MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE

GUAM ECONOMIC DEVELOPMENT AUTHORITY

April 21, 2016

Call to Order

§1. The regular meeting of the Board of Directors of the **Guam Economic Development Authority** (referred to as "GEDA" or the "Authority") was held on April 21,2016 at the hour of 1:40 p.m. at the Guam Economic Development Authority conference room, Fifth Floor Suite 511, ITC Building, Tamuning, Guam. The meeting was called to order by Chairman Edward J. Calvo to consider several items on the agenda.

Attendance and Quorum

§2. Roll Call. As determined by the roll call, the following directors were present:

Directors:	***Offices or Positions:***
Edward J. Calvo	Chairman
David J. John	Vice Chairman
Vera Wu	Secretary
Monte Mesa	Director
Ernesto V Espaldon, Jr.	Director
Mana Silva Taijeron	Deputy Administrator
Absent and excused were:	
George Chui	Director
Jay Rojas	Administrator

Also present were:

GEDA Officials:

Matthew Baza	GEDA
Brianna Benito	GEDA
Raeann LeFever	GEDA
Diego Mendiola	GEDA
Larry Toves	GEDA
John San Nicolas	GEDA
Cil Suda	GEDA
Therese Ybarra	GEDA
Bernice Torres	GEDA
Antoinette Leon Guerrero	GEDA
Jha'Aunie Leon Guerrero	GEDA
Angelene Guzman	GEDA
Mike Benito	Manhita Farms
Michael Limtiaco	Manhita Farms
Ken Quintanilla	KUAM
Joe Termulo	KUAM

Approval of Agenda

§3. The first item considered was approval of the agenda. On motion duly made by Director Mesa and seconded by Director Espaldon to approve the agenda, the motion was unanimously approved.

Approval of Minutes

§4. Approval of minutes from February 2016 and March 2016 board meetings was next on the agenda for consideration. Motion to approve the minutes was made by Director Mesa and seconded by Director Espaldon. The motion was unanimously approved.

Communications

§5. The next item on the agenda was Communications.

Deputy Administrator, Mana Silva Taijeron informed the Board that the GVB has requested that GEDA participate in the Pacific Asia Travel Association's (PATA) Annual Summit as a gold sponsor for their event. This will draw key people in the Asia and Travel industry to Guam, and should be good for investment for GEDA to be involved as we are looking at developing the tourism and hotel industry on Guam. GVB has

confirmed that there will be several hotel investors who will be attending and are looking at Guam as an investment opportunity. The gold sponsorship package is $10,000.00 and GEDA is asking that the Board consider, as GVB was one of GEDA's big sponsors for our economic symposium held in 2015. Bernice Torres, Administrative Service Division Manager was to confirm if funds are available in our marketing budget to support GVB for this event. Director Mesa made the motion to approve the gold sponsorship for PATA if funds are available, Director Wu seconded the motion. The motion was unanimously approved.

Old Business

§6. The next item on the agenda was Old Business. There was none.

New Business

§7. The next item on the agenda was New Business. The first item under New Business was Manhita Farms QC Application. Vice Chairman John moved to approve this application and Director Mesa seconded the motion. The motion was unanimously approved.

Guam Economic Development Authority
Qualifying Certificate Application

Manhita Farms, LLC

dba Manhita Farms

Case Analysis

Case No. 16-01-01

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1. Benefits Requested for QC:

Applicant is requesting for tax benefits pursuant to Chapter 58, Division 2, Title 12 GCA (the QC Law). Requested benefits are stated below:

Nature of Tax	Periods Requested	Percentages Requested
Corporate Income Tax	Twenty (20) years	Seventy-five percent (75%)
Real Property Tax	Ten (10) years	One hundred percent (100%)

2. Project Description:

Overview

- Manhita Farms, LLC will invest approximately $8,775,000 to construct and operate an egg-laying facility and commercial farm for locally grown produce. The facility will be located in Yigo, Guam.

- The investment cost categories listed in the table below.

Project Cost Item	Amount
Construction costs	$2,825,000
Land & acquisition costs	$300,000
Furniture, Fixtures and Equipment	$3,900,000
Working Capital	$1,000,000
Land Preparation	$750,000
Total Estimated Investment	***$8,775,000***

- Project Information: The proposed egg laying facility will contain the following:
    - 4 steel building facilities for egg-laying (approx. 13,500 sq. ft. each);
    - 1 steel building facility for pullets (approx. 13,500 sq. ft.);
    - 1 steel building facility for feed storage (approx. 10,000 sq. ft.); and
    - 1 concrete 2-story office building/processing facility (approx. 2,400 sq. ft.).

- Property information: The property is located at Lot No. 10154-4, municipality of Yigo, Guam. Manhita Farms purchased the leasehold on the property from GEDA in 2015. The lot in question is a government parcel in the inventory of the Guam Department of Agriculture.

