	<u>\$ 6,438,155</u>	<u>\$ 2,275,986</u>	<u>\$ 8,714,141</u>

E. ASG Employees' Retirement Fund – \$20 Million Loan

In June 2007, the Fono passed legislation authorizing the Territory to enter into a loan agreement with the Retirement Fund to borrow up to \$20,000,000 to fund various projects, as set forth in the legislation and any additional approved projects and purposes. The legislation limited the term to ten years and stipulates a 7.5% interest rate. In 2008, the Territory borrowed \$20,000,000, which is paid with funds received from certain pledged revenues (12.5% of excise tax collected on alcoholic beverages as imposed pursuant to A.S.C.A., Section 11.1102(a)(1)(B); 40.0% of the excise tax collected on beer and malt extract as imposed pursuant to A.S.C.A., Section 11.1102(a)(1)(A); all of the revenues collected from the Customs Entry Application Forms Processing Fee imposed pursuant to A.S.C.A., Section 27.104(a)(5), and 20.0% of the excise tax collected on tobacco products as imposed pursuant to A.S.C.A., Section 11.1 102(a)(1)(C)). The note is a general obligation of the Territory. The full faith, credit and taxing powers of the Territory will be pledged to the payment of principal and interest.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 8 – Long-Term Obligations (Continued)

The loan has been secured by a security interest in the real property and all improvements of the Tafuna Industrial Park, Executive Office Building, and American Samoa Tank Farm, as well as the assignment of rents and leases in the Tafuna Industrial Park and Executive Office Building.

Annual debt service requirements for this loan are as follows:

Year Ending September 30,	Principal	Unpaid Interest	Total
2015	\$ 2,331,244	\$ 522,479	\$ 2,853,723
2016	2,511,177	342,546	2,853,723
2017	2,707,173	146,550	2,853,723
2018	471,162	4,458	475,620
	<u>\$ 8,020,756</u>	<u>\$ 1,016,033</u>	<u>\$ 9,036,789</u>

Note 9 – Major Component Unit Information

Each of these major component units are discretely presented in a separate column on the Statement of Net Position and Statement of Activities. The information below is summarized from each discretely presented component unit's audited financial statements, which are available through each entity's administrative office:

	ASPA	ASCC	LBJ	ASTCA	Totals
Assets					
Cash, investments and other assets	\$ 30,068,437	\$ 8,211,236	\$ 9,374,399	\$ 8,048,517	\$ 55,702,589
Due from American Samoa Government	9,051,183	-	3,733,256	163,607	12,948,046
Capital assets, net	<u>127,247,679</u>	<u>10,408,862</u>	<u>20,683,234</u>	<u>71,085,408</u>	<u>229,425,183</u>
Total assets	<u>166,367,299</u>	<u>18,620,098</u>	<u>33,790,889</u>	<u>79,297,532</u>	<u>298,075,818</u>
Liabilities					
Accounts payable and other current liabilities	12,862,596	2,733,033	9,832,501	8,324,165	33,752,295
Long-term liabilities	<u>2,845,208</u>	<u>554,957</u>	<u>5,972,315</u>	<u>41,120,444</u>	<u>50,492,924</u>
Total liabilities	<u>15,707,804</u>	<u>3,287,990</u>	<u>15,804,816</u>	<u>49,444,609</u>	<u>84,245,219</u>
Net position					
Net investment in capital assets	125,586,854	10,408,862	20,683,234	66,811,929	223,490,879
Restricted	133,967	3,087,603	-	-	3,221,570
Unrestricted	<u>24,938,674</u>	<u>1,835,643</u>	<u>(2,697,161)</u>	<u>(36,959,006)</u>	<u>(12,881,850)</u>
Total net position	<u>\$ 150,659,495</u>	<u>\$ 15,332,108</u>	<u>\$ 17,986,073</u>	<u>\$ 29,852,923</u>	<u>\$ 213,830,599</u>

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 9 – Major Component Unit Information (Continued)

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expense) and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	ASPA	ASCC	LBJ	ASTCA	Total
American Samoa Power Authority									
Operations	\$ 71,238,590	\$ 72,921,478	\$ 240,796	\$ 22,841,224	\$ 24,764,908	\$ -	\$ -	\$ -	\$ 24,764,908
Depreciation	8,327,428	-	-	-	(8,327,428)	-	-	-	(8,327,428)
General and administrative	7,857,736	-	-	-	(7,857,736)	-	-	-	(7,857,736)
Interest	183,161	-	-	-	(183,161)	-	-	-	(183,161)
Total - ASPA	87,606,915	72,921,478	240,796	22,841,224	8,396,583	-	-	-	8,396,583
American Samoa Community College									
Instructional	5,127,536	10,656,100	-	-	-	5,528,564	-	-	5,528,564
General and administrative	4,342,878	-	-	-	-	(4,342,878)	-	-	(4,342,878)
Research	3,174,739	-	-	-	-	(3,174,739)	-	-	(3,174,739)
Depreciation	1,414,507	-	-	-	-	(1,414,507)	-	-	(1,414,507)
Interest	-	-	-	-	-	-	-	-	-
Total - ASCC	14,059,660	10,656,100	-	-	-	(3,403,560)	-	-	(3,403,560)
American Samoa Medical Center Authority									
Healthcare	36,990,512	24,567,792	-	-	-	-	(12,422,720)	-	(12,422,720)
General and administrative	6,625,014	-	-	4,874,260	-	-	(1,750,754)	-	(1,750,754)
Depreciation	1,594,158	-	-	-	-	-	(1,594,158)	-	(1,594,158)
Interest	107,380	-	-	-	-	-	(107,380)	-	(107,380)
Total - LBJ	45,317,064	24,567,792	-	4,874,260	-	-	(15,875,012)	-	(15,875,012)
American Samoa Telecommunication Authority									
Operations	11,557,522	16,769,597	-	-	-	-	-	5,212,075	5,212,075
General and administrative	5,572,708	-	-	-	-	-	-	(5,572,708)	(5,572,708)
Depreciation	2,593,563	-	-	-	-	-	-	(2,593,563)	(2,593,563)
Total - ASTCA	19,723,793	16,769,597	-	-	-	-	-	(2,954,196)	(2,954,196)
Total Component Units	\$ 166,707,432	\$ 124,914,967	\$ 240,796	\$ 27,715,484					
General revenues									
Payments from American Samoa Government					-	4,357,994	6,000,000	-	10,357,994
Wage tax revenue					-	-	3,333,097	-	3,333,097
Grants entitlements and contributions not restricted to specific programs					-	-	8,745,702	-	8,745,702
Other general revenues					102,948	6,191	412,237	-	521,376
Insurance recoveries					-	-	-	-	-
Total General Revenues					102,948	4,364,185	18,491,036	-	22,958,169
Changes in Net Position					8,499,531	960,625	2,616,024	(2,954,196)	9,121,984
Net Position - Beginning of Year					142,159,964	14,371,483	15,370,049	32,807,119	204,708,615
Net Position - End of Year					\$ 150,659,495	\$ 15,332,108	\$ 17,986,073	\$ 29,852,923	\$ 213,830,599

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 10 – Expenditures Exceeding Appropriations

The following Department and Programs expenditures exceeded the budget for the fiscal year ended September 31, 2014:

Departments and Special Programs	Budget Overrun
General Government	
Governor's Office	\$ 151,780
Legislature	1,332
Treasury	226,278
Fiscal Reform Costs	1,720,927
Governor's Internal Audit	230,168
Manu'a Dev/Maintenance	31,774
Legal affairs	87,413
Property Insurance Premium	391,109
EOB Maintenance	55,979
Human and Social Services	12,152
ASG Audit Contract	5,001
Miscellaneous Accounts	157,831
Education and Culture	
Public Information	44,201
Youth Center Math	25,958
Summer Youth Employment Program	191,010
Youth and Women's Affairs	241,862
Economic Development	
Commerce & Tourism	63,100
Private Sector Initiative	5,376
Health and Recreation	
Sports Complex (Special Program)	124,318
Ceremonial Activities (Flag Day)	44,780
Public Safety	
Public Safety	225,956
Driver's Training	25,197
Judiciary	92,178
Public Works	
Public Works	2,105,185
Small Village Fund	5,282
Transfers Out	
To Airport	1,436,305
To Debt Service	761,010
To Government Housing	314,622
	<u>\$ 8,778,084</u>

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 11 – Risk Management and Insurance

It is the policy of the Territory to cover the risk of losses to which it may be exposed through risk management activities. In general, the Territory is self-insured for health care claims and tort liability.

A. Health Care

Health care coverage is provided for all residents. To receive services, residents present their American Samoa Government Health Card along with a nominal payment at the time of service. The Territory assumes fiscal responsibility for authorized referrals to off-island medical care providers as well as providing care to patients at the American Samoa Medical Center Authority – Lyndon B. Johnson Tropical Medical Center. The accrual of expenses incurred in future years from medical claims existing as of September 30, 2014 cannot be reasonably estimated and is not recorded.

B. Property

The Territory has a property damage insurance policy with a commercial insurance company that covers any physical loss or damage caused by all perils, to all tangible property of every description not expressly excluded by the policy, which is in the Territory and owned or held by the Territory jointly, or in trust or on commission or for which the Territory is responsible or has assumed responsibility. The primary policy covers up to \$25,000,000 for all of the Territory's property with a deductible of \$3,000,000 for earthquake, \$1,000,000 for flood and hurricane, and \$250,000 deductible for all other perils.

C. Other Insurance

ASPA, ASTCA, the Retirement Fund, and the Petroleum Cooperative maintain separate property and automobile liability insurance.

D. Workers Compensation

The Territory is self-insured for its workers compensation liability to pay compensation as defined under the Workers Compensation Act. The administration of this self-insurance arrangement is handled by the Territory through its Internal Service Fund, the Workers Compensation Fund. All funds, agencies and component units of the Territory participate in the Workers Compensation Fund. Each unit contributes to the fund a "premium" amount calculated using the prior experience of the fund as a whole.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 11 – Risk Management and Insurance (Continued)

Changes in the balances of accrued workers compensation claims during the past two fiscal years are as follows:

	<u>2014</u>	<u>2013</u>
Accrued workers compensation claims, beginning of fiscal year	\$ 1,448,584	\$ 1,527,390
New accrued claims	-	-
Claims payments	<u>(170,879)</u>	<u>(78,806)</u>
Accrued workers compensation claims, end of fiscal year	<u>\$ 1,277,705</u>	<u>\$ 1,448,584</u>

Workers compensation claims are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated, typically after a decision has been rendered by an Administrative Law Judge. Liabilities for incurred losses settled by fixed and reasonably determinable payments over a long period of time are reported at their present value using an expected future investment yield based on the current investment yield of 3.0%. As of September 30, 2014, these liabilities are reported at their present value of \$1,277,705. Claims liabilities and investments designated for payment of those claims are reported in the governmental activities column of the government-wide statement of net position.

E. Public Liability

The Territory is self-insured for purposes of public liability. The Territory's Tort Liability Act allows the government to be sued for personal injury or death caused by the negligent or wrongful act or omission of any employee of the government while acting within the scope of his/her employment. The Territory continues to satisfy its obligations under the Government Tort Liability Act with an amount budgeted by the Fono each fiscal year. The Attorney General's Office is responsible for the acquisition and administration of any self-insurance plans and programs adopted for use by the Territory. The estimated liability for self-insured losses is \$7,514,834 as of September 30, 2014.

Note 12 – Solid Waste Landfill Closure and Post-Closure Costs

The Futiga Landfill is a two-cell solid waste landfill site. The first cell was operated for approximately thirty years before it was transferred to ASPA in February 1995. Upon transfer, the first cell was substantially filled and is currently considered full. ASPA has operated the landfill since the transfer and has expanded the landfill to include a new section, approximately the same size and capacity as the original fill site. At September 30, 2014, the new landfill cell has a remaining estimated useful life of two years. ASPA is researching other alternatives and is currently under lease discussions with landowners for a new identified landfill site. Total estimated closure and post-closure costs for the two landfill cells is \$814,480 based on a 2003 study. Estimated costs of the closure and post-closure care are subject to changes such as the effects of inflation, revision of laws and other variables.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 12 – Solid Waste Landfill Closure and Post-Closure Costs (Continued)

The Territory is required to recognize a portion of the closure and post-closure care costs in each operating period even though actual pay-outs will not occur until the landfill is closed. Based on an opinion from the American Samoa Environmental Protection Agency, American Samoa has no local statutes governing the operation of municipal landfills and no regulations govern closure and post-closure requirements. Therefore, ASPA's management believes that the Territory has no legal obligation under federal or local law to incur closure and post-closure costs for the two landfill sites. As of September 30, 2014, the Territory has recorded a liability of \$287,658 for closure and post-closure care.

Note 13 – Commitments and Contingencies

A. Litigation

The Territory is party to numerous pending or threatened lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. Generally, the Territory is self-insured, except for property damage and fidelity bond coverage.

With respect to legal matters expected to be settled subsequent to September 30, 2014, the Office of the Attorney General has estimated the amount of liability determined, as of September 30, 2014, in accordance with generally accepted accounting principles as probable. The Territory has recorded a liability for judgments and claims in the amount of \$7,514,834.

Changes in the balances of claims and judgments liabilities during the past two fiscal years are as follows:

	<u>2014</u>	<u>2013</u>
Unpaid claims and judgments, beginning of fiscal year	\$ 7,300,000	\$ 8,100,000
Incurred claims and judgments	316,902	1,300,000
Claims and judgment payments	<u>(102,068)</u>	<u>(2,100,000)</u>
Unpaid claims and judgments, end of fiscal year	<u>\$ 7,514,834</u>	<u>\$ 7,300,000</u>

B. Grants

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Audits may lead to reimbursement to the grantor agencies. The Territory records liabilities for all audit reports that are expected to lead to disallowed costs. As of September 30, 2014, any potential reimbursements related to ongoing or pending audits cannot be estimated.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 13 – Commitments and Contingencies (Continued)

C. Commitments

As of September 30, 2014, outstanding commitments are comprised of the following:

	2014 Project Authorization	Expended Through September 30, 2014	Committed as of September 30, 2014
Airport improvements	\$ 1,383,841	\$ 4,207,881	\$ 20,828,465
FEMA improvements	-	205,325	31,658
Cooperative improvements	2,183,995	3,345,720	647,028
Educational facilities	1,681,500	1,382,277	502,025
	<u>\$ 5,249,336</u>	<u>\$ 9,141,203</u>	<u>\$ 22,009,176</u>

Note 14 – New Pronouncements for Financial Reporting

The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB) and were implemented by the Territory during the fiscal year ended September 30, 2014:

- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Implementation of this Statement did not have a material effect on the financial statements of the Territory.
- Statement No. 67, *Financial Reporting for Pension Plans*, was implemented by the Retirement Fund for the year ended September 30, 2014. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Implementation of Statement No. 67 resulted in the presentation of new information about the Retirement Fund's actuarial valuations in the Retirement Fund's financial statements, including measurement of the Retirement Fund's total pension liability and the participating employers' net pension liability. The Statement also required expanded disclosures of the assumptions used to value the Retirement Fund and the annual money-weighted rates of return for the Retirement Fund's investments.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 14 – New Pronouncements for Financial Reporting (Continued)

The following pronouncements have been issued by the GASB but have not yet been implemented by the Territory:

- Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for governments that provide employees with pension benefits. The Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. This Statement is effective for the fiscal year ending September 30, 2015. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations, including mergers, acquisitions, transfers of operations and disposals of government operations. This Statement is effective for the fiscal year ending September 30, 2015. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement is effective for the fiscal year ending September 30, 2015. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.
- Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for the fiscal year ending September 30, 2016. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

TERRITORY OF AMERICAN SAMOA

NOTES TO FINANCIAL STATEMENTS

Note 15 – Commitments and Contingencies

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for pensions and pension plans that are not administered through a trust meeting specified criteria. This Statement is effective for the fiscal year ending September 30, 2016. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and addresses the financial reports of defined benefit postemployment benefits (OPEB) plans that are administered through trusts that meet specified criteria. This Statement requires more extensive note disclosures and required supplementary information related to the measurement of OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rate of return on plan investments. This Statement is effective for the fiscal year ending September 30, 2017. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions*, and requires governments to report a liability on the financial statements for the OPEB they provide. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective for the fiscal year ending September 30, 2018. Management is evaluating the effect that the implementation of this Statement will have on the financial statements of the Territory.