Employees

According to Manhita Farm's application they estimate twenty (20) full-time jobs will be created as a result of the project. Eleven (11) employees will be employed in poultry, six (6) in farming, and three (3) in administration.

- New Jobs: 20 total
- Total Annual Gross Pay Amount: **$561,000**

Year One employee breakdown

Department	Number of Employees	Payroll Amount
Poultry	10	$ 234,000.00
Poultry (Management)	1	$ 60,000.00

Farming	5	$ 117,000.00
Farming (Management)	1	$ 60,000.00
Admin	3	$ 90,000.00
TOTAL	**20**	**$ 561,000.00**

Services

- Build and operate an egg-laying farm capable of producing 2.6 million dozens of eggs per year.
- Grow agriculture products such as watermelons, cantaloupes, honeydews, tomatoes, & other local fruits and vegetables to reduce Guam's reliance on imported produce.
- Provide a green waste facility that will provide compost, manure, and topsoil to island residents, farmers, and landscapers.

3. Company Overview:

Date Established: April 16, 2015

Bona Fide Farmers

Certification granted: December 10, 2015

Shareholders: Michael and Marie Benito

Pacific Unlimited, Inc.

Manhita Farms, LLC is a company established in 2015 with the goal of operating a commercial farm and egg laying facility, including additional services such as composting and recycling. As a Limited Liability Company established pursuant to 18 GCA 15, they are eligible to apply for Qualifying Certificate benefits contained in 12 GCA 58.

A. Business & Financial Plan

Manhita Farms, LLC plans to construct and operate an egg-laying farm capable of producing 2.6 million dozens of eggs per year. They also plan to grow produce as well, while providing a green waste facility that will provide much needed compost, manure, and top soil to island residents, farmers, and landscapers.

Manhita Farms, LLC anticipates that between fifteen (15) to twenty (20) employees will be needed to operate the farm's various services, with a total payroll cost in excess of $561,000. This project will benefit local farmers, supermarkets, hotels, restaurants, and smaller grocery stores, as it will save on import and shipping cost for eggs and various other agriculture products.

Below are the company's projected gross revenues for years 1 through 5 for each revenue category.

YEAR	EGG	MANURE	GREEN WASTE	FARM	TOTAL
1	1,555,468	237,600	150,000	482,750	**2,425,818**
2	5,703,388	871,200	150,000	482,750	**7,207,338**
3	6,221,875	950,400	150,000	369,000	**7,691,275**
4	6,221,875	950,400	150,000	369,000	**7,691,275**
5	6,532,969	950,400	150,000	369,000	**8,002,369**

Manhita Farms, LLC provided operating costs for the proposed agriculture project for years one through five. They are expecting to be in the red the first year however they show positive Net Income the following years.

YEAR	GROSS REVENUE	TOTAL EXPENSES	NET INCOME
1	2,425,818	3,698,146	**-1,272,328**
2	7,207,338	6,221,941	**985,397**
3	7,691,275	6,916,274	**775,001**
4	7,691,275	7,053,740	**637,535**
5	8,002,369	7,215,776	**786,593**

*

B. Shareholder Information

Manhita Farms, LLC is a company wholly owned by Pacific Unlimited Inc. and Michael & Marie Benito. Pacific Unlimited Inc. owns 50% and Michael & Marie Benito own 50% of Manhita Farms, LLC. Pacific Unlimited provides services including, distribution, warehousing, trucking, construction services, and more. Michael Benito has over 28 years of experience in the Retail Food & Wholesale business. For the past 12 years he has held the position of General Manager for Payless Supermarkets, and prior to Payless Supermarkets was the General Manager of Market Wholesale.

Pacific Unlimited (50%)

- Partner in Far East Equipment, LLC
- Been in business for 25 years
- Balance Sheet as of November 30, 2015
  - Total Assets: $13,173,884.55
  - Total Liabilities: $9,322,501.59
  - **Shareholder Equity: $3,851,382.96**

Michael and Marie Benito (50%)

- General Manager of Payless Supermarkets
- Balance Sheet figures as of February 2016
  - Total Assets: $1,417,760.38
  - Total Liabilities: $585,562.70
  - **Shareholder Equity: $832,197.68**

B. Commitments

Manhita Farms has enclosed in their application letters of commitment from both Pacific Produce Corporation and Payless Supermarkets to purchase eggs and produce from the farm upon operation. They have also indicated to GEDA that they have an additional commitment from International Distributors, Inc. to purchase products from Manhita Farms.

4. Public Hearing Comments

A public hearing on Manhita Farms, LLC's application was held on February 17, 2016 in the GEDA's main conference room. The hearing commenced at 10:05 AM. In attendance along with GEDA staff were representatives from Manhita Farms, LLC. No members of the public attended to provide comment on the application. The sign in sheet from the hearing is attached to this analysis. The hearing adjourned at 10:15 AM.