REQUIRED SUPPLEMENTARY INFORMATION

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	\$ 71,866,000	\$ 71,913,500	\$ 65,332,565	\$ (6,580,935)
Licenses and permits	1,100,000	1,100,000	1,145,068	45,068
Intergovernmental	13,763,000	13,763,000	13,859,354	96,354
Charges for services	6,381,200	6,771,700	5,743,876	(1,027,824)
Fines and fees	3,752,800	3,752,800	3,163,103	(589,697)
Interdepartmental	5,600,000	5,600,000	4,937,480	(662,520)
Miscellaneous	2,616,000	2,616,000	4,543,992	1,927,992
Total revenues	<u>105,079,000</u>	<u>105,517,000</u>	<u>98,725,438</u>	<u>(6,791,562)</u>
Expenditures:				
General government	33,258,500	33,158,500	36,397,676	(3,239,176)
Education and culture	32,434,500	32,464,500	31,284,144	1,180,356
Economic development	13,066,500	13,066,500	10,071,667	2,994,833
Health and welfare	10,339,000	10,339,000	10,354,200	(15,200)
Public safety	11,175,500	11,175,500	10,372,679	802,821
Public works	6,963,000	6,963,000	7,406,723	(443,723)
Total expenditures	<u>107,237,000</u>	<u>107,167,000</u>	<u>105,887,089</u>	<u>1,279,911</u>
Excess (deficiency) of revenues over expenditures	<u>(2,158,000)</u>	<u>(1,650,000)</u>	<u>(7,161,651)</u>	<u>(5,511,651)</u>
Other financing sources (uses):				
Transfers in	550,000	550,000	1,321,033	771,033
Transfers out	<u>-</u>	<u>-</u>	<u>(2,511,937)</u>	<u>(2,511,937)</u>
Total other financing sources (uses)	<u>550,000</u>	<u>550,000</u>	<u>(1,190,904)</u>	<u>(1,740,904)</u>
Change in fund balances	(1,608,000)	(1,100,000)	(8,352,555)	(7,252,555)
Fund balances, October 1, 2013	<u>(4,804,671)</u>	<u>(4,804,671)</u>	<u>(4,804,671)</u>	<u>-</u>
Fund balances, September 30, 2014	<u>\$ (6,412,671)</u>	<u>\$ (5,904,671)</u>	<u>\$ (13,157,226)</u>	<u>\$ (7,252,555)</u>

TERRITORY OF AMERICAN SAMOA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FEDERAL GRANTS
YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	98,963,500	98,963,500	170,103,155	71,139,655
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Interdepartmental	-	-	-	-
Miscellaneous revenue	-	-	1,378,233	1,378,233
Total revenues	<u>98,963,500</u>	<u>98,963,500</u>	<u>171,481,388</u>	<u>72,517,888</u>
Expenditures:				
General government	3,391,500	3,391,500	19,001,491	(15,609,991)
Education and culture	44,749,500	44,749,500	59,574,973	(14,825,473)
Economic development	5,362,000	5,362,000	24,338,519	(18,976,519)
Health and welfare	34,368,500	34,368,500	44,852,611	(10,484,111)
Public safety	11,092,000	11,092,000	6,217,873	4,874,127
Public works	-	-	17,561,145	(17,561,145)
Total expenditures	<u>98,963,500</u>	<u>98,963,500</u>	<u>171,546,612</u>	<u>(72,583,112)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(65,224)</u>	<u>(65,224)</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>696,644</u>	<u>696,644</u>
Change in fund balances	-	-	631,420	631,420
Fund balances, October 1, 2013	<u>1,707,270</u>	<u>1,707,270</u>	<u>1,707,270</u>	<u>-</u>
Fund balances, September 30, 2014	<u>\$ 1,707,270</u>	<u>\$ 1,707,270</u>	<u>\$ 2,338,690</u>	<u>\$ 631,420</u>

APPENDIX B

FORM OF THE GENERAL INDENTURE OF TRUST

The following is the current draft of the General Indenture of Trust.

AMERICAN SAMOA ECONOMIC DEVELOPMENT AUTHORITY
GENERAL REVENUE BONDS

GENERAL INDENTURE OF TRUST

Dated as of August 1, 2015

BY AND AMONG

AMERICAN SAMOA ECONOMIC DEVELOPMENT AUTHORITY,
as Issuer,

TERRITORY OF AMERICAN SAMOA

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

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THIS GENERAL INDENTURE OF TRUST, dated as of August 1, 2015 (this “Indenture”), by and among the American Samoa Economic Development Authority (the “Issuer”), a body corporate and politic and a governmental agency of the Territory of American Samoa (the “Territory”), the Territory, and U.S. Bank National Association, as trustee (the “Trustee”):

W I T N E S S E T H:

WHEREAS, pursuant to Title 11, Chapter 19 of the American Samoa Code Annotated (“A.S.C.A.”), as amended (the “Act”) (capitalized terms used in the recitals hereto and not otherwise defined are used as defined in Article I hereof), the Issuer is vested with authority to issue revenue bonds, including general obligation revenue bonds, to finance or refinance all or any portion of the cost of a project or facility or otherwise implement any project set forth and defined by the Act, as well as refinance or refund any existing obligations of the Territory; and

WHEREAS, pursuant to certain provisions of the Act, the Issuer may issue Bonds (as defined herein) that are payable from the Revenues (as defined herein) of the Territory in order to (i) finance the costs of acquisition and construction of a variety of projects in the Territory; (ii) refund certain outstanding obligations of the Territory; and (iii) pay the costs of issuance of the Bonds; and

WHEREAS, in order to finance or refinance Projects, the Issuer has determined to authorize the issuance of Bonds, to prescribe the conditions for the issuance of such Bonds and to provide for the payment of such Bonds from the Revenues of the Territory and has determined to enter into this Indenture for the carrying out of such purposes;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises, the mutual covenants of the Issuer, the Territory and the Trustee, the purchase from time to time of the Bonds by the Bondowners thereof, the issuance by the Security Instrument Issuers from time to time of Security Instruments and the issuance by Reserve Instrument Providers from time to time of Reserve Instruments, and in order to secure the payment of the principal of and premium, if any, and the purchase price (to the extent provided in the related Supplemental Indenture), and interest on the Bonds, of all Repayment Obligations according to their tenor and effect and the performance and observance by the Issuer and the Territory of all the covenants expressed or implied herein, in the Bonds, and in all Security Instrument Agreements and in all Reserve Instrument Agreements, the Issuer does hereby convey, assign and pledge unto the Trustee and unto its successors in trust forever all right, title and interest of the Issuer and the Territory in and to (i) the Revenues, (ii) all moneys in funds and accounts held by the Trustee hereunder (except the Rebate Fund) including the investment, if any thereof, and (iii) all other rights hereinafter granted, first, for the further securing of the Bonds and all Security Instrument Repayment Obligations, and second, for the further security of all Reserve Instrument Repayment Obligations, subject to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this

Indenture and any Supplemental Indenture with respect to a related Series of Bonds and subject to additional obligations issued on a parity with the Bonds;

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

IN TRUST NEVERTHELESS, upon the terms set forth in this Indenture, FIRST for the equal and proportionate benefit, security and protection of all Bondowners and Security Instrument Issuers without privilege, priority or distinction as to the lien or otherwise of any of the Bonds or Security Instrument Repayment Obligations over any others by reason of time of issuance, sale, delivery, maturity or expiration thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Indenture and any Supplemental Indenture with respect to a related Series of Bonds; and SECOND, for the equal and proportionate benefit, security and protection of all Reserve Instrument Providers, without privilege, priority or distinction as to the lien or otherwise of any Reserve Instrument Repayment Obligation over any of the others by reason of time of issuance, delivery or expiration thereof or otherwise for any cause whatsoever;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, the principal and premium, if any, on the Bonds and the interest due or to become due thereon, at the times and in the manner mentioned in the Bonds, all Security Instrument Repayment Obligations, according to the true intent and meaning thereof, and all Reserve Instrument Repayment Obligations, according to the true intent and meaning thereof, or shall provide, as permitted by this Indenture, for the payment thereof as provided herein, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then upon such final payments or provisions for such payments by the Issuer, this Indenture, and the rights hereby granted, shall terminate; otherwise this Indenture shall remain in full force and effect.

The terms and conditions upon which the Bonds are to be executed, authenticated, delivered, secured and accepted by all persons who from time to time shall be or become Owners thereof, and the trusts and conditions upon which the Revenues are to be held and disposed, which said trusts and conditions the Trustee hereby accepts, are as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. As used in this Indenture, the following terms shall have the following meanings unless the context otherwise clearly indicates:

“Accreted Amount” means, with respect to Capital Appreciation Bonds of any Series and as of the date of calculation, the amount established pursuant to the Supplemental Indenture authorizing such Capital Appreciation Bonds as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Bonds.

“Act” means Title 11, Chapter 19, A.S.C.A.

“Administrative Costs” means all Security Instrument Costs, Reserve Instrument Costs and Rebutable Arbitrage.

“Aggregate Annual Debt Service Requirement” means the total Debt Service (including any Repayment Obligations) for any one Bond Fund Year (or other specific period) on all Series of Bonds Outstanding or any specified portion thereof.

“A.S.C.A.” means the American Samoa Code Annotated, as amended.

“Authorized Amount” means, with respect to a Commercial Paper Program, the maximum Principal amount of commercial paper which is then authorized by the Issuer to be outstanding at any one time pursuant to such Commercial Paper Program.

“Authorized Representative” means, with respect to the Territory, the Governor (including any acting Governor), Lieutenant Governor or Treasurer or any other person at the time designated to act on behalf of the Territory by a written instrument furnished to the Trustee containing the specimen signature of such person or persons and signed on behalf of the Territory by its Governor, Lieutenant Governor or Treasurer and with respect to the Issuer, the Chair, Vice Chair or Secretary or any other person at the time designated to act on behalf of the Issuer by a written instrument furnished to the Trustee containing the specimen signature of such person or persons and signed on behalf of the Issuer by its Chair, Vice Chair or Secretary. The written instruments may designate an alternate or alternates.

“Average Aggregate Annual Debt Service Requirement” means the total of all Aggregate Annual Debt Service Requirements divided by the total Bond Fund Years of the Bonds Outstanding or any specified portion thereof.

“Bond Fund” means the Bond Fund created in Section 3.2 hereof to be held by the Trustee and administered pursuant to Section 5.3 hereof.

“Bond Fund Year” means the 12-month period beginning September 1 of each year and ending on the next succeeding September 1, except that the first Bond Fund

Year shall begin on the date of delivery of the Initial Bonds and shall end on the next succeeding September 1.

“Bondholder,” “Bondowner,” “Registered Owner” or “Owner” or any similar term means the registered owner of any Bonds herein authorized.

“Bonds” means bonds, notes, commercial paper or other obligations (other than Security Instrument Repayment Obligations) authorized by and at any time Outstanding pursuant to this Indenture.

“Business Day” means any day (i) on which banking business is transacted, but not including any day on which banks are authorized to be closed, in New York City or in the city in which the Trustee has its designated corporate trust office or (with respect to a related Series of Bonds) in the city in which any Security Instrument Issuer has its principal office for purposes of such Security Instrument and (ii) on which the New York Stock Exchange is open.

“Capital Appreciation Bonds” means Bonds the interest on which (a) is compounded and accumulated at the rates and on the dates set forth in the Supplemental Indenture authorizing the issuance of such Bonds and designating them as Capital Appreciation Bonds, and (b) is payable upon maturity or redemption of such Bonds.

“Chair” means the Chair of the Issuer or any successor to the duties of such office.

“Code” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the related United States Treasury Regulations.

“Commercial Paper Program” means commercial paper obligations with maturities of not more than two hundred seventy (270) days from the dates of issuance thereof which are issued and reissued by the Issuer from time to time and are outstanding up to an Authorized Amount.

“Construction Fund” means the Construction Fund created in Section 3.1 hereof to be held by the Trustee and administered pursuant to Section 5.1 hereof.

“Cost” or “Costs” or “Cost of a Project,” or any phrase of similar import, in connection with a Project or with the refunding of any bonds, means all costs and expenses which are properly chargeable thereto under generally accepted accounting principles or which are incidental to the financing, acquisition and construction of a Project, or the refunding of any bonds or which are otherwise permitted to be financed pursuant to the Act.

“Cross-over Refunded Bonds” means Bonds or other obligations refunded by Cross-over Refunding Bonds.

“Cross-over Refunding Bonds” means Bonds issued for the purpose of refunding Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“Current Interest Bonds” means Bonds not constituting Capital Appreciation Bonds. Interest on Current Interest Bonds shall be payable periodically on the Interest Payment Dates provided therefor in a Supplemental Indenture.

“Debt Service” means, for any particular Bond Fund Year and for any Series of Bonds and any Repayment Obligations, an amount equal to the sum of (i) all interest payable during such Bond Fund Year on such Series of Bonds plus (ii) the Principal Installments payable during such Bond Fund Year on (a) such Bonds Outstanding, calculated on the assumption that Bonds Outstanding on the day of calculation cease to be Outstanding by reason of, but only by reason of, payment either upon maturity or application of any Sinking Fund Installments required by the Indenture, and (b) such Repayment Obligations then outstanding.

provided, however, for purposes of Section 2.11 hereof,

(i) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds or Repayment Obligations bearing interest at a variable rate which cannot be ascertained for any particular Bond Fund Year, it shall be assumed that such Series of Variable Rate Bonds or related Repayment Obligations will bear interest at such market rate of interest applicable to such Series of Variable Rate Bonds or related Repayment Obligations as shall be established for this purpose in the opinion of the Issuer’s financial advisor, underwriter or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise);

(ii) when calculating interest payable during such Bond Fund Year for any Series of Variable Rate Bonds which are issued with a floating rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay a fixed interest rate, such Series of Variable Rate Bonds shall be deemed to bear interest at the effective fixed annual rate thereon as a result of such Interest Rate Swap; provided that such effective fixed annual rate may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(iii) when calculating interest payable during such Bond Fund Year for any Series of Bonds which are issued with a fixed interest rate and with respect to which an Interest Rate Swap is in effect in which the Issuer has agreed to pay a

floating amount, Debt Service shall include the interest payable on such Series of Bonds, less fixed amounts to be received by the Issuer under such Interest Rate Swap plus the amount of the floating payments (using the market rate in a manner similar to that described in (1) above, unless another method of estimation is more appropriate, in the opinion of the Issuer's financial advisor, underwriter or similar agent with the approval of each Rating Agency, for such floating payments) to be made by the Issuer under the Interest Rate Swap; provided that the above described calculation of Debt Service may be utilized only if such Interest Rate Swap does not result in a reduction or withdrawal of any rating then in effect with respect to the Bonds and so long as such Interest Rate Swap is contracted to remain in full force and effect;

(iv) when calculating interest payable during such Bond Fund Year with respect to any Commercial Paper Program, Debt Service shall include an amount equal to the sum of all principal and interest payments that would be payable during such Bond Fund Year assuming that the Authorized Amount of such Commercial Paper Program is amortized on a level debt service basis over a period of 30 years beginning on the date of calculation or, if later, the last day of the period during which obligations can be issued under such Commercial Paper Program, and bearing interest at such market rate of interest applicable to such Commercial Paper Program as shall be established for this purpose in the opinion of the Issuer's financial advisor, underwriter or similar agent (which market rate of interest may be based upon a recognized comparable market index, an average of interest rates for prior years or otherwise); and

(v) when calculating interest payable on Bonds that are Paired Obligations, the interest rate on such Bonds shall be the resulting linked rate or effective fixed interest rate to be paid by the Issuer with respect to such Paired Obligations;

and further provided, that there shall be excluded from Debt Service (a) interest on Bonds (including Cross-over Refunding Bonds or Cross-over Refunded Bonds) to the extent that Escrowed Interest or capitalized interest is available to pay such interest, (b) Principal on Cross-over Refunded Bonds to the extent that the proceeds of Cross-over Refunding Bonds are on deposit in an irrevocable escrow and such proceeds or the earnings thereon are required to be applied to pay such Principal (subject to the possible use to pay the Principal of the Cross-over Refunding Bonds under certain circumstances) and such amounts so required to be applied are sufficient to pay such Principal, (c) Repayment Obligations to the extent that payments on Pledged Bonds relating to such Repayment Obligations satisfy the Issuer's obligation to pay such Repayment Obligations and (d) all interest on Bonds to the extent of Direct Payments attributable to Debt Service on Outstanding Bonds or Additional Bonds proposed to be issued.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund created in Section 3.4 hereof to be held by the Trustee and administered pursuant to Section 5.5 hereof.

“Debt Service Reserve Requirement” means, with respect to each Series of Bonds issued pursuant to this Indenture, unless otherwise provided in the related Supplemental Indenture, an amount equal to the least of (a) ten percent (10%) of the proceeds of such Series of Bonds determined on the basis of original principal amount (unless original issue premium or original issue discount exceeds two percent (2%) of original Principal, then determined on the basis of initial purchase price to the public), (b) the maximum annual Debt Service during any Bond Fund Year for such Series of Bonds, and (c) one hundred twenty-five percent (125%) of the average annual Debt Service for such Series of Bonds; provided, however, that in the event any Series of refunding Bonds is issued to refund only a portion and not all of the then Outstanding Bonds of any other Series issued pursuant to this Indenture (the “Prior Bonds”), then the portion of such Series of Prior Bonds that remain Outstanding immediately after the issuance of such refunding Bonds and the portion of such refunding Bonds that is allocable to the refunding of such Series of Prior Bonds may be combined and treated as a single Series for purpose of determining the Debt Service Reserve Requirement relating to such combined Series and the resulting requirement shall be allocated among the two (2) Series pro rata based upon the total principal amount remaining Outstanding for each Series. The Debt Service Reserve Requirement may be funded by available funds of the Issuer, proceeds from the sale of such Series of Bonds, by a Reserve Instrument as herein provided or, if provided in the related Supplemental Indenture, may be accumulated over time. Each account of the Debt Service Reserve Fund shall only be used with respect to the related Series of Bonds.

“Direct Payments” means any interest subsidy payments received by the Issuer from the Internal Revenue Service pursuant to Section 6431 of the Code or any other similar programs with respect to Bonds issued hereunder.

“EMMA” means the Electronic Municipal Market Access system established by the Municipal Securities Rulemaking Board with the support of the Securities and Exchange Commission, or any successor system, which can be accessed on the date hereof at www.emma.mrsb.org.

“Event of Default” means, with respect to any default or event of default hereunder, any occurrence or event specified in and defined by Section 7.1 hereof.

“Fiscal Year” means the 12-month period beginning October 1 of each year and ending September 30 of the following year, or such other fiscal year of the Issuer and the Territory as may be prescribed by law.

“Fitch” means Fitch Investors Service, L.P.

“Government Obligations” means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury and “CATS” and “TGRS”) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America.

“Indenture” means this General Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of this Indenture.

“Interest Payment Date” means the stated payment date of an installment of interest on the Bonds.

“Interest Rate Swap” means an agreement between the Issuer and a Swap Counterparty related to a Series of Bonds whereby a variable rate cash flow (which may be subject to any interest rate cap) on a principal or notional amount is exchanged for a fixed rate of return on an equal principal or notional amount. If the Issuer enters into more than one Interest Rate Swap with respect to a Series of Bonds, each Interest Rate Swap shall specify the same payment dates.

“Issuer” means the American Samoa Economic Development Authority and its successors.

“Moody’s” means Moody’s Investors Service, Inc.

“Outstanding” or “Bonds Outstanding” means at any date all Bonds which have not been canceled which have been or are being authenticated and delivered by the Trustee under this Indenture, except:

(a) Any Bond or portion thereof which at the time has been paid or deemed paid pursuant to Article X of this Indenture; and

(b) Any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered hereunder.

“Paired Obligations” means any Series (or portion thereof) of Bonds designated as Paired Obligations in the Supplemental Indenture authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (i) the Principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates of which, when taken together, result in an irrevocably fixed interest rate obligation of the Issuer for the terms of such Bonds.

“Paying Agent” means the Trustee, appointed as the initial paying agent for the Bonds pursuant to Section 11.5 hereof, and any additional or successor paying agent appointed pursuant hereto.

“Permitted Investments” means any investments permitted by the A.S.C.A.

“Person” means an individual, corporation, partnership, joint venture, association, joint stock company, trust, limited liability company, unincorporated organization or government or agency, or political subdivision thereof.

“Pledged Bonds” means any Bonds that have been (i) pledged or in which any interest has otherwise been granted to a Security Instrument Issuer as collateral security for Security Instrument Repayment Obligations or (ii) purchased and held by a Security Instrument Issuer pursuant to a Security Instrument.

“Pledged Taxes” means all or any portion of the revenues from the following sources:

- (a) All income taxes pursuant to A.S.C.A. Title 11, Chapter 04;
- (b) All corporate taxes pursuant to A.S.C.A. Title 11, Chapters 04 and 05 (after certain A.S.C.A. mandated distributions); and
- (c) All excise taxes pursuant to A.S.C.A. Title 11, Chapter 10 (after certain A.S.C.A. mandated distributions).

“Principal” means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payment of Bonds after an Event of Default, in which case “Principal” means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest), and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal Installment” means, as of any date of calculation, (i) with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (a) the Principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance of any Sinking Fund Installment due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a Principal amount equal to such unsatisfied balance of such Sinking Fund Installment and (ii) with respect to any Repayment Obligations, the principal amount of such Repayment Obligations due on a certain future date.

“Project” means the acquisition, purchase, construction, improvement, remodel, addition, expansion, equipment, and furnishing of facilities or projects (as such terms are defined or permitted in the Act).

“Put Bond” means any Bond which is part of a Series of Bonds which is subject to purchase by the Issuer, its agent or a third party from the Owner of the Bond pursuant to provisions of the Supplemental Indenture authorizing the issuance of the Bond and designating it as a “Put Bond.”

“Rating Agency” means Moody’s, Fitch or S&P and their successors and assigns to the extent such agencies then maintain a rating of the Bonds at the request of the Issuer. If any of such corporations cease to act as a securities rating agency, the Issuer

may, with the approval of the Trustee, designate any nationally recognized securities rating agency as a replacement.

“Rebatable Arbitrage” means with respect to any Series of Bonds where the interest thereon is intended to be excludable from gross income for federal income tax purposes, the amount (determinable as of each Rebate Calculation Date) of rebatable arbitrage payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Regulations.

“Rebate Calculation Date” means, with respect to any Series of Bonds where (i) the interest thereon is intended to be excludable from gross income for federal income tax purposes, the Interest Payment Date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the initial rebate calculation date for such Series of Bonds, and the date of retirement of the last Bond for such Series.

“Rebate Fund” means the Rebate Fund created in Section 3.6 hereof to be held by the Trustee and administered pursuant to Section 5.7 hereof.

“Registrar” means the Trustee (or other party designated as Registrar by Supplemental Indenture), appointed as the initial registrar for the Bonds pursuant to Section 2.6 and Section 11.5 hereof, and any additional or successor registrar appointed pursuant hereto.

“Regular Record Date” means, with respect to any Interest Payment Date for any Series of Bonds, the date specified as the Regular Record Date in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

“Regulations,” and all references thereto means the applicable final, proposed and temporary United States Treasury Regulations promulgated with respect to Sections 103 and 141 through 150 of the Code, including all amendments thereto made hereafter.

“Remarketing Agent” means a remarketing agent or commercial paper dealer appointed by the Issuer pursuant to a Supplemental Indenture.

“Repayment Obligations” means, collectively, all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations.

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement applicable to a Series of Bonds. The term “Reserve Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other devices.

“Reserve Instrument Agreement” means any agreement entered into by the Issuer and a Reserve Instrument Provider pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) and providing for the issuance by such Reserve Instrument Provider of a Reserve Instrument.

“Reserve Instrument Costs” means all fees, premiums, expenses and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement. Each Reserve Instrument Agreement shall specify the fees, premiums, expenses and costs constituting Reserve Instrument Costs.

“Reserve Instrument Coverage” means, as of any date of calculation, the aggregate amount available to be paid to the Trustee pursuant hereto under all Reserve Instruments.

“Reserve Instrument Fund” means the Reserve Instrument Fund created in Section 3.5 hereof to be held by the Trustee and administered pursuant to Section 5.6 hereof.

“Reserve Instrument Limit” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into the Debt Service Reserve Fund assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the payment of principal of the applicable Series of Bonds.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Reserve Instrument.

“Reserve Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Reserve Instrument Agreement, those outstanding amounts payable by the Issuer under such Reserve Instrument Agreement to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There shall not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs.

“Revenue Fund” means the Revenue Fund created in Section 3.7 hereof to be held by the Territory and administered pursuant to Section 5.2 hereof.

“Revenues” means (i) 100% of the Pledged Taxes, (ii) all net revenues from the Projects financed with Bonds and (iii) all revenues from any other source of funds lawfully available to the Issuer to pay debt service on Bonds, including, but not limited to, grants from the United States Department of the Interior and funds received from the Federal Government to acquire, construct, finance, own, operate or lease a Project.

“S & P” means Standard & Poor’s Ratings Services, a Division of Standard & Poor’s Financial Services, LLC.

“Security Instrument” means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example and not of limitation, letters of

credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices (but does not include a Reserve Instrument); provided, however, that no such device or instrument shall be a “Security Instrument” for purposes of this Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

“Security Instrument Agreement” means any agreement entered into by the Issuer and a Security Instrument Issuer pursuant to a Supplemental Indenture providing for the issuance by such Security Instrument Issuer of a Security Instrument.

“Security Instrument Costs” means, with respect to any Security Instrument, all fees, premiums, expenses and similar costs, other than Security Instrument Repayment Obligations, required to be paid to a Security Instrument Issuer pursuant to a Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument. Such Security Instrument Agreement or Supplemental Indenture shall specify any fees, premiums, expenses and costs constituting Security Instrument Costs.

“Security Instrument Issuer” means any bank or other financial institution, insurance company, surety company or other institution issuing a Security Instrument.

“Security Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Security Instrument Agreement, any outstanding amounts payable by the Issuer under the Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument. There shall not be included in the calculation of the amount of Security Instrument Repayment Obligations any Security Instrument Costs.

“Series” means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor.

“Sinking Fund Account” means the Sinking Fund Account of the Bond Fund created in Section 3.3 hereof to be held by the Trustee and administered pursuant to Section 5.4 hereof.

“Sinking Fund Installment” means the amount of money which is required to be deposited into the Sinking Fund Account in each Bond Fund Year for the retirement of Term Bonds as specified in a Supplemental Indenture authorizing said Term Bonds (whether at maturity or by redemption), and including the redemption premium, if any.

“Special Record Date” means such date as may be fixed for the payment of defaulted interest on the Bonds in accordance with this Indenture.

“Supplemental Indenture” means any supplemental indenture between the Issuer and the Trustee entered into pursuant to and in compliance with the provisions of Article IX hereof.

“Swap Counterparty” means a member of the International Swap Dealers Association rated as of the time of the execution of the Interest Rate Swap in one of the three top rating categories by at least one of the Rating Agencies and meeting the requirements of applicable laws of the Territory.

“Term Bonds” means the Bonds which shall be subject to retirement by operation of mandatory sinking fund redemptions from the Sinking Fund Account.

“Territory” means the Territory of American Samoa.

“Trustee” means U.S. Bank National Association or any successor corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee hereunder.

“Variable Rate Bonds” means, as of any date of calculation, Bonds, the interest on which for any future period of time, is to be calculated at a rate which is not susceptible to a precise determination.

Section 1.2. Indenture to Constitute Contract. In consideration of the purchase and acceptance from time to time of any and all of the Bonds authorized to be issued hereunder by the Registered Owners thereof and the issuance from time to time of any and all Security Instruments by Security Instrument Issuers and the issuance from time to time of any and all Reserve Instruments by Reserve Instrument Providers pursuant hereto, this Indenture shall be deemed to be and shall constitute a contract between the Issuer and the Owners from time to time of the Bonds, the Security Instrument Issuers and the Reserve Instrument Providers; and the pledge made in this Indenture and the covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be FIRST, for the equal benefit, protection and security of the Owners of any and all of the Bonds and the Security Instrument Issuers of any and all of the Security Instruments all of which, regardless of the time or times of their issuance and delivery or maturity or expiration, shall be of equal rank without preference, priority or distinction of any of the Bonds or Security Instrument Repayment Obligations over any others, except as expressly provided in or permitted by this Indenture, and SECOND, for the equal benefit, protection and security of the Reserve Instrument Providers of any and all of the Reserve Instruments which, regardless of the time or times of their issuance, delivery or termination, shall be of equal rank without preference, priority or distinction of any Reserve Instrument over any other thereof.

Section 1.3. Construction. This Indenture, except where the context by clear implication herein otherwise requires, shall be construed as follows:

(a) The terms “hereby,” “hereof,” “herein,” “hereto,” “hereunder,” and any similar terms used in this Indenture shall refer to this Indenture in its entirety unless the context clearly indicates otherwise.

(b) Words in the singular number include the plural, and words in the plural include the singular.

(c) Words in the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender refer to any gender.

(d) Unless otherwise provided herein, articles, sections, subsections, paragraphs and subparagraphs mentioned by number, letter, or otherwise, correspond to the respective articles, sections, subsections, paragraphs and subparagraphs hereof so numbered or otherwise so designated.

(e) The titles or descriptive headings applied to articles, sections and subsections herein are inserted only as a matter of convenience and ease of reference and in no way define, limit or describe the scope or intent of any provisions of this Indenture.

(f) Capitalized terms used in the preambles to this Indenture and not otherwise defined shall have the meanings given to such terms in this Article I.

ARTICLE II

THE BONDS

Section 2.1. Authorization of Bonds. There is hereby authorized hereunder an issue of Bonds which may, if and when authorized by Supplemental Indenture, be issued in one or more separate Series. Each Series of Bonds shall be authorized by a Supplemental Indenture, which shall state the purpose or purposes for which each such Series of Bonds is being issued. The aggregate principal amount of Bonds which may be issued shall not be limited except as provided herein or as may be limited by law, provided that the aggregate principal amount of Bonds of each such Series shall not exceed the amount specified in the Supplemental Indenture authorizing each such Series of Bonds.

Section 2.2. Description of Bonds; Payment.

(a) The Bonds of each Series issued hereunder shall be issued only as fully registered bonds, without coupons, and shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate permitted by law on the date of initial issuance of Bonds of such Series, and shall be payable on the date, shall be stated to mature on the date and in the years and shall be subject to redemption prior to their respective maturities, all as set forth in the Supplemental Indenture authorizing such Series of Bonds. The Bonds of each Series shall be designated “American Samoa Economic Development Authority General Revenue [and] [Refunding] Bonds” in each case inserting the year in which the Bonds are issued and an identifying Series letter.

(b) Unless otherwise specified by Supplemental Indenture, payment of the interest on any Bond shall be made to the person appearing on the Bond registration books of the Registrar hereinafter provided for at the close of business on the Regular Record Date for such interest as the Registered Owner thereof by check or draft mailed to the Registered Owner at his address as it appears on such registration books. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Registered Owner of any Bond on such Regular Record Date, and may be paid to the person who is the Registered Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof to be given to such Registered Owner not less than ten days prior to such Special Record Date. The Principal of and premium, if any, on the Bonds are payable upon presentation and surrender thereof at the designated corporate trust office of the Trustee as Paying Agent, except as otherwise provided by Supplemental Indenture. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. Principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America, which at the respective dates of payment thereof, is legal tender for the payment of public and private debts.

(c) The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions hereof as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board or otherwise, as may be specified in the Supplemental Indenture authorizing such Series of Bonds.

(d) Bonds of a Series may be issued as full book-entry form bonds if specified by the Supplemental Indenture authorizing such Series of Bonds.

Section 2.3. Execution; Limited and General Obligation. The Bonds shall be executed on behalf of the Issuer with the manual or official facsimile signature of its Chair or Vice Chair, countersigned with the manual or official facsimile signature of its Secretary, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the Issuer. In addition, the Governor, Lieutenant Governor or Treasurer of the Territory shall execute the Bonds by manual or official facsimile signature on behalf of the Territory. In case any officer, whose signature or the facsimile of whose signature shall appear on the Bonds, shall cease to be such officer before the delivery of such Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery. The provisions of this Section relating to the execution of Bonds may be changed as they apply to the Bonds of any Series by the Supplemental Indenture authorizing such Series of Bonds.

The Bonds and the Repayment Obligations are special limited obligations of the Issuer payable from and secured by the Revenues and other moneys in funds and accounts held by the Trustee hereunder (except as provided in Section 5.9 hereof) and, except as provided herein, the Issuer hereby pledges and assigns the same as provided in the Granting Clause of this Indenture. The Bonds are a general obligation of the Territory for which the full faith, credit and resources of the Territory are pledged for the full and prompt payment of the principal of and interest on the Bonds as the same shall become due and payable. The issuance of the Bonds and delivery of any Security Instrument Agreement or Reserve Instrument Agreement shall not, directly, indirectly or contingently, obligate the Issuer or the Territory to levy any form of ad valorem taxation. Neither the Territory nor the Issuer has any ad valorem taxing authority and the Bonds are not secured by a pledge of an ad valorem taxing power of the Territory or the Issuer. Furthermore, the issuance of the Bonds and delivery of any Security Instrument Agreement or Reserve Instrument Agreement shall not, directly, indirectly or contingently, obligate any agency, instrumentality or political subdivision of the Territory or the Issuer to levy any form of taxation therefor or to make any appropriation for their payment.

Section 2.4. Authentication and Delivery of Bonds.

(a) The Issuer shall deliver executed Bonds of each Series to the Trustee for authentication. Subject to the satisfaction of the conditions for authentication of Bonds set forth herein, the Trustee shall authenticate such Bonds, and deliver them upon the order of the Issuer to the purchasers thereof

upon the payment by the purchasers to the Trustee for the account of the Issuer of the purchase price therefor. Delivery of such Bonds by the Trustee shall be full acquittal to or for the account of the purchasers for the purchase price of such Bonds. The proceeds of the sale of such Bonds shall, however, be disposed of only as provided herein and in the related Supplemental Indenture.

(b) No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit hereunder, unless and until a certificate of authentication on such Bond substantially in the form set forth in the Supplemental Indenture authorizing such Bond shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

(c) Prior to the authentication by the Trustee of each Series of Bonds, there shall first have been filed with the Trustee:

(i) A copy of this Indenture (to the extent not heretofore so filed) and the Supplemental Indenture authorizing such Series of Bonds.

(ii) A copy, certified by the Secretary, of the proceedings of the Issuer approving the execution and delivery of the instruments specified in Subparagraph (i) above and the execution and delivery of such Series of Bonds, together with a certificate, dated as of the date of authentication of such Series of Bonds, of the Secretary that such proceedings are still in force and effect without amendments except as shown in such proceedings.

(iii) A request and authorization to the Trustee of the Issuer to authenticate such Series of Bonds in the aggregate Principal amount therein specified and deliver them to purchasers therein identified upon payment to the Trustee, for account of the Issuer, of the sum specified therein.

(iv) A certification of an Authorized Representative to the effect that No Event of Default has occurred and is continuing hereunder.

(v) An opinion of Bond Counsel dated the date of authentication of such Series of Bonds to the effect that (a) the Issuer has duly authorized, executed and delivered this Indenture and the related Supplemental Indenture; (b) this Indenture is a valid and binding obligation of the Issuer and creates a valid and binding pledge of the Revenues and of moneys in applicable Funds and Accounts created hereby, subject to application thereof to the purposes and on the terms and

conditions provided hereby; and (c) such Series of Bonds has been duly authorized by, and are valid and binding special obligations of, the Issuer.

(d) The Issuer may authorize by Supplemental Indenture the delivery to the Trustee of one or more Security Instruments with respect to any Series of Bonds and the execution and delivery of any Security Instrument Agreements deemed necessary in connection therewith. As described in Section 1.2, unless otherwise provided for by Supplemental Indenture, Security Instrument Repayment Obligations and Bonds shall be of equal rank without preference, priority or distinction.

(e) The Issuer may provide by Supplemental Indenture for the issuance and delivery to the Trustee of one or more Reserve Instruments and the execution and delivery of any Reserve Instrument Agreements deemed necessary in connection therewith.

(f) The Issuer may authorize by Supplemental Indenture the issuance of Put Bonds and the obligation of the Issuer to pay the purchase price of any such Put Bonds (or Security Instrument Repayment Obligations incurred with respect to such purchase price) may be secured by a pledge of Revenues on a parity with the pledge contained herein for the payment of principal and interest on Bonds. The Issuer may provide for the appointment of such Remarketing Agents, indexing agents, tender agents or other agents as the Issuer may determine.