5. Findings:

1. **Application**
   a. **Does the project meet eligibility requirements (§58104 *et. seq.*, QC Law) – Yes**
      Eligibility: Agriculture

      The application is being processed under a Limited Liability Corporation (LLC) that will engage in the industry of agriculture. The company plans to build an egg-laying farm capable of producing 2.6 million dozens of eggs per year. The company will also grow and distribute several types of produce to help reduce the island's dependence on imported goods.

   b. **Promotion of General Economic Improvement (§58105) – Yes**
      - Project will provide and additional 15-20 jobs to the local community and will promote a new type of agriculture business to the island.
      - Will be the largest local facility for producing eggs.

   c. **Replace Imports (§58105.2) – Yes**

      According to a GEDA study, an estimated 350,000 dozen eggs are imported monthly into Guam. Currently, Manhita Farms has received letters of commitment from island businesses to buy all their eggs as well as produce from Manhita Farms. These commitments will help reduce the amount of eggs and produce imported into Guam.

      More importantly, each and every dollar spent on produce and eggs imported into Guam is a dollar that is exported from the island. The proposed egg laying facility and commercial farm will reduce the amount of money wholesalers and supermarkets send off island by:

      i. Hiring local employees for labor, management and administration. This will create more disposable income in the economy as well as increased income taxes and withholding taxes.
      ii. Encouraging local buyers to purchase locally made eggs and produce. Instead of local markets, hotels and restaurants being forced to purchase produce and eggs from off island suppliers, purchasing locally from Manhita Farms will ensure that monies made on Guam stay on Guam.

      The increased circulation of money in Guam caused by the farm, in both private wages and tax revenue will create a multiplier effect that will grow the local economy and expand the tax base simultaneously.

   d. **Economic Activity (§58105.5) – Yes.**

      Manhita Farms' proposal is one of the largest agricultural projects in recent history. In addition, the farms is expected to be almost entirely "self sustaining" and plans to leverage all waste products and transform them either into energy to run the farm or a recycled product. This presents a new and exciting economic model for Guam. Additionally, the project aligns with the current

Administration's efforts to reduce imports and increase sustainability and economic growth through agriculture activities.

e. **Letter of Intent submitted: - Yes.**
Received on December 9, 2015

f. **QC Application Submitted: - Yes.**
Submitted application on January 20, 2016

g. **Public Notice of Submitted Application**
Printed in Guam Daily Post on January 28, 2016

2. **Specific findings on the application** (§58109, QC Law):

a. **Project Risks and challenges:**

Potential odor to neighboring real estate owners – Manhita Farms has indicated in its application that they will be utilizing the manure and other waste products in a controlled way to generate energy for the farm as well as composting. This is not only as a way to increase revenue, but also to minimize potential odors and minimize waste. Since they will be utilizing the manure, it will not sit and generate foul odors. Additionally, Manhita Farms has indicated that the hen houses will be enclosed and ventilated, which will further reduce potential odors.

b. **Importance to the economy and the official policy of the government:**

The agriculture and egg farm will result in the creation of at least 15 new jobs earning an estimated $561,000 in gross wages in year one alone. The farm will produce, on average, 2.6 million dozens of eggs upon 18 months of operation, as well as other agriculture products, such as watermelon, tomatoes, and honeydew.

According to Manhita Farms' application, approximately 90% of produce currently consumed in Guam arrives via ocean freight. Also, produce that is shipped via ocean freight has a 21 to 28 day total supply chain lead-time, which compromises freshness and nutrition.

This will be the largest facility on Guam for eggs, fresh fruits, and fresh vegetables. It will reduce total supply chain-lead time for multiple local businesses, including hotels, restaurants, schools, hospitals, and supermarkets, among others.

Manhita Farm's application will reduce the amount of imported eggs, increase circulation of money in our local economy and will provide the people of Guam a higher quality product. It will help stimulate Guam's agriculture industry and will highlight Guam as a viable location for large scale agriculture.

6. Recommendations:

Based on the review of the facts on this case, the recommendation is to **APPROVE** the Qualifying Certificate Application **16-01-01** with the following benefits and additional conditions.

Recommended Benefits for QC:

The following benefits will be awarded to Manhita Farms, LLC as per 12 GCA 58 for the periods specified.

Nature of Tax	Periods Requested	Percentages Requested
Corporate Income Tax	Twenty (20) years	Seventy-five percent (75%)
Real Property Tax*	-	-

**Pursuant to 11 GCA 24 §24401(f), property used in active farming for at least eight (8) months out of the year are exempt from real property taxes. Because of this, real property tax benefits are not included in Manhita Farms LLC's Qualifying Certificate.*

Additional Conditions: In addition to the standard requirements of the QC law, the following are additional conditions of approval as per the QC Law.