(g) The Issuer may provide for the execution of an Interest Rate Swap in connection with any Series of Bonds issued hereunder. The payment obligations of the Issuer or the Territory under any Interest Rate Swap may be secured by a parity or subordinate pledge of Revenues, all as established in the Supplemental Indenture for the related Series of Bonds.

Section 2.5. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate a new Bond of like date, Series, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together in all cases with indemnity satisfactory to it. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the Trustee may pay the same without surrender thereof upon compliance with the foregoing. The Trustee may charge the Registered Owner of such Bond with its reasonable fees and expenses in this connection. Any Bond issued pursuant to this Section shall be deemed part of the Series of the Bonds in respect of which it was issued and an original additional contractual obligation of the Issuer.

Section 2.6. Registration of Bonds: Persons Treated as Owners. The Issuer shall cause the books for the registration and for the transfer of the Bonds as provided herein to be kept by the Trustee which is hereby constituted and appointed the Registrar

of the Issuer with respect to the Bonds, provided, however, that the Issuer may by Supplemental Indenture select a party other than the Trustee to act as Registrar with respect to the Series of Bonds issued under said Supplemental Indenture. Upon the occurrence of any event which would require any Security Instrument Issuer to make payment under a Security Instrument Agreement, the Registrar shall make such registration books available to the Security Instrument Issuer. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Registrar. Upon surrender for transfer of any Bond at the designated corporate trust office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by, the Registered Owner or his attorney duly authorized in writing, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees, a new Bond or Bonds of the same Series, designation, maturity and interest rate for a like aggregate principal amount as the Bond surrendered for transfer. Bonds may be exchanged at the designated corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the Issuer of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. Except as otherwise provided in a Supplemental Indenture with respect to a Series of Bonds, the Issuer and the Trustee shall not be required to transfer or exchange any Bond (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, or (iii) during the period of fifteen days prior to the mailing of notice calling such Bond for redemption nor at any time following the mailing of notice calling such Bond for redemption.

Bonds surrendered for payment, redemption or exchange, and Bonds purchased from any moneys held by the Trustee hereunder or surrendered to the Trustee by the Issuer, shall be promptly cancelled.

The Issuer, the Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the Principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the Issuer, nor the Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Trustee shall require the payment by the Registered Owner requesting exchange or transfer of Bonds of any tax or other governmental charge and any service charge of the Trustee as Registrar which are required to be paid with respect to such exchange or transfer and such charges shall be paid before such new Bond shall be delivered.

Section 2.7. Redemption Provisions. The Term Bonds of each Series of Bonds shall be subject, to the extent provided in the Supplemental Indenture authorizing each such Series of Bonds, to redemption prior to maturity by operation of Sinking Fund Installments required to be made to the Sinking Fund Account. The Bonds of each Series shall further be subject to redemption prior to maturity at such times and upon such terms as shall be fixed by such Supplemental Indenture. Except as otherwise provided in a Supplemental Indenture, if less than all Bonds of a Series are to be redeemed, the particular maturities of such Bonds to be redeemed and the Principal amounts of such maturities to be redeemed shall be selected by the Issuer.

Section 2.8. Notice of Redemption.

(a) In the event any of the Bonds are to be redeemed, the Registrar shall cause notice to be given as provided in this Section 2.8. Unless otherwise specified in the Supplemental Indenture authorizing the issuance of the applicable Series of Bonds, notice of such redemption (x) shall be filed with the paying agent designated for the Bonds being redeemed; and (y) shall be mailed by first class mail, postage prepaid, to all Registered Owners of Bonds to be redeemed at their addresses as they appear on the registration books of the Registrar at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption. Such notice shall state the following information:

(i) the complete official name of the Bonds, including Series, to be redeemed, the identification numbers of Bonds and the CUSIP numbers, if any, of the Bonds being redeemed, provided that any such notice may state that no representation is made as to the correctness of CUSIP numbers either as printed on such Bonds or as contained in the notice of redemption;

(ii) any other descriptive information needed to accurately identify the Bonds being redeemed, including, but not limited to, the dated date of, and interest rate on, such Bonds;

(iii) in the case of partial redemption of any Bonds, the respective Principal amounts thereof to be redeemed and a statement to the effect that on or after the redemption date, upon surrender of such Bond, a new Bond in Principal amount equal to the unredeemed portion of such Bond will be issued;

(iv) the date of mailing of redemption notices, the record date for such purpose and the redemption date;

(v) the redemption price;

(vi) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and

(vii) the place where such Bonds are to be surrendered for payment of the redemption price, designating the name and address of the Paying Agent with the name of a contact person and telephone number.

(b) Each notice of redemption may further state, in the case of redemption at the option of the Issuer, that such redemption shall be conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the Principal of and interest on such Bonds to be redeemed and that if such moneys shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, one time, in the same manner in which the notice of redemption was given, that such moneys were not so received.

(c) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Owner of such Bonds receives the notice. Receipt of such notice shall not be a condition precedent to such redemption, and failure so to receive any such notice by any of such registered Owners or any defect therein shall not affect the validity of the proceedings for the redemption of the Bonds.

Section 2.9. Partially Redeemed Bonds. Unless otherwise specified in the Supplemental Indenture authorizing the issuance of the applicable Series of Bonds, in case any registered Bond shall be redeemed in part only, upon the presentation of such Bond for such partial redemption, the Issuer shall execute and the Trustee shall authenticate and shall deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the Issuer, a Bond or Bonds of the same Series, interest rate and maturity, in aggregate Principal amount equal to the unredeemed portion of such registered Bond. A portion of any Bond of a denomination of more than minimum denomination of the Bonds specified in the Supplemental Indenture to be redeemed will be in the Principal amount of such minimum denomination or an integral multiple thereof and in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of such minimum

denomination which is obtained by dividing the principal amount of such Bonds by such minimum denomination.

Section 2.10. Nonpresentation of Bonds. Unless otherwise provided by Supplemental Indenture, in the event any Bond shall not be presented for payment when the Principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Issuer to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability to the Registered Owner of such Bond for interest thereon, for the benefit of the Registered Owner of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part hereunder or on, or with respect to, said Bond. If any Bond shall not be presented for payment within four years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall, to the extent permitted by law, repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Registered Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Section 2.11. Additional Senior, Parity or Subordinated Indebtedness.

(a) The Issuer and the Territory covenant and agree that they will not issue any additional bonds or notes or incur other obligations of the Issuer or the Territory on a basis senior to the lien of this Indenture.

(b) So long as an Event of Default has not occurred and is continuing hereunder, the Issuer or the Territory may issue Bonds hereunder and any additional indebtedness, bonds or notes of the Issuer or the Territory payable on parity with the Bonds or the Security Instrument Repayment Obligations herein authorized, so long as the revenues pledged to such Bonds for the most recently available Bond Fund Year calculation (within the last 36 months), as certified to in writing by an Authorized Representative, are not less than 400% of the sum of the Average Aggregate Annual Debt Service Requirement on all Bonds of the Issuer outstanding for said Bond Fund Year (plus the Average Aggregate Annual Debt Service Requirement on the proposed Bonds); provided, however, such revenue coverage test shall not apply to refunding Bonds issued for the purpose of refunding Bonds originally issued hereunder, to the extent that (1) the Average Aggregate Annual Debt Service Requirement for such refunding bonds does not exceed the then remaining Average Aggregate Annual Debt Service Requirement for the Bonds being refunded therewith and (2) the maximum Aggregate Annual Debt Service Requirement for such refunding bonds is less than or equal to the maximum Aggregate Annual Debt Service Requirement for the Bonds being refunded therewith.

(c) Nothing in this Indenture shall limit the rights and power of the Issuer and the Territory to issue or incur any obligations or indebtedness secured by a lien on the Revenues subordinate to that created hereunder.

ARTICLE III

CREATION OF FUNDS AND ACCOUNTS

Section 3.1. Creation of Construction Fund. There is hereby created and ordered established in the custody of the Trustee a special trust fund in the name of the Issuer to be designated the “Construction Fund.” There is hereby created and ordered established in the custody of the Trustee a separate account within the Construction Fund for each Series of Bonds or Project to be designated by the name of the applicable Series or Project.

Section 3.2. Creation of Bond Fund. There is hereby created and ordered established in the custody of the Trustee a special trust fund in the name of the Issuer to be designated the “Bond Fund.”

Section 3.3. Creation of Sinking Fund Account. There is hereby created and ordered and established in the custody of the Trustee, as a separate account within the Bond Fund, the “Sinking Fund Account.”

Section 3.4. Creation of Debt Service Reserve Fund. There is hereby created and ordered and established in the custody of the Trustee a special trust fund in the name of the Issuer to be designated the “Debt Service Reserve Fund.”

Section 3.5. Creation of Reserve Instrument Fund. There is hereby created and ordered established in the custody of the Trustee a special trust fund in the name of the Issuer to be designated the “Reserve Instrument Fund.”

Section 3.6. Creation of Rebate Fund. There is hereby created and ordered established in the custody of the Trustee a special trust fund in the name of the Issuer to be designated the “Rebate Fund.”

Section 3.7. Creation of Revenue Fund. There is hereby created and ordered established in the custody of the Trustee a special trust fund in the name of the Issuer to be designated the “Revenue Fund.”

Section 3.8. Additional Funds. The Issuer can by Supplemental Indenture authorize the Trustee to create such additional funds or accounts as may be necessary to accomplish the Trustee’s responsibilities hereunder.

ARTICLE IV

APPLICATION OF BOND PROCEEDS

The proceeds, including accrued interest and premium, if any, received from the sale of each Series of Bonds, shall be applied by the Issuer simultaneously with the delivery of such Bonds by the Trustee to the purchaser thereof, as provided in the related Supplemental Indenture.

ARTICLE V

USE OF FUNDS

Section 5.1. Use of Construction Fund.

(a) So long as an Event of Default shall not have occurred and be continuing, and except as otherwise provided by Supplemental Indenture, moneys deposited in the appropriate account in the Construction Fund shall be disbursed by the Trustee to pay the Costs of a Project, in each case within three (3) Business Days (or within such longer period as is reasonably required to liquidate investments in the Construction Fund if required to make such payment) after the receipt by the Trustee of a written requisition approved by an Authorized Representative of the Issuer in substantially the form as Exhibit A attached hereto, stating that the Trustee shall disburse sums in the manner specified by and at the direction of the Issuer to the person or entity designated in such written requisition, and that the amount set forth therein is justly due and owing and constitutes a Cost of a Project based upon itemized claims substantiated in support thereof.

(b) Upon receipt of such requisition, the Trustee shall pay the obligation set forth in such requisition out of moneys in the applicable account in the Construction Fund. In making such payments the Trustee may rely upon the information submitted in such requisition. Such payments shall be presumed to be made properly and the Trustee shall not be required to verify the application of any payments from the Construction Fund or to inquire into the purposes for which disbursements are being made from the Construction Fund.

(c) The Issuer shall deliver to the Trustee, within 90 days after the completion of a Project, a certificate executed by an Authorized Representative of the Issuer stating:

(i) that such Project has been fully completed in accordance with the plans and specifications therefor, as amended from time to time, and stating the date of completion for such Project; and

(ii) that the Project has been fully paid for and no claim or claims exist against the Issuer or against such Project out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing certification any claim or claims out of which a lien exists or might ripen in the event the Issuer intends to contest such claim or claims, in which event such claim or claims shall be described to the Trustee.

(d) In the event the certificate filed with the Trustee pursuant to Section 5.1(c) above shall state that there is a claim or claims in controversy which create or might ripen into a lien, an Authorized Representative of the Issuer

shall file a similar certificate with the Trustee when and as such claim or claims shall have been fully paid or otherwise discharged.

(e) The Trustee and the Issuer shall keep and maintain adequate records pertaining to each account within the Construction Fund and all disbursements therefrom.

(f) Unless otherwise specified in a Supplemental Indenture, upon completion of a Project and payment of all costs and expenses incident thereto and the filing with the Trustee of documents required by this Section 5.1, any balance remaining in the applicable account in the Construction Fund relating to such Project shall, as directed by an Authorized Representative of the Issuer, be deposited in the Bond Fund to be applied toward the redemption of the Series of Bonds issued to finance such Project or to pay principal and/or interest next falling due with respect to the Bonds.

(g) The Trustee shall, to the extent there are no other available funds held under the Indenture, use the remaining funds in the Construction Fund to pay principal and interest on the Bonds at any time in the event of a payment default hereunder.

Section 5.2. Application of Revenues. All Revenues shall be accounted for by the Territory separate and apart from all other moneys of the Territory.

(a) So long as any Bonds are Outstanding and as a first charge and lien on the Revenues, the Territory shall on or before the fifteenth day of each month transfer to the Trustee for deposit in the Revenue Fund an amount equal to:

(i) approximately one-sixth of the interest falling due on the Bonds (or, if the first Interest Payment Date is less than six months away, the Territory shall transfer an amount sufficient to total the interest payable on the Bonds in equal monthly installments) on the next succeeding Interest Payment Date established for the Bonds (provided, however, that so long as there are moneys representing capitalized interest on deposit with the Trustee to pay interest on the Bonds next coming due, the Territory need not transfer to the Revenue Fund to pay interest on the Bonds); plus

(ii) if principal is due on the Bonds within the next succeeding 12 months, approximately one-twelfth of the principal and premium, if any, falling due on the next succeeding principal payment date established for the Bonds (or, if the first principal payable on the Bonds is less than twelve months away, the Territory shall transfer an amount sufficient to total the principal payable on the Bonds in equal monthly installments); plus

(iii) if a Sinking Fund Installment is due on the Bonds within the next succeeding 12 months, approximately one-twelfth of the Sinking

Fund Installment falling due on the next succeeding Sinking Fund Installment payment date (or, if the first Sinking Fund Installment is less than twelve months away, the Territory shall transfer an amount sufficient to total the first Sinking Fund Installment on the Bonds in equal monthly installments), plus

(iv) Administrative Costs which shall be paid by the Trustee from time to time as they become due and payable.

the sum of which shall be sufficient, when added to the existing balance in the Bond Fund, to pay the principal of, premium, if any, and interest on the Bonds promptly on each such Interest Payment Date as the same become due and payable and to pay Administrative Costs. The Trustee shall transfer from the Revenue Fund for deposit to the Bond Fund at least fifteen days prior to each Interest Payment Date amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds promptly on each such Interest Payment Date as the same become due and payable. The foregoing provisions may be revised by a Supplemental Indenture for any Series of Bonds having other than semiannual Interest Payment Dates.

(b) As a second charge and lien on the Revenues, the Territory shall transfer to the Trustee for deposit into the following accounts on or before the fifteenth day of each month of each year:

(i) To the extent the Debt Service Reserve Requirement, if any, is not funded with a Reserve Instrument or Instruments, (A) to the accounts in the Debt Service Reserve Fund any amounts required hereby and by any Supplemental Indenture to accumulate therein the applicable Debt Service Reserve Requirement with respect to each Series of Bonds at the times and in the amounts provided herein and in any Supplemental Indenture and (B) if funds shall have been withdrawn from an account in the Debt Service Reserve Fund or any account in the Debt Service Reserve Fund is at any time funded in an amount less than the applicable Debt Service Reserve Requirement, the Territory shall transfer Revenues to the Trustee for deposit in such account(s) in the Debt Service Reserve Fund sufficient in amount to restore such account(s) within one year with twelve (12) substantially equal payments during such period (unless otherwise provided for by the Supplemental Indenture governing the applicable Debt Service Reserve Requirement); or a ratable portion (based on the amount to be transferred pursuant to Section 5.2(b)(ii) of remaining Revenues if less than the amount necessary, and

(ii) Equally and ratably to the accounts of the Reserve Instrument Fund, with respect to all Reserve Instruments which are in effect and are expected to continue in effect after the end of such month, such amount of the remaining Revenues, or a ratable portion (based on the amount to be transferred pursuant to Section 5.2(b)(i) of the amount so remaining if less than the amount necessary, that is required to be paid, on

or before the next such monthly transfer or deposit of Revenues into the Reserve Instrument Fund, to the Reserve Instrument Provider pursuant to any Reserve Instrument Agreement, other than Reserve Instrument Costs, in order to cause the Reserve Instrument Coverage to equal the Reserve Instrument Limit, such that the Reserve Instrument Coverage shall equal the Reserve Instrument Limit within one year from any draw date under the Reserve Instrument.

The Revenues remaining after the foregoing deposits and transfers in each month and not required to be used for remedying any deficiencies in payments previously made into the Funds hereinabove established, may be used at any time for any other lawful purpose.

Section 5.3. Use of Bond Fund. The Issuer may direct the Trustee, pursuant to a Supplemental Indenture, to create an account within the Bond Fund for a separate Series of Bonds under the Indenture.

(a) The Trustee shall make deposits to the Bond Fund, as and when received, as follows:

(i) accrued interest received upon the issuance of any Series of Bonds;

(ii) all moneys payable by the Issuer as specified in Section 5.2(a) hereof;

(iii) any amount in the Construction Fund to the extent required by or directed pursuant to Section 5.1(f) hereof upon completion of a Project or pursuant to Section 5.1(g) hereof;

(iv) all moneys transferred from the Debt Service Reserve Fund or from a Reserve Instrument or Instruments then in effect as provided in Section 5.5 hereof; and

(v) all other moneys received by the Trustee hereunder when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.

(b) Except as provided in Section 7.4 hereof and as provided in this Section 5.3 and except as otherwise provided by Supplemental Indenture, moneys deposited in the Bond Fund shall be expended solely for the following purposes and in the following order of priority:

(i) on or before each Interest Payment Date for each Series of Bonds, the amount required to pay the interest due on such date;

(ii) on or before each Principal Installment due date, the amount required to pay the Principal Installment due on such due date; and

(iii) on or before each redemption date for each Series of Bonds, the amount required to pay the redemption price of and accrued interest on such Bonds then to be redeemed.

Such amounts shall be applied by the Paying Agents to pay Principal Installments and redemption price of, and interest on the related Series of Bonds.

The Trustee shall pay out of the Bond Fund to the Security Instrument Issuer, if any, that has issued a Security Instrument with respect to such Series of Bonds an amount equal to any Security Instrument Repayment Obligation then due and payable to such Security Instrument Issuer. Except as otherwise specified in a related Supplemental Indenture all such Security Instrument Repayment Obligations shall be paid on a parity with the payments to be made with respect to principal and interest on the Bonds; provided that amounts paid under a Security Instrument shall be applied only to pay the related Series of Bonds. If payment is so made on Pledged Bonds held for the benefit of the Security Instrument Issuer, a corresponding payment on the Security Instrument Repayment Obligation shall be deemed to have been made (without requiring an additional payment by the Issuer) and the Trustee shall keep its records accordingly.

Except as otherwise provided by a related Supplemental Indenture, the Issuer hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay Principal of and interest on the Bonds and Security Instrument Repayment Obligations as the same become due and payable and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said Principal and interest.

(c) After payment in full of the Principal of and interest on all Bonds issued hereunder (or after provision has been made for the payment thereof as provided herein so that such Bonds are no longer Outstanding), all agreements relating to all outstanding Security Instrument Repayment Obligations and Reserve Instrument Repayment Obligations in accordance with their respective terms, the fees, charges and expenses of the Trustee, any Paying Agent and any other amounts required to be paid hereunder or under any Supplemental Indenture and under any Security Instrument Agreement or Reserve Instrument Agreement, all amounts remaining in the Bond Fund shall be paid to the Issuer.

Section 5.4. Use of Sinking Fund Account.

(a) The Trustee shall apply moneys in the Sinking Fund Account to the retirement of any Term Bonds required to be retired by operation of the Sinking Fund Account under the provisions of and in accordance with the Supplemental Indenture authorizing the issuance of such Term Bonds, either by redemption in accordance with such Supplemental Indenture or, at the direction of the Issuer, purchase of such Term Bonds in the open market prior to the date on which notice of the redemption of such Term Bonds is given pursuant hereto, at a price not to exceed the redemption price of such Term Bonds (plus accrued

interest which will be paid from moneys in the Bond Fund other than those in the Sinking Fund Account).

(b) On the maturity date of any Term Bonds, the Trustee shall apply the moneys on hand in the Sinking Fund Account for the payment of the principal of such Term Bonds.

Section 5.5. Use of Debt Service Reserve Fund. Except as otherwise provided in this Section 5.5 and subject to the immediately following sentence, moneys in each account in the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the applicable Debt Service Reserve Requirement, if any. In calculating the amount on deposit in each account in the Debt Service Reserve Fund, the amount of any Reserve Instrument Coverage will be treated as an amount on deposit in such account in the Debt Service Reserve Fund. Each Supplemental Indenture authorizing the issuance of a Series of Bonds shall specify the Debt Service Reserve Requirement, if any, applicable to such Series which amount shall be (i) deposited immediately upon the issuance and delivery of such Series from (a) proceeds from the sale thereof or from any other legally available source, or (b) by a Reserve Instrument or Instruments, or (c) any combination thereof or (ii) deposited from available Revenues over the period of time specified therein, or (iii) deposited from any combination of (i) and (ii) above; provided however, the foregoing provisions shall be subject to the requirements of any bond insurer or other Security Instrument Issuer set forth in any Supplemental Indenture. If at any time the amount on deposit in any account of the Debt Service Reserve Fund is less than the minimum amount to be maintained therein under this Section 5.5, the Issuer is required to, pursuant to Section 5.2(b) hereof and the provisions of any Supplemental Indenture, make payments totaling the amount of any such deficiency directly to the Trustee for deposit into the Debt Service Reserve Fund.

In the event funds on deposit in an account of the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund as aforementioned, and there is insufficient cash available in such account of the Debt Service Reserve Fund to make up such deficiency and Reserve Instruments applicable to such Series are in effect, the Trustee shall immediately make a demand for payment on such Reserve Instruments, to the maximum extent authorized by such Reserve Instruments, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the Issuer shall be obligated to reinstate the Reserve Instrument as provided in Section 5.2(b)(ii) herein.

No Reserve Instrument shall be allowed to expire or terminate while the related Series of Bonds are Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required to be maintained in the related account of the Debt Service Reserve Fund. Any degradation in the credit, or filing of bankruptcy of, a Reserve Instrument Provider, shall not require the Issuer to provide a cash deposit to, or alternate funding of, the Debt Service Reserve Fund.

Moneys at any time on deposit in the account of the Debt Service Reserve Fund in excess of the amount required to be maintained therein (taking into account the amount of related Reserve Instrument Coverage) shall be transferred by the Trustee to the Bond Fund at least once each year.

Moneys on deposit in any account of the Debt Service Reserve Fund shall be used to make up any deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument shall only be drawn upon with respect to Bonds for which such Reserve Instrument was obtained.

Section 5.6. Use of Reserve Instrument Fund. There shall be paid into the Reserve Instrument Fund the amounts required hereby and by a Supplemental Indenture to be so paid. The amounts in the Reserve Instrument Fund shall, from time to time, be applied by the Trustee on behalf of the Issuer to pay the Reserve Instrument Repayment Obligations which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement. The Issuer may, upon obtaining an approving opinion of bond counsel to the effect that such transaction will not adversely affect the tax-exempt status of any outstanding Bonds, replace any amounts required to be on deposit in the Debt Service Reserve Fund with a Reserve Instrument and use such amounts for the related Project or to pay principal on the related Bonds.

Section 5.7. Use of Rebate Fund.

(a) If it becomes necessary for the Issuer to comply with the rebate requirements of the Code and the Regulations, the Trustee shall establish and thereafter maintain, so long as the Bonds which are subject to said rebate requirements are Outstanding, a Rebate Fund, which shall be held separate and apart from all other funds and accounts established under this Indenture and from all other moneys of the Trustee.

(b) All amounts in the Rebate Fund, including income earned from investment of the fund, shall be held by the Trustee free and clear of the lien of the Indenture. In the event the amount on deposit in the Rebate Fund exceeds the aggregate amount of Rebatable Arbitrage for one or more Series of Bonds, as verified in writing by an independent public accountant or other qualified professional at the time the Rebatable Arbitrage is determined, the excess amount remaining after payment of the Rebatable Arbitrage to the United States shall, upon the Issuer's written request accompanied by the determination report, be paid by the Trustee to the Issuer.

(c) The Issuer shall determine the amount of Rebatable Arbitrage and the corresponding required rebate deposit with respect to each Series of Bonds on each applicable Rebate Calculation Date and take all other actions necessary to comply with the rebate requirements of the Code and the Regulations. The Issuer shall deposit into the Rebate Fund the required rebate deposit, if any, with respect to each Series of Bonds (or instruct the Trustee to transfer to the Rebate Fund moneys representing such required rebate deposit from the Funds and Accounts

held under the Indenture other than the Rebate Fund) or shall otherwise make payment of the rebate to be paid to the United States at the times required by the Code and the Regulations. If applicable, the Issuer shall instruct in writing the Trustee to withdraw from the Rebate Fund and pay any rebate over to the United States. The determination of Rebatable Arbitrage made with respect to each such payment date and with respect to any withdrawal and payment to the Issuer from the Rebate Fund pursuant to the Indenture must be verified in writing by an independent public accountant or other qualified professional. The Trustee may rely conclusively upon and shall be fully protected from all liability in relying upon the Issuer's determinations, calculations and certifications required by this Section 5.7 and the Trustee shall have no responsibility to independently make any calculations or determination or to review the Issuer's determinations, calculations and certifications required by this Section 5.7.

(d) The Trustee shall, at least 60 days prior to each Rebate Calculation Date, notify the Issuer of the requirements of this Section 5.7. By agreeing to give this notice, the Trustee assumes no responsibility whatsoever for compliance by the Issuer with the requirements of Section 148 of the Code or any successor. The Issuer expressly agrees that (notwithstanding any other provision of the Indenture) any failure of the Trustee to give any such notice, for any reason whatsoever, shall not cause the Trustee to be responsible for any failure of the Issuer to comply with the requirements of said Section 148 or any successor thereof.

(e) The provisions of this Section 5.7 may be amended or deleted without Bondowner consent or notice, upon receipt by the Issuer and the Trustee of an opinion of nationally recognized bond counsel that such amendment or deletion will not adversely affect the excludability from gross income of interest on the Bonds.

Section 5.8. Investment of Funds. Any moneys in the Revenue Fund, Bond Fund, the Construction Fund, the Rebate Fund, the Reserve Instrument Fund, the Debt Service Reserve Fund, or any other funds or accounts created by Section 3.8 may, at the discretion and authorization of an Authorized Representative of the Territory, be invested in Permitted Investments; provided, however, that moneys on deposit in the Bond Fund and the Reserve Instrument Fund may only be invested in Permitted Investments having a maturity date of one year or less. If no written authorization is given to the Trustee, moneys shall be held uninvested. Such investments shall be held by the Trustee and when the Trustee determines it necessary to use the moneys in the Funds for the purposes for which the Funds were created, it shall, at the direction of an Authorized Representative of the Territory, liquidate at prevailing market prices as much of the investments as may be necessary and apply the proceeds to such purposes. All income derived from the investment of the Construction Fund, Bond Fund, the Reserve Instrument Fund and Rebate Fund shall be maintained in said respective Funds and disbursed along with the other moneys on deposit therein as herein provided. The Trustee may rely solely on the direction of the Authority that the investments are permitted under the A.S.C.A. The Issuer acknowledges that to the extent regulations of

the Comptroller of the Currency or any other regulatory entity grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include the detail for all investment transactions made by the Trustee hereunder.

Section 5.9. Trust Funds. All moneys and securities received by the Trustee under the provisions of this Indenture shall be trust funds under the terms hereof and shall not be subject to lien or attachment of any creditor of the Territory or any political subdivision, body, agency, or instrumentality thereof or of the Issuer and shall not be subject to appropriation by any legislative body or otherwise. Such moneys and securities shall be held in trust and applied in accordance with the provisions hereof. Except as provided otherwise in Section 5.7 hereof, unless and until disbursed pursuant to the terms hereof, all such moneys and securities (and the income therefrom) shall be held by the Trustee as security for payment of the principal, premium, if any, and interest on the Bonds and the fees and expenses of the Trustee payable hereunder.

Section 5.10. Method of Valuation and Frequency of Valuation. In computing the amount in any fund or account, Permitted Investments shall be valued at market, exclusive of accrued interest. With respect to all funds and accounts, valuation shall occur annually whereupon securities shall be valued immediately after such withdrawal.

Section 5.11. Purchase of Bonds. The Issuer may purchase Bonds of any Series from any available funds at public or private sale, as and when and at such prices as the Issuer may in its discretion determine, subject to applicable law. All Bonds so purchased shall at such times as shall be selected by the Issuer be delivered to and cancelled by the Trustee or any Registrar, and no Bonds shall be issued in place thereof. In the case of the purchase of Bonds of a Series and maturity for which sinking fund installments shall have been established, the Issuer shall, by a written request delivered to the Trustee, elect the manner in which the Principal amount of such Bonds shall be credited toward sinking fund installments.

ARTICLE VI

GENERAL COVENANTS

Section 6.1. General Covenants. The Issuer and the Territory hereby covenant and agree with each and every Registered Owner of the Bonds issued hereunder and the Security Instrument Issuer as follows:

(a) The facilities of the Issuer will be maintained in good condition and repair.

(b) So long as any Bonds or Repayment Obligations are outstanding, records and accounts will be kept by the Territory separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Revenue Fund and the funds and accounts confirmed or established hereunder. Each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider, or any duly authorized agent or agents thereof shall have the right at all reasonable times to inspect all records, accounts and data relating thereto that is reasonably available to the Territory. Except as otherwise provided herein, the Territory further agrees that it will within two hundred seventy (270) days following the close of each Fiscal Year cause an audit of such books and accounts to be made by an independent firm of certified public accountants, showing the receipts and disbursements of the Revenue Fund and the funds and accounts confirmed or established hereunder, and that such audit will be delivered to the Trustee and will be available for inspection by each Registered Owner, Security Instrument Issuer and Reserve Instrument Provider.

Section 6.2. Lien of Bonds; Equality of Liens. The Bonds and any Security Instrument Repayment Obligations are secured by an irrevocable lien upon the Revenues. Except as otherwise provided herein, the Issuer covenants that the Bonds and the Security Instrument Repayment Obligations hereafter authorized to be issued and from time to time outstanding are equitably and ratably secured by a lien on the Revenues and shall not be entitled to any priority one over the other in the application of the Revenues regardless of the time or times of the issuance of the Bonds, or delivery of Security Instruments, it being the intention of the Issuer that there shall be no priority among the Bonds or the Security Instrument Repayment Obligations regardless of the fact that they may be issued and/or delivered at different times.

Any assignment or pledge from the Issuer to a Reserve Instrument Provider of (i) proceeds of the issuance and sale of Bonds, (ii) Revenues, or (iii) Funds established hereby, including investments, if any, thereof, is and shall be subordinate to the assignment and pledge effected hereby to the Registered Owners of the Bonds and to the Security Instrument Issuers.

Section 6.3. Perfection of Security Interest.

(a) The Indenture creates a valid and binding pledge and assignment of security interest in all of the Revenues pledged under this Indenture in favor of the Trustee as security for payment of the Bonds and Security Instrument Repayment Obligations, enforceable by the Trustee in accordance with the terms thereof.

(b) The Issuer covenants that it will take all action necessary to perfect such pledge and assignment and security interest and to ensure their priority as against all parties having claims of any kind in tort, contract, or otherwise hereafter imposed on the Revenues.

Section 6.4. Covenant of the Territory as to Non-Impairment. In accordance with the Act, the Territory pledges to and agrees with the Bondholders of any Bonds that the Territory will not alter, impair, or limit the Revenues pledged toward the repayment of the Bonds until the Bonds, together with applicable interest, are fully paid and discharged; provided, however, that nothing shall preclude such alteration, impairment, or limitation if adequate provision is made by law for the protection of the Bondholders of the Bonds.

Section 6.5. Payment of Principal, Premium and Interest. The Issuer covenants that it will punctually pay or cause to be paid the Principal of, premium, if any, and interest on every Bond issued hereunder and any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations, in strict conformity with the terms of the Bonds, this Indenture, any Security Instrument Agreement and any Reserve Instrument Agreement, according to the true intent and meaning hereof and thereof. The Principal of and interest on the Bonds, any Security Instrument Repayment Obligations and any Reserve Instrument Repayment Obligations are payable from the Revenues (except to the extent paid out of moneys attributable to Bond proceeds or other funds and accounts confirmed or created hereunder or the income from the temporary investment thereof), which Revenues are hereby specifically pledged and assigned to the payment thereof in the manner and to the extent herein specified. The Bonds are also a general obligation of the Territory for which the full faith, credit and resources of the Territory are pledged for the full and prompt payment of the principal of and interest on the Bonds as the same shall become due and payable.

Section 6.6. Performance of Covenants; Issuer. The Issuer covenants that at all times it will faithfully perform any and all covenants, undertakings, stipulations and provisions contained herein, and in any and every Bond, Security Instrument Agreement and Reserve Instrument Agreement. The Issuer represents that it is duly authorized to issue the Bonds authorized hereby and to execute this Indenture, that all actions on its part for the issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken, and that the Bonds in the hands of the Registered Owners thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

Section 6.7. List of Bondholders. The Registrar will keep on file at its designated office a list of the names and addresses of the Registered Owners of all Bonds which are from time to time registered on the registration books in the hands of the Trustee as Registrar for the Bonds. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Issuer or by the Registered Owners (or a designated representative thereof) of 10% or more in principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the reasonable satisfaction of the Trustee. The Registrar shall maintain a list of the names and addresses of the Owners of all Bonds and upon any transfer shall add the name and address of the new Bondowner and eliminate the name and address of the transferor Bondowner.

Section 6.8. Management of the Issuer and Territory. The Issuer and the Territory, in order to ensure their efficient management and operation, respectively, will employ competent and experienced management, and will use their best efforts to see that the Territory and the Issuer are properly operated and maintained.

Section 6.9. Payment from Other Available Funds. Notwithstanding any other provisions hereof, nothing herein shall be construed to prevent the Territory from depositing any funds available to the Territory for such purpose in any account in the Bond Fund for the payment of Principal of, premium, if any, and interest on any Bonds and the Security Instrument Repayment Obligations or for the amounts payable under any applicable Security Instrument Agreement issued under provisions hereof or for the redemption of any such Bonds.

Section 6.10. Instruments of Further Assurance. The Issuer, the Territory and the Trustee mutually covenant that they will, from time to time, each upon the written request of the other, or upon the request of a Security Instrument Issuer or a Reserve Instrument Provider, execute and deliver such further instruments and take or cause to be taken such further actions as may be reasonable and as may be required by the other to carry out the purposes hereof; provided, however, that no such instruments or action shall involve any personal liability of the Trustee or members of the governing body of the Issuer or the Territory or any official thereof.

Section 6.11. Removal of Revenues from Indenture. The Issuer and the Territory hereby expressly retain the right to remove any sources of Revenues from the pledge and lien of this Indenture, so long as (i) the Revenues generated by such source in the Territory's most recently completed fiscal year did not represent more than 10% of the Revenues for such year and the aggregate of all such removals since the date of execution of this Indenture (as a percentage of Revenues for the fiscal year preceding the time of removal) when added with the proposed removal (as a similar percentage) would not exceed 10% and (ii) the reduction in Revenue sources will not reduce the pledged Revenues below any applicable revenue coverage requirements in the Act.

Section 6.12. Covenant of the Territory as to Balanced Budget. In accordance with the Anti-Deficiency Act (Section 10.0601 A.S.C.A.), the Territory acknowledges the

requirement for a balanced budget and hereby covenants to comply with such provision so long as the Bonds remain outstanding.

ARTICLE VII

EVENTS OF DEFAULT; REMEDIES

Section 7.1. Events of Default. Each of the following events is hereby declared an “Event of Default”:

(a) if payment of any installment of interest on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, or

(b) if payment of the principal of or the redemption premium, if any, on any of the Bonds shall not be made by or on behalf of the Issuer when the same shall become due and payable, either at maturity or by proceedings for redemption in advance of maturity or through failure to fulfill any payment to any fund hereunder or otherwise; or

(c) if an order or decree shall be entered, with the consent or acquiescence of the Issuer or the Territory, appointing a receiver or custodian for any of the Revenues, or approving a petition filed against the Issuer or the Territory seeking reorganization of the Issuer or the Territory under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the consent or acquiescence of the Issuer or the Territory, as applicable, shall not be vacated or discharged or stayed on appeal within 60 days after the entry thereof; or

(d) if any proceeding shall be instituted, with the consent or acquiescence of the Issuer, or the Territory, as applicable, for the purpose of effecting a composition between the Issuer or the Territory and the creditors of either of them or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are or may be under any circumstances payable from Revenues; or

(e) if (i) the Issuer or the Territory is adjudged insolvent by a court of competent jurisdiction, or (ii) an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the Issuer or the Territory, as applicable, a receiver, trustee or custodian of the Issuer or the Territory or of the whole or any part of their property and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within 60 days from the date of entry thereof; or

(f) if the Issuer or the Territory shall file a petition or answer seeking reorganization, relief or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(g) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or the Territory or of the whole or any substantial part of the property of the Issuer or the Territory, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control; or

(h) if the Issuer or the Territory shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or herein or any Supplemental Indenture hereof on the part of the Issuer or the Territory to be performed, other than as set forth above in this Section, and such default shall continue for 60 days (or such longer period as may be approved by the Trustee if in its opinion remedial actions are being diligently pursued by the Issuer or the Territory) after written notice specifying such Event of Default and requiring the same to be remedied shall have been given to the Issuer and the Territory by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding hereunder; or

(i) the occurrence of events of additional or other default specified by Supplemental Indenture.

provided that any failure by the Issuer to make payment as described in subparagraph (a) or (b) of this Section shall not constitute an Event of Default with respect to any Bond if the Supplemental Indenture authorizing the issuance of such Bond provides that due and punctual payment by a Security Instrument Issuer shall not give rise to an Event of Default and such payment is, in fact, duly and punctually made; and provided, further that the provisions of Section 7.1(h) hereof are subject to the following limitations: if by reason of acts of God; strikes, lockouts or other similar disturbances; acts of public enemies; orders of any kind of the government of the United States or the Territory or any department, agency, political subdivision, court or official of the Territory which asserts jurisdiction over the Territory or the Issuer; orders of any kind of civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; volcanoes; fires, hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; or any cause or event not reasonably within the control of the Issuer or the Territory, the Issuer or the Territory is unable in whole or part to carry out any one or more of its respective agreements or obligations contained herein (other than as described in (a) through (g) above) such default shall not constitute an “Event of Default” hereunder so long as such cause or event continues.

The Trustee shall give notice to any Security Instrument Issuer of any Event of Default known to the Trustee within 30 days after it has knowledge thereof.

Section 7.2. Remedies: Rights of Registered Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy by suit at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the

Bonds then Outstanding or to enforce any obligations of the Issuer and the Territory hereunder.

If an Event of Default shall have occurred, and if requested so to do by (i) Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding, (ii) Security Instrument Issuers at that time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Bondowners and Security Instrument Issuers described in (i) and (ii) above representing not less than 25% in aggregate Principal amount of Bonds at the time Outstanding (but without duplication), and indemnified as provided in Section 8.1 hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Registered Owners and the Security Instrument Issuers.

No remedy by the terms hereof conferred upon or reserved to the Trustee (or to the Registered Owners or to the Security Instrument Issuers) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, the Registered Owners or the Security Instrument Issuers or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by the Trustee, the Registered Owners or the Security Instrument Issuers, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Section 7.3. Right of Registered Owners and Security Instrument Issuers to Direct Proceedings. Anything herein to the contrary notwithstanding, unless a Supplemental Indenture provides otherwise, either (i) the Registered Owners of a majority in aggregate Principal amount of the Bonds then Outstanding, (ii) the Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, or (iii) any combination of Bondowners and Security Instrument Issuers described in (i) and (ii) above representing not less than 50% in aggregate Principal amount of Bonds at the time Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions hereof, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 7.4. Application of Moneys. All Revenues and moneys received by the Trustee pursuant to any right given or action taken under the default provisions of this Article shall be applied in the following order:

(a) To the payment of the reasonable and proper charges and expenses of the Trustee and the reasonable fees and disbursements of its counsel;

(b) To the payment of the principal of, premium, if any, and interest then due and payable on the Bonds and the Security Instrument Repayment Obligations as follows:

(i) Unless the Principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST To the payment to the persons entitled thereto of all installments of interest then due on the Bonds and the interest component of any Security Instrument Repayment Obligations then due, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND To the payment to the persons entitled thereto of the unpaid Principal of and premium, if any, on the Bonds and the Principal component of any Security Instrument Repayment Obligations which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions hereof, in the order of their due dates, and the Principal component of any Security Instrument Repayment Obligations then due, and, if the amount available shall not be sufficient to pay in full all the Bonds and the Principal component of any Security Instrument Repayment Obligations due on any particular date, then to the payment ratably, according to the amount of Principal due on such date, to the persons entitled thereto without any discrimination or privilege.

THIRD To the payment of all obligations owed to all Reserve Instrument Providers, ratably, according to the amounts due without any discrimination or preference under any applicable agreement related to any Reserve Instrument Agreement.

(ii) If the Principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the Principal and interest then due and unpaid upon the Bonds and Security Instrument Repayment Obligations, without preference or priority of Principal over

interest or of interest over Principal, or of any installment of interest over any other installment of interest, or of any Bond or Security Instrument Repayment Obligation over any other Bond or Security Instrument Repayment Obligation, ratably, according to the amounts due respectively for Principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amounts of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of Principal paid on such dates shall cease to accrue.

Section 7.5. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings related thereto and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Registered Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the Registered Owners of the Outstanding Bonds.

Section 7.6. Rights and Remedies of Registered Owners. Except as provided in the last sentence of this Section, no Registered Owner of any Bond or Security Instrument Issuer shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless an Event of Default has occurred of which the Trustee has been notified as provided in Section 8.1(g), or of which by said Section it is deemed to have notice, nor unless also Registered Owners of not less than 25% in aggregate Principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 25% in aggregate Principal amount of Bonds at the time Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in Section 8.1 hereof nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinabove granted, or to institute such action, suit or proceeding in its, his or their own name or names. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trust hereof, and to any action or cause of action for the enforcement hereof, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Registered Owner of the Bonds or Security Instrument Issuer shall have any right in any manner whatsoever to

affect, disturb or prejudice the lien hereof by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding and all Security Instrument Issuers at the time providing Security Instruments. Nothing herein contained shall, however, affect or impair the right of any Registered Owner or Security Instrument Issuer to enforce the covenants of the Issuer to pay the Principal of, premium, if any, and interest on each of the Bonds and Security Instrument Repayment Obligations at the time, place, from the source and in the manner in said Bonds or Security Instrument Repayment Obligations expressed.

Section 7.7. Termination of Proceedings. In case the Trustee, any Bondowner or any Security Instrument Issuer shall have proceeded to enforce any right hereunder and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Bondowner, or Security Instrument Issuer, then and in every such case the Issuer and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 7.8. Waivers of Events of Default. Subject to Section 8.1(g) hereof, the Trustee may in its discretion, and with the prior written consent of all Security Instrument Issuers at the time providing Security Instruments, waive any Event of Default hereunder and its consequences and shall do so upon the written request of the Registered Owners of (a) a majority in aggregate Principal amount of all the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in respect of which an Event of Default in the payment of Principal and interest exists, or (b) a majority in aggregate Principal amount of the Bonds then Outstanding or Security Instrument Issuers at the time providing Security Instruments which are in full force and effect and are not in default on any payment obligation and which secure not less than 50% in aggregate Principal amount of Bonds at the time Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (i) any Event of Default in the payment of the Principal of any Bonds at the date of maturity specified therein, or (ii) any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest and all arrears of payments of Principal and premium, if any, when due, and all expenses of the Trustee in connection with such Event of Default, shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee, the Registered Owners and the Security Instrument Issuers shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Section 7.9. Cooperation of Issuer and Territory. In the case of any Event of Default hereunder, the Issuer and the Territory shall cooperate with the Trustee and use their best efforts to protect the Bondowners, Security Instrument Issuers and Reserve Instrument Providers.

ARTICLE VIII

THE TRUSTEE

Section 8.1. Acceptance of the Trusts. The Trustee accepts the trusts imposed upon it hereby, and agrees to perform said trusts but only upon and subject to the following express terms and, no implied covenants or obligations shall be read into this Indenture against the Trustee.

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees and shall not be answerable for the conduct of outside attorneys, agents and receivers selected by the Trustee with reasonable care and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of counsel. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds), or collecting any insurance moneys, or for the validity of the execution by the Issuer of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or the Territory; but the Trustee may require of the Issuer and the Territory full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the property herein conveyed. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the provisions hereof. The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder, except as specifically set forth herein. The Trustee may become the owner of Bonds secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant hereto upon the request or authority or consent of any person who at the time of making such

request or giving such authority or consent is the Registered Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Issuer by an Authorized Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been notified as provided in Paragraph (g) of this Section, or of which by said Paragraph it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Secretary of the Issuer to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

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

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder, except an Event of Default described in Section 7.1(a) or (b), unless the Trustee shall be specifically notified in writing of such Default by the Issuer, the Territory, a Security Instrument Issuer or by the Registered Owners of a least 25% in the aggregate Principal amount of the Bonds then Outstanding and all notices or other instruments required hereby to be delivered to the Trustee must, in order to be effective, be delivered at the designated corporate trust office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively presume there is no Event of Default except as aforesaid.

(h) At any and all reasonable times and upon reasonable prior written notice, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Issuer and the Territory pertaining to the Bonds, and to take such memoranda from and in regard thereto as may be desired.

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

(j) Notwithstanding anything elsewhere herein contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview hereof, any showing,

certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, deemed desirable for the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(k) All moneys received by the Trustee or any Paying Agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(l) If any Event of Default hereunder shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it hereby and shall use the same degree of care as a prudent man would exercise or use in the circumstances in the conduct of his own affairs.

(m) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Bondholders, Security Instrument Issuers or Reserve Instrument Providers pursuant to the provisions of this Indenture, unless such Bondholders, Security Instrument Issuers or Reserve Instrument Providers shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which may be incurred therein or thereby.

(n) The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Indenture or any supplement hereto.

(o) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

Section 8.2. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment or reimbursement for reasonable fees for its services rendered as Trustee hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent and Registrar for the Bonds as hereinabove provided. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a right of payment prior to payment on account of interest or principal of, or premium, if any, on any Bond for the foregoing advances, fees, costs and expenses incurred.

Section 8.3. Notice to Registered Owners if Event of Default Occurs. If an Event of Default occurs of which the Trustee is by Section 8.1(g) hereof required to take notice or if notice of an Event of Default is given to the Trustee as in said Section

provided, then the Trustee shall give written notice thereof by registered or certified mail to all Security Instrument Issuers and to the Registered Owners of all Bonds then Outstanding shown on the registration books of the Bonds kept by the Trustee as Registrar for the Bonds.

Section 8.4. Intervention by Trustee. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Registered Owners of the Bonds, the Trustee may intervene on behalf of such Owners and shall do so if requested in writing by any Security Instrument Issuer or by the Registered Owners of at least 25% in aggregate Principal amount of the Bonds then Outstanding and indemnified as provided in Section 8.1 hereof. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

Section 8.5. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed of conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 8.6. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving written notice to the Issuer, served personally or by registered mail, and by registered or certified mail to each Security Instrument Issuer, Reserve Instrument Provider and Registered Owner of Bonds then Outstanding, and such resignation shall take effect upon the appointment of a successor Trustee by the Registered Owners or by the Issuer as provided in Section 8.8 hereof; provided, however that if no successor Trustee has been appointed within 60 days of the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it deems proper and prescribes, appoint a successor Trustee.

Section 8.7. Removal of the Trustee. The Trustee may be removed by the Issuer at any time by an instrument or concurrent instruments in writing of the Issuer delivered to the Trustee and each Security Instrument Issuer, provided that such instrument or instruments concurrently appoint a successor Trustee meeting the qualifications set forth herein.

Section 8.8. Appointment of Successor Trustee: Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver

appointed by a court, a successor may be appointed by the Issuer by an instrument executed by its Chair and attested by its Secretary. Any successor Trustee appointed pursuant to the provisions of this section shall (i) be subject to the prior written approval of all Security Instrument Issuers, (ii) be a commercial bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority, and (iii) have a reported capital and surplus of not less than \$50,000,000.

Each Reserve Instrument Provider and Security Instrument Issuer shall be notified immediately upon the resignation or termination of the Trustee and provided with a list of candidates for the office of successor Trustee.

Section 8.9. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, or of the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article shall be filed or recorded by the successor Trustee in each recording office, if any, where the Indenture shall have been filed or recorded.

Section 8.10. Trustee Protected in Relying Upon Indenture, Etc. The indentures, opinions, certificates and other instruments provided for herein may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

Section 8.11. Successor Trustee as Trustee of Funds: Paying Agent and Bond Registrar. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be Trustee hereunder and Registrar for the Bonds and Paying Agent for principal of, premium, if any, and interest on the Bonds, and the successor Trustee shall become such Trustee, Registrar and Paying Agent for the Bonds.

Section 8.12. Trust Estate May Be Vested in Separate or Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the Territory) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction.

It is recognized that in case of litigation hereunder, and in particular in case of the enforcement of remedies on Event of Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies herein granted to the Trustee or hold title to the trust estate, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section are adapted to these ends.

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

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

Section 8.13. Annual Accounting. The Trustee shall prepare an annual accounting for each Fiscal Year by the end of the month following each such Fiscal Year showing in reasonable detail all financial transactions relating to the funds and accounts held by the Trustee hereunder during the accounting period and the balance in any funds or accounts created hereby as of the beginning and close of such accounting period, and shall mail the same to the Issuer, the Territory, and to each Security Instrument Issuer requesting the same. If requested in writing by Registered Owners of at least 25% in aggregate Principal amount of Bonds then Outstanding, the Trustee shall provide such accounting to Bondowners through EMMA. On or before the end of the month following each Fiscal Year, the Trustee shall, upon written request, provide to the Territory and the Territory's independent auditor representations as to the accuracy of the facts contained in the financial reports that were delivered by the Trustee during the Fiscal Year just ended.

Section 8.14. Indemnification. Subject to the provisions of Section 8.1 of this Indenture, the Issuer shall indemnify and save Trustee harmless against any liabilities it may incur in the exercise and performance of its powers and duties hereunder, other than those due to its own negligence or willful misconduct.

Section 8.15. Trustee's Right to Own and Deal in Bonds. The bank or trust company acting as Trustee under this Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder and secured by this Indenture, and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee under this Indenture.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.1. Supplemental Indentures Not Requiring Consent of Registered Owners, Security Instrument Issuers and Reserve Instrument Providers. The Issuer and the Trustee may, without the consent of, or notice to, any of the Registered Owners, Security Instrument Issuers or Reserve Instrument Providers, enter into an indenture or indentures supplemental hereto, as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(a) To provide for the issuance of Bonds in accordance with Section 2.4 hereof;

(b) To cure any ambiguity or formal defect or omission herein which will not materially adversely affect the Owners of the Bonds;

(c) To grant to or confer upon the Trustee for the benefit of the Registered Owners, any Security Instrument Issuers and any Reserve Instrument Providers any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners, any Security Instrument Issuers and any Reserve Instrument Providers or any of them;

(d) To subject to this Indenture additional revenues or other revenues, properties, collateral or security;

(e) To make any other change hereto which, is not materially prejudicial to the interests of the Registered Owners or the Trustee, with the prior written consent of all Security Instrument Issuers at the time providing a Security Instrument;

(f) To make any change necessary (i) to establish or maintain the exemption from federal income taxation of interest on any Series of Bonds as a result of any modifications or amendments to Section 148 of the Code (or any successor provision of law) or interpretations thereof by the Internal Revenue Service, or (ii) to comply with the provisions of Section 148(t) of the Code (or any successor provision of law), including provisions for the payment of all or a portion of the investment earnings of any of the Funds established hereunder to the United States of America;

(g) If the Bonds affected by such change are rated by a Rating Agency, to make any change which does not result in a reduction of the rating applicable to any of the Bonds so affected, provided that if any of the Bonds so affected are secured by a Security Instrument, such change must be approved in writing by the related Security Instrument Issuer;

(h) If the Bonds affected by such change are secured by a Security Instrument, to make any change approved in writing by the related Security

Instrument Issuer, provided that if any of the Bonds so affected are rated by a Rating Agency, such change shall not result in a reduction of the rating applicable to any of the Bonds so affected;

(i) To provide for the appointment of a successor Trustee, a Paying Agent, a separate or co-trustee, a Remarketing Agent or a transfer agent; and

(j) To modify or amend the definition of any Project.

No modification or amendment shall be permitted pursuant to paragraph (g), (h) or (j) unless the Issuer delivers to the Trustee an opinion of nationally recognized bond counsel to the effect that such modification or amendment will not adversely affect the tax-exempt status or validity of any Bonds affected by such modification or amendment.

Section 9.2. Supplemental Indentures Requiring Consent of Registered Owners; Waivers and Consents by Registered Owners. Exclusive of Supplemental Indentures covered by Section 9.1 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Registered Owners of a majority in aggregate Principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to (i) consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein or in any Supplemental Indenture, or (ii) waive or consent to the taking by the Issuer of any action prohibited, or the omission by the Issuer of the taking of any action required, by any of the provisions hereof or of any indenture supplemental hereto; provided, however, that nothing in this Section contained shall permit or be construed as permitting (a) an extension of the stated maturity or reduction in the Principal amount of, or reduction in the rate of or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bond, without the consent of the Registered Owner of such Bond, or (b) a reduction in the amount or extension of the time of any payment required by any fund established hereunder applicable to any Bonds without the consent of the Registered Owners of all the Bonds which would be affected by the action to be taken, or (c) a reduction in the aforesaid aggregate Principal amount of Bonds, the Registered Owners of which are required to consent to any such waiver or Supplemental Indenture, or (d) affect the rights of the Registered Owners of less than all Bonds then Outstanding, without the consent of the Registered Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken. In addition, no supplement hereto shall modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee. If a Security Instrument is in effect with respect to any Series of Bonds Outstanding and if a proposed modification or amendment would affect such Series of Bonds, then, except as described in Section 9.1 hereof, neither this Indenture nor any Supplemental Indenture with respect to such Series of Bonds shall be modified or amended at any time without the prior written consent of the related Security Instrument Issuer. Copies of any such modifications or amendments for which Security Instrument Issuer consent is required shall be sent to each Rating Agency.

ARTICLE X

DISCHARGE OF INDENTURE

If the Issuer shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made to or for the Registered Owners of the Bonds, the Principal of and interest due or to become due thereon at the times and in the manner stipulated therein, and shall pay or cause to be paid to the Trustee all sums of moneys due or to become due according to the provisions hereof, and to all Security Instrument Issuers and all Reserve Instrument Providers all sums of money due or to become due accordingly to the provisions of any Security Instrument Agreements or Reserve Instrument Agreements, as applicable, then these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien hereof, and release, assign and deliver unto the Issuer any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee, held by the Trustee, or otherwise subject to the lien hereof, except moneys or securities held by the Trustee for the payment of the Principal of and interest on the Bonds, the payment of amounts pursuant to any Security Instrument Agreements or the payment of amounts pursuant to any Reserve Instrument Agreement.

Any Bond shall be deemed to be paid within the meaning of this Article when payment of the Principal of such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided herein, or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably setting aside exclusively for such payment, any combination of (i) moneys sufficient to make such payment, or (ii) Government Obligations, maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to me such payment, and all necessary and proper fees, compensation and expenses of the Trustee and any paying agent pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits hereof, except for the purposes of any such payment from such moneys or Government Obligations.

Notwithstanding the foregoing, in the case of Bonds, which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Issuer shall have given the Trustee, irrevocable instructions:

- (a) stating the date when the Principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted hereby);
- (b) to instruct the Trustee to call for redemption pursuant hereto any Bonds to be redeemed prior to maturity pursuant to Subparagraph (a) above; and

(c) to instruct the Trustee to mail, as soon as practicable, in the manner prescribed by Article II hereof, a notice to the Registered Owners of such Bonds that the deposit required by this Section has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds as specified in Subparagraph (a) above. If the redemption date for all Bonds, payment for which is to be provided by deposit of moneys or Government Obligations or both, shall fall within 120 days of the mailing of the notice of redemption, then the notices referred to in Subparagraph (b) above and this Subparagraph (c) may be combined.

Any moneys so deposited with the Trustee as provided in this Article may at the direction of the Issuer also be invested and reinvested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Article which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

Notwithstanding any provision of any other Article hereof, all moneys or Government Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or Government Obligations have been so set aside in trust.

Anything in Article IX hereof to the contrary notwithstanding, if moneys or Government Obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the Registered Owner of each Bond affected thereby.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Consents, Etc. of Registered Owners. Any consent, request, direction, approval, objection or other instrument required hereby to be executed by the Registered Owners, Security Instrument Issuers or Reserve Instrument Providers may be in any number of concurrent writings of similar tenor and may be executed by such Registered Owners, Security Instrument Issuers or Reserve Instrument Providers in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent if made in the following manner, shall be sufficient for any of the purposes hereof, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely, the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

The amount of the Bonds held by any person executing such instrument as a Registered Owner of Bonds and the fact, amount and numbers of the Bonds held by such person and the date of his holding the same shall be proved by the registration books of the Trustee.

Section 11.2. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person other than the parties hereto, the Registered Owners of the Bonds, any Security Instrument Issuer and any Reserve Instrument Provider, any legal or equitable right, remedy or claim under or in respect hereto or any covenants, conditions and provisions herein contained, this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Registered Owners of the Bonds, any Security Instrument Issuer and any Reserve Instrument Provider.

Section 11.3. Severability. If any provision hereof shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections herein contained, shall not affect the remaining portions hereof, or any part thereof.

Section 11.4. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper on the Issuer if the same shall be duly mailed by registered or certified mail addressed to it at American Samoa Economic Development Authority, A.P. Lutali Executive Office Building, Pago Pago, American Samoa, 96799, Attention: Chairman, or to such address as the Issuer may from time to time file with the Trustee; and if to the Territory, Office of the Treasurer, A.P. Lutali Executive Office Building, Pago Pago, American Samoa, 96799, Attention: Treasurer. It shall be sufficient service of any notice or other paper on the Trustee if the same shall be duly mailed by registered or certified mail addressed to it at U.S. Bank National Association, 170 South Main Street, Suite 200, Salt Lake City, Utah 84101, Attention: Corporate Trust Services, or to such other address as the Trustee may from time to time file with the Issuer or the Territory.

Section 11.5. Trustee as Paying Agent and Registrar. The Trustee is hereby designated and agrees to act as principal Paying Agent and Registrar for and in respect to the Bonds.

Section 11.6. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.7. Applicable Law. This Indenture shall be governed exclusively by the applicable laws of the State of New York and venue for all claims arising hereunder shall be the Federal District Court of New York.

Section 11.8. Immunity of Officers and Directors. No recourse shall be had for the payment of the principal of or premium or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement herein contained against any past, present or future officer, or other public official, employee, or agent of the Issuer or the Territory.

Section 11.9. Payments Due on Other Than Business Day. If any date for the payment of principal of or interest on the Bonds is not a Business Day, then such payment shall be due on the first day thereafter which is a Business Day and no interest shall accrue for the period between such payment date and such first Business Day thereafter.

Section 11.10. Effective Date. This Indenture shall become effective immediately.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be executed as of the date first written above.

AMERICAN SAMOA ECONOMIC
DEVELOPMENT AUTHORITY, as Issuer

(SEAL)

By: _____
Chair

ATTEST:

By: _____
Secretary

TERRITORY OF AMERICAN SAMOA

By: _____
Governor

Approved as to form and attested by:

Attorney General

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Vice President

EXHIBIT A

FORM OF REQUISITION

RE: American Samoa Economic Development Authority General Revenue [and]
[Refunding] Bonds, Series _____ in the sum of \$_____

U.S. Bank National Association
170 South Main Street, Suite 200
Salt Lake City, Utah 84101

You are hereby authorized to disburse from the 20_____ Account of the
Construction Fund with regard to the above-referenced bond issue the following:

REQUISITION NUMBER: _____

NAME AND ADDRESS OF PAYEE: _____

AMOUNT: \$_____

PURPOSE FOR WHICH EXPENSE HAS BEEN INCURRED: _____

Each obligation, item of cost, or expense mentioned herein has been properly incurred, is
a proper charge against the 20_____ Account of the Construction Fund based upon
audited, itemized claims substantiated in support thereof, and has not been the basis for a
previous withdrawal.

DATED: _____

Authorized Representative

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE TERRITORY OF AMERICAN SAMOA

(Sources for all tables: American Samoa Statistical Yearbook, United States Department of Commerce, Bureau of Economic Analysis (releases from 2011, 2012, 2013 and 2014) and U.S. Census 2000 and 2010, EDD business license tracking database.)

Population

	<u>2014⁽¹⁾</u>	<u>2013⁽¹⁾</u>	<u>2012⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>2010⁽¹⁾</u>	Census <u>2010</u>	Census <u>2000</u>
Total Population	61,811	62,610	63,596	64,292	64,920	55,517	57,291
Average Household size (census 2010)	—	—	—	—	—	5.6	6.05
Average family size (census 2010)	—	—	—	—	—	5.9	6.24
Total Household (census 2010)	—	—	—	—	—	9,688	9,349
Total Housing units (census 2010)	—	—	—	—	—	10,963	10,052
Median household income (dollars) (census 2010)	—	—	—	—	—	23,892	18,219
Mean household income (dollars) (census 2010)	—	—	—	—	—	34,254	26,093
Percent families below poverty level (census 2010)	—	—	—	—	—	54.4	58.3
Infant Mortality Rate	—	4.3	3.4	7.0	14.9	14.9	6.4
Neo-natal Mortality Rate	—	6.0	2.6	0.8	9.4	9.4	5.2
Crude Death Rate	—	4.3	4.4	4.4	3.7	4.4	3.9
Crude Birth Rate	—	18.5	18.5	20.0	19.0	23.0	30.2
Literacy Rate (1980 value)	—	—	—	—	—	97 %	97 %
Life expectancy at birth (total)	—	73.8	73.9	74.1	74.3	73.5	72.8
General Fertility Rate	—	—	—	—	—	93.1	123.6

⁽¹⁾ Mid-year estimate based on 2000 census, natural increase and estimated net migration.

Population 16 years and over and labor force estimate

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	Census <u>2010</u>	Census <u>2000</u>
Population 16 years and over	37,704	38,120	38,753	39,177	39,864	34,767	33,945
Labor Force	19,716	19,950	20,265	20,486	20,846	18,300	17,664

Current employment details from American Samoa Statistical Yearbook and United States Census

	<u>2014⁽¹⁾</u>	<u>2013⁽¹⁾</u>	<u>2012⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>2010⁽¹⁾</u>	Census <u>2010</u>	Census <u>2000</u>
Total Employment	17,567	16,089	14,806	18,028	18,868	16,616	16,718
Percent increase from the previous year (total)	9.2%	8.7%	-17.9%	-4.5%	—	—	—
Total Government Sector	6,198	6,198	5,258	6,177	6,782	7,257	5,002
Total Private Sector	11,369	9,891	9,548	11,851	12,080	9,359	11,346
Canneries	2,500	2,108	1,827	1,815	1,553	—	—
Other/Private Sector	8,869	7,783	7,721	10,036	10,527	—	—

⁽¹⁾ Current employment details from American Samoa Statistical Yearbook.

Unemployment details

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	Census <u>2010</u>	Census <u>2000</u>
Unemployed	1,991	3,562	5,154	2,152	1,984	1,684	909
Unemployment rate	10.2%	18.1%	25.8%	10.7%	9.5%	9.2%	5.2%

Gross Domestic Product (GDP)

	<u>2014</u> ⁽¹⁾	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Gross domestic product (in millions of dollars)	709	711	718	647	641
Real Gross Domestic Product, Chained Dollars in millions of chained (2005) dollars	488	490	502	516	513
Personal consumption expenditures (in millions of dollars)	473	461	446	432	421
Private fixed investment (in millions of dollars)	22	23	19	22	22
Net exports of goods and services	-107	-106	-102	-169	-134
Exports (in millions of dollars)	469	459	489	339	368
Imports (in millions of dollars)	577	564	591	508	503
Government consumption expenditures and gross investment (in millions of dollars)	317	331	355	366	337
Per capita GDP based on 2010 Census and BEA report (1)	\$8,899	\$8,942	\$9,127	\$9,331	\$9,243

(1) Preliminary estimate; subject to change.

(1) Per capita income in the Territory is approximately one-fifth that of the United States and generally shows a slower rate of growth than the United States as a whole.

CPI 2007 rebase (All Items)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Quarter 4	—	133.8	131.1	126.7	119.4
Quarter 3	134.3	133.5	130.9	126.2	118.4
Quarter 2	133.8	132.3	130.6	124.5	116.4
Quarter 1	133.8	131.9	128.7	121.7	116.0

Annual Inflation rates (CPI 2007 rebase)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Quarter 4	—	2.1	3.5	6.1	6.8
Quarter 3	0.6	2.0	3.7	6.2	5.9
Quarter 2	1.1	1.3	4.9	7.0	7.4
Quarter 1	1.4	2.5	5.8	6.3	7.8

Business Licenses Issued

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total Registered Businesses	4,547 ⁽¹⁾	3,416	3,187	3,127	2,996
New Business license activities	578	621	—	—	—
Number of New Business Establishments	399	460	—	—	—
Number of New Jobs created by New Businesses	628	595	—	—	—

⁽¹⁾ As of February 18, 2014.

Other Information Regarding the Territory

Education. The following table shows educational attainment in the Territory for the population 25 years and over according to the 2010 U.S. Census Bureau (reported in the American Samoan Statistical Yearbook 2012). As shown below, in 2010 approximately 82% of the over 25 population were high school graduates and approximately 10% had a bachelor's degree or higher. In 2012 there were a total of 151 educational institutions in the Territory, including public and private pre-school, elementary, secondary, and special education schools, as well as the American Samoa Community College, the only college in the Territory.

Educational Attainment of Population 25 Years and Over in 2010

<u>Level</u>	<u>Number</u>
Less than 9th Grade	1,775
9th to 12th Grade, no diploma	2,867
High School Graduate, GED or equivalent	12,512
Some college or Associate's degree	6,179
Bachelor's degree	1,668
Graduate or professional degree	<u>906</u>
Total population over 25	<u>25,907</u>

(Source: American Statistical Yearbook 2012.)

Fisheries. The tuna industry has a substantial impact on the local economy and recent events and investments speak to solid future for the industry. The two main tuna canneries in the Territory have recently made large investments in the Territory. The Tri Marine cannery invested \$70 million in a new plant which recently opened adding 2,000 jobs to the Territory economy. Starkist recently invested \$10 million in new facilities which provides tuna for all branches of the U.S. military as well as the U.S. school lunch program.

The American Samoa Government as Major Employer. The Territory government continues to be a significant influence on the Territory's economy. In 2014, the Territory's government employment represented approximately 35% of total employment. While high by U.S. standards, this is below the 50.3% in 1970 and the 48.5% in 1980. The necessity and ability of the Territory to maintain this level of employment is uncertain, especially given its ongoing deficits. As described elsewhere in this Limited Offering Memorandum, the Territory is heavily dependent on grants from the U.S. to support both operations and capital improvements.

Tourism. Although a small portion of the current economy, approximately 20 cruise ships dock in American Samoa each year. Potential upgrades to the Marina in the next year will result in the expansion of the number of cruise ships that dock in American Samoa and in turn have a multiplier effect on the tourism industry and economy as a whole. The Territory, in cooperation with the chamber of commerce and Department of Commerce, have begun initiatives to promote a more vibrant tourism industry.

Trade. As with global economy, American Samoa experienced an economic downturn between 2008 and 2011. Since that time however, exports have increased more rapidly than imports. The largest trading partners with American Samoa are the United States (55%), Fiji (12%), and New Zealand (8%).

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

We have acted as bond counsel to the American Samoa Economic Development Authority (the “Issuer”) in connection with the issuance by the Issuer of its \$44,195,000 General Revenue and Refunding Bonds, Series 2015A (Tax-Exempt) (the “Series 2015A Bonds”) and its \$11,720,000 General Revenue and Refunding Bonds, Series 2015C (Federally Taxable) (the “Series 2015C Bonds” and together with the Series 2015A Bonds, the “Series 2015 Bonds”). The Series 2015 Bonds are being issued pursuant to (i) American Samoa Code Annotated (“ASCA”), Title 11, Chapter 19, as amended (the “Act”); (ii) the bond resolution adopted by the Issuer on August 3, 2015; and (iii) the General Indenture of Trust dated as of August 1, 2015 (the “General Indenture”), as supplemented by a First Supplemental Indenture dated as of August 1, 2015 (the “First Supplemental Indenture” and, together with the General Indenture, the “Indenture”), each among the Issuer, the Territory of American Samoa (the “Territory”) and U.S. Bank National Association, as trustee (the “Trustee”).

The proceeds from the sale of the Series 2015 Bonds will be used for the purpose of (i) financing the costs of acquisition and construction of various capital improvement projects in the Territory; (ii) refunding certain outstanding obligations of the Territory; (iii) funding deposits to debt service reserve accounts; and (iv) paying the costs of issuance of the Series 2015 Bonds.

Our services as bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Series 2015 Bonds under the applicable laws of the Territory and the State of New York and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under existing law, as follows:

1. The Issuer is a body corporate and politic and a governmental agency of the Territory created and validly existing under the laws of the Territory.
2. The Indenture has been authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. The Indenture creates a valid lien on the Revenues (as defined in the Indenture) and other amounts pledged for the security of the Series 2015 Bonds.
4. The Series 2015 Bonds are valid and binding obligations of the Issuer payable solely from the Revenues and other amounts pledged therefor in the Indenture. The full faith, credit and resources of the Territory are pledged for the full and prompt payment of the principal of and interest on the Series 2015 Bonds as the same become due and payable. The Series 2015 Bonds are not secured by a pledge of any ad valorem taxing power.
5. Interest on the Series 2015A Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2015A Bonds, assuming the accuracy of the certifications of the Issuer and the Territory and continuing compliance by the Issuer and the Territory with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the Series 2015A Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax (“AMT”); however, interest on Series 2015A Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder.

6. Interest on the Series 2015C Bonds is not excludable from gross income for purposes of federal income tax.

7. Bond Counsel is also of the opinion that, under 48 U.S.C. 1670(b)(1), the interest on the Series 2015A Bonds is exempt from taxation by the Territory and the governments of any of the several states of the United States, the District of Columbia, any territory or possession of the United States, and any subdivision thereof; provided, however, that the foregoing exemption does not apply to gift, estate, inheritance, legacy, succession, or other wealth transfer taxes.

In rendering our opinion, we wish to advise you that:

(a) The rights of the holders of the Series 2015 Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) We express no opinion herein as to the accuracy, adequacy, or completeness of the Limited Offering Memorandum or any other offering material relating to the Series 2015 Bonds; and

(c) Except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2015 Bonds.

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the American Samoa Economic Development Authority (the “Issuer”) and the Territory of American Samoa (the “Territory”) in connection with the issuance by the Issuer of its \$44,195,000 General Revenue and Refunding Bonds, Series 2015A (Tax-Exempt) (the “Series 2015A Bonds”) and its \$11,270,000 General Revenue and Refunding Bonds, Series 2015C (Federally Taxable) (the “Series 2015C Bonds” and together with the Series 2015A Bonds, the “Series 2015 Bonds”). The Series 2015 Bonds are being issued pursuant to (i) American Samoa Code Annotated (“ASCA”), Title 11, Chapter 19, as amended (the “Act”); (ii) the bond resolution adopted by the Issuer on August 3, 2015; and (iii) the General Indenture of Trust dated as of August 1, 2015 (the “General Indenture”), as supplemented by a First Supplemental Indenture dated as of August 1, 2015 (the “First Supplemental Indenture” and, together with the General Indenture, the “Indenture”), each among the Issuer, the Territory and U.S. Bank National Association, as trustee (the “Trustee”).

The proceeds from the sale of the Series 2015 Bonds will be used for the purpose of (i) financing the costs of acquisition and construction of various capital improvement projects in the Territory; (ii) refunding certain outstanding obligations of the Territory; (iii) funding deposits to debt service reserve accounts; and (iv) paying the costs of issuance of the Series 2015 Bonds.

The Issuer and Territory hereby acknowledge that each is an “obligated person” within the meaning of the hereinafter defined rule and the only “obligated person” with respect to the Series 2015 Bonds.

In connection with the aforementioned transactions, the Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Series 2015 Bonds and in order to assist the Participating Underwriter in complying with the Rule (each as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report of the Issuer” means any Annual Report of the Issuer provided by the Issuer pursuant to, and as described in Sections 3 and 4 of this Disclosure Undertaking.

“Beneficial Owner” shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015 Bonds (including persons holding Series 2015 Bonds through nominees, depositories or other intermediaries).

“Business Day” means any day, other than a day on which bank located in New York, New York, or the Issuer in which the principal office of the Trustee is located are required or authorized by law or executive order to close, or on which the New York Stock Exchange is closed.

“Dissemination Agent” shall mean initially, the Issuer, acting in its capacity as Dissemination Agent hereunder, or any of its successors or assigns.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

“MSRB” shall mean the Municipal Securities Rulemaking Board, the physical address of which is currently 1900 Duke Street, Suite 600, Alexandria, VA 22314; Telephone (703) 797-6600; Fax (703) 797-6700 and the internet address of which is www.msrb.org.

“Limited Offering Memorandum” shall mean the Limited Offering Memorandum of the Issuer dated August 21, 2015, relating to the Series 2015 Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2015 Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Quarterly Report of the Issuer” means any Quarterly Report of the Issuer provided by the Issuer pursuant to, and as described in Sections 3 and 4 of this Disclosure Undertaking.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual and Quarterly Reports.

(a) (1) *Annual Report.* The Issuer shall prepare an Annual Report of the Issuer and shall, or shall cause the Dissemination Agent to, not later than two hundred ten (210) days after the end of each fiscal year of the Territory, commencing with the fiscal year ending September 30, 2015, provide to the MSRB in an electronic format, the Annual Report of the Issuer which is consistent with the requirements of Section 4 of this Disclosure Undertaking. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report of the Issuer to the Dissemination Agent (if the Issuer or the Territory is not the Dissemination Agent). In each case, the Annual Report of the Territory may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Undertaking; provided that the audited financial statements of the Territory may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Territory’s fiscal year changes, it shall give notice of such change in the same manner as for Listed Event under Section 5(e).

(2) *Quarterly Report.* On or before forty-five (45) days after the end of each fiscal quarter of the Territory (each a “Quarterly Submission Date”), commencing with the quarter ending December 31, 2015, the Issuer shall provide to the MSRB in an electronic format, or shall cause the Dissemination Agent to provide to the MSRB in electronic form, certain financial information relating to the Territory as specified in Section 4(B) hereof (the “Quarterly Report”). In each case, the Quarterly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking.

(b) If by fifteen (15) Business Days prior to the date specified in Section 3(a) for providing the Annual Report of the Issuer to the MSRB, the Dissemination Agent has not received a copy of the Annual Report of the Issuer, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with Section 3(a)

(c) If the Dissemination Agent is unable to verify that the Annual Report of the Issuer has been provided to the MSRB by the dates required in Section 3(a), the Dissemination Agent shall, in a timely manner, send a notice of a failure to file the Annual Report to the MSRB in an electronic format.

(d) The Dissemination Agent shall:

(i) determine each year prior to the dates for providing the Annual Report of the Issuer, the website address to which the MSRB directs the Annual Report to be submitted; and

(ii) if the Dissemination Agent is other than an officer of the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided and listing the website address to which it was provided.

Section 4. (A) Content of Annual Reports. The Annual Report of the Issuer shall contain or incorporate by reference the following:

(a) A copy of the annual financial statements of the Territory prepared in accordance with generally accepted accounting principles and audited by a certified public accountant or a firm of certified public accounts. If the Territory's audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report of the Issuer and audited financial statements will be provided within 30 days after availability to the Issuer.

(b) An update of the financial information of the type contained in the tables in the Limited Offering Memorandum under the following headings:

“SECURITY FOR THE BONDS—Revenues—Largest Corporate Income Tax Payers by Category,”
“—Largest Excise Tax Payers by Category,”
“—Historical Summary of Pledged Taxes,” and
“—Historical Summary of Revenues.”

(c) The annual budget of the Territory as approved by the *Fono* for each fiscal year, beginning with the budget for the fiscal year ending September 30, 2015.

(B) Content of Quarterly Reports. The Quarterly Report shall contain an unaudited report of budgeted versus actual results for such fiscal quarter, in a format similar to a statement of revenues and expenditures.

Any or all of the items listed above may be included by specific reference to other documents, including Limited Offering Memorandums of debt issues of the Issuer, as appropriate or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final limited offering memorandum, it must be available from the MSRB. The Issuer, as appropriate, shall clearly identify each such other document so incorporated by the reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the Issuer shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series 2015 Bonds in a timely manner but not more than ten (10) Business Days after the Listed Event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2015 Bonds;
- (vi) Defeasances;
- (vii) Tender offers;
- (viii) Bankruptcy, insolvency, receivership or similar proceedings; or
- (ix) Rating changes.

(b) Pursuant to the provisions of this Section 5(b), the Issuer shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series 2015 Bonds in a timely manner not more than ten (10) Business Days after the Listed Event, if material:

(i) Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

(ii) Appointment of a successor or additional trustee or the change of the name of a trustee;

(iii) Non-payment related defaults;

(iv) Modifications to the rights of the owners of the Series 2015 Bonds;

(v) Series 2015 Bond calls; or

(vi) Release, substitution or sale of property securing repayment of the Series 2015 Bonds.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under Section 5(b), whether because of a notice from the Trustee or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If the Issuer determines that the Listed Event under Section 5(b) would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in an electronic format in a timely manner not more than ten (10) Business Days after the Listed Event.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2015 Bonds. If such termination occurs prior to the final maturity of the Series 2015 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent shall be the Issuer.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking and any provision of this Disclosure Undertaking may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an "obligated person" (as defined in the Rule) with respect to the Series 2015 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2015 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2015 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2015 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the Issuer shall describe such amendment in the next Annual Report of the Issuer, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer, as applicable. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Undertaking, any Bondholder or Beneficial Owner of the Series 2015 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an “event of default” under the Indenture, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 11. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney’s fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015 Bonds.

Section 12. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Series 2015 Bonds, and shall create no rights in any other person or entity.

Dated: _____.

(SEAL)

ATTEST:

By: _____

Its: _____

AMERICAN SAMOA ECONOMIC
DEVELOPMENT AUTHORITY

By: _____
Chair

TERRITORY OF AMERICAN SAMOA
By: _____

APPENDIX F

PROVISIONS REGARDING BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices

to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

APPENDIX G
FORM OF INVESTOR LETTER

American Samoa Economic Development Authority
Pago Pago, American Samoa

Territory of American Samoa
Pago Pago, American Samoa

U.S. Bank National Association, as Trustee
Salt Lake City, Utah

Re: American Samoa Economic Development Authority General Revenue and Refunding Bonds, Series 2015A (Tax-Exempt) and General Revenue and Refunding Bonds, Series 2015C (Federally Taxable)

Ladies and Gentlemen:

The undersigned (the “Purchaser”), being an initial purchaser of the above-referenced bonds (the “Bonds”), issued by American Samoa Economic Development Authority (the “Issuer”) for the benefit of the Territory of American Samoa (the “Territory”), does hereby certify, represent and warrant for the benefit of the Issuer, the Territory and U.S. Bank National Association, as Trustee (the “Trustee”), that:

(a) The Purchaser is a “Qualified Institutional Buyer” (as defined in Rule 144A under the Securities Act of 1933, as amended (the “Act”)) or an institution (i.e., a corporation, limited liability company or other entity that is not a natural person) that is an “Accredited Investor” (as defined in Rule 501 of Regulation D under the Act) (an “Institutional Accredited Investor,” as set forth on Exhibit A hereto).

(b) The Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax-exempt obligations and is capable of evaluating the merits and risks of its investment in the Bonds and, based on such knowledge and experience, the Preliminary Limited Offering Memorandum, dated July 23, 2015, as supplemented on August 18, 2015 relating to the Bonds (the “PLOM”), and the Purchaser’s own internal due diligence in reliance on the PLOM, has evaluated such risks and merits to its satisfaction. The Purchaser is able to bear the economic risk of, and an entire loss of, an investment in the Bonds.

(c) The Purchaser is acquiring the Bonds solely for its own account for investment purposes, and does not presently intend to make a public distribution of, or to resell or transfer, all or any part of the Bonds. The Purchaser may sell the Bonds at any time, at Purchaser’s sole discretion, subject to and in accordance with the terms and conditions of the Bonds, including but not limited to the transfer restrictions described in this letter. The Purchaser understands that the Bonds will be issued in minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

(d) The Purchaser understands that the Bonds have not been registered under the Act or under any state securities laws. Without limiting the Trustee’s or the Underwriter’s respective obligations to comply with any applicable state and federal securities laws then in effect with respect to the sale or disposition of the Bonds, the Purchaser agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Bonds by it, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

(e) Based on the Purchaser’s knowledge and experience, the information set forth in the PLOM, and the Purchaser’s own internal due diligence in reliance on the PLOM, the Purchaser is familiar with the conditions, financial and otherwise, of the Issuer and the Territory. Further, the Purchaser understands that the Bonds involve a

degree of risk. The Purchaser has received and read the PLOM in connection with and relating to the Bonds. The Purchaser understands it will receive the final Limited Offering Memorandum (the “Final Limited Offering Memorandum” and, together with the PLOM, the “LOM”) at or prior to the time of closing of the Bonds. The Purchaser has reviewed the documents to be executed in conjunction with the issuance of the Bonds, including, without limitation, the General Indenture of Trust, dated as of August 1, 2015, as supplemented by a First Supplemental Indenture of Trust, dated as of August 1, 2015, each among the Issuer, the Territory and the Trustee (the “Indenture”).

(f) The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds. The undersigned is a duly appointed, qualified, and acting officer of the Purchaser and is authorized to cause the Purchaser to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Purchaser.

(g) In entering into this transaction, the Purchaser has relied upon the legal opinion issued by bond counsel, Ballard Spahr LLP (“Bond Counsel”) with respect to the validity of the Bonds. The Purchaser acknowledges that neither the Issuer, nor the Underwriters (George K. Baum & Company and KeyBanc Capital Markets, Inc.), nor the Underwriters’ counsel, Chapman and Cutler LLP, is issuing any legal opinion with respect to the Bonds. Based on the Purchaser’s knowledge and experience, the information set forth in the PLOM, and the Purchaser’s own internal due diligence in reliance on the PLOM, in entering into this transaction, the Purchaser has made its own analysis with respect to the Bonds; the security; the condition, financial and otherwise, of the Issuer and the Territory; and other material factors affecting the security and payment of the Bonds.

(h) The Purchaser understands that the Bonds are general revenue bonds and not secured by any pledge of any moneys received or to be received from real property taxation by the Issuer or any political subdivision thereof; that the liability of the Issuer with respect to the Bonds is subject to further limitations as set forth in the Bonds, the PLOM, and the Indenture; and that neither the Issuer nor the Territory levy an ad valorem property tax.

(i) The Purchaser acknowledges and agrees that, unless the Bonds have, at the time of transfer, an unenhanced rating (or an enhanced rating, if the applicable credit enhancement extends to the final maturity of the Bonds) of at least Baa2, BBB or BBB, respectively, by Moody’s Investors Service, Standard & Poor’s Rating Services or Fitch, Inc., the Bonds may not be transferred by the registered owner thereof to any person other than (i) to a “Qualified Institutional Buyer” (as defined in Rule 144A under the Securities Act of 1933, as amended); or (ii) to an institution which meets the requirements of being an “Accredited Investor” (as defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended) (an “Institutional Accredited Investor”, as defined in Exhibit A hereto). The Purchaser further acknowledges that, at such point, if any, the Bonds carry an unenhanced (unless any credit enhancement extends to the maturity of the Bonds) rating of at least Baa2, BBB or BBB, respectively, by Moody’s Investors Service, Standard & Poor’s Rating Services or Fitch, Inc., the foregoing restrictions on transfer shall not apply and the Bonds may be reissued in denominations of \$5,000 and integral multiples of \$5,000.

(j) Neither the Trustee nor the Issuer, nor the Territory, nor any of their respective members, governing bodies, or employees, counsel or agents will have any responsibility to the Purchaser for the accuracy or completeness of information obtained by the Purchaser from third parties or their agents regarding the Bonds. No written information has been provided by the Issuer or the Territory to the Purchaser with respect to the Bonds except as set forth in the LOM. The Purchaser has sought such accounting, legal and tax advice as it considers necessary to make an informed investment decision. The Purchaser acknowledges that, as among the Purchaser and the Issuer, the Territory, and the Trustee, the Purchaser has assumed responsibility for obtaining such information and making such review as the Purchaser deemed necessary or desirable in connection with its decision to purchase the Bonds. Notwithstanding anything to the contrary contained herein, (i) the Purchaser may rely on the final opinion furnished by Bond Counsel as set forth as Appendix D to the LOM, and (ii) the Purchaser is not waiving any rights it may have against the Underwriter under applicable anti-fraud provisions of the U.S. or any state securities laws.

The Purchaser acknowledges that the sale of the Bonds to the Purchaser is made in reliance upon the certifications, representations and warranties herein by the addressees hereto.

[Insert Purchaser Name]
("PURCHASER")

By: _____

Printed Name: _____

Title: _____

cc: George K. Baum & Company
("Underwriter")

Chapman and Cutler LLP
("Underwriters' Counsel")

Ballard Spahr LLP
("Bond Counsel")

SUMMARY OF INVESTMENT

Principal Amount: \$_____

CUSIP Number:

EXHIBIT A

DEFINITION OF “INSTITUTIONAL ACCREDITED INVESTOR”

For purposes of the foregoing Investor Letter to which this Exhibit A is attached, the term “Institutional Accredited Investor” shall mean any entity meeting the definition set forth in 17 CFR 230.501 (a)(1), (2), (3), or (7), or any entity meeting the definition set forth in 17 CFR 230.501 (a)(8), as further defined and restricted below, as follows:

- Any bank; any savings and loan association, whether acting in its individual or fiduciary capacity; any registered broker or dealer; any insurance company; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act; any Small Business Investment Company licensed by the US Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, with total assets in excess of \$5 million; or any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 where investment decisions are made by a plan fiduciary that is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5 million or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.
- Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5 million.
- Any trust, with total assets in excess of \$5 million, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D under the Securities Act of 1933 (17 CFR 230.506(b)(2)(ii)).
- Any entity in which all of the equity owners are accredited investors; provided, however, that (a) if any such accredited investor is a natural person, that natural person’s individual net worth, or joint net worth with that person’s spouse, must exceed \$5,000,000, exclusive of that natural person’s primary residence, and irrespective of any lower amount stated in 17 CFR 230.501 (a)(8); and (b) such entity must be represented and advised by an independent and duly registered investment adviser under the Investment Advisers Act of 1940 [15 U.S.C. 80b-1 et seq.], owing a fiduciary duty to the entity and all of its equity owners, including a duty to determine that the Bonds are suitable investments for such entity.