1. **Community Contribution** –
    a. Manhita Farms agrees to make an annual community contribution as a condition receiving QC benefits. Manhita Farms shall contribute the sum total of 5% of all rebates and abatements for each tax year, but no less than $5,000 annually in the form of a cash contribution to GEDA aimed towards activities to stimulate local economic development. Manhita Farms shall remit to GEDA the community contribution for each year that the QC is active.
    b. Manhita Farms also agrees to provide annual training/internship opportunities to island residents in partnership with AHRD, the University of Guam and others.

2. **Agreement to follow jurisdiction of Compliance Division** – Manhita Farms agrees to follow the jurisdiction of GEDA's Compliance Division and ensures that the project shall operate as an egg laying facility and agriculture farm for the entire term of the QC contract. Failure to comply with the rules and regulations of GEDA's compliance division will result in the loss of benefits for that year and may result in revocation of the QC if compliance is not recovered. Manhita Farms also agrees to remit all QC monitoring fees ($500 annually) as per the QC law as a condition of compliance. Manhita Farms also agrees to follow jurisdiction of Compliance Division for full length of QC, which is 20 years.

3. **Conditions contained in QC Law** – Manhita Farms agrees to the following conditions as identified in the QC law:

    a. Beneficiary shall submit a plan for a management training program for the approval of the Authority. The plan shall establish a management training program through which the Beneficiary shall have as managers and officers residents of Guam who are United States citizens or permanent residents of the United States. ***(§58116)***

    b. On the effective date of the Qualifying Certificate and all times thereafter, Beneficiary shall at all times employ a total work force of not less than the minimum full-time equivalent number established by GEDA and as set out in the Qualifying Certificate. At all times, the work force of the Beneficiary shall meet the following minimum requirements:
        i. At least seventy-five (75%) of the Beneficiary's non-managerial employees shall be United States citizens or permanent residents of the United States; and
        ii. After the expiration of three-fourths (3/4ths) of the period of the Qualifying Certificate or ten (10) years, whichever is sooner, the Beneficiary shall satisfy the seventy-five (75%) employment requirement for both management and non-management employees.
        iii. The Authority shall be the sole judge of whether a Beneficiary's employee is management or non-management. ***(§58117)***
        iv. As indicated in their application, Manhita Farms agrees that minimum workforce of no less than fifteen (15) full-time equivalent employees shall be maintained throughout the duration of the Qualifying Certificate.

    c. No resident employee of a Beneficiary shall be paid at less than the prevailing wage rate (as set by the Department of Labor) nor shall such employee be laid off work nor have his or her

workweek reduced to less than forty (40) hours in order to create employment for employees who are not United States citizens or permanent residents of the United States. ***(§58118)***

d. A Qualifying Certificate or the benefits thereunder may not be transferred, assigned or conveyed to another person, firm, partnership, or corporation without the written permission of the Authority. ***(§58121)***

e. The Beneficiary of a Qualifying Certificate must furnish monthly written reports to the Authority beginning thirty (30) days after the date of the issuance of the Qualifying Certificate. Said reports must include, but are not limited to, financial, employment and payroll data. All such monthly reports shall be treated as confidential by the Authority. ***(§58123)***

f. Each Qualifying Certificate, shall require a Beneficiary to invest within Guam no less than fifty percent (50%) of any taxes rebated or abated under §§ 58127 and 58128 of this Article for a period of five (5) years following the rebate or abatement. A Beneficiary shall report all such investments to the Authority. ***(§58142)***

4. **Non Compliance** – Manhita Farms agrees that in the event that it shall fail to comply with any of the terms and conditions of the QC as determined by GEDA, it shall lose the tax benefits for the calendar year in which the failure occurred. Manhita Farms also agrees that if it fails to correct errors after notice from GEDA or fails to come into compliance within twelve (12) months after notification, the QC shall be void and of no further force or effect and the Department of Revenue and Taxation (DRT), as agent for the government of Guam, shall obtain repayment from Manhita Farms to the Government of Guam all tax exemptions, rebates, and/or abatements it claimed pursuant to the QC.

7. Effective Date

This Qualifying Certificate shall become effective upon the final approval of the Governor of Guam with the recommended approval by the Board of Directors. Manhita Farms and GEDA agree to a date of January 1, 2018 for the commencement of any tax rebates and/or abatements.

Prepared By: Reviewed and Approved to Present to CRC:

_____ Date:_____ _____ Date:_____

Matthew Baza Edward Camacho

Industry Development Specialist Business Development Manager

CRC RECCOMMENDED ACTION:

_____	[ ] APPROVED	_____	[ ] APPROVED
Mana Silva Taijeron	[ ] DISAPPROVED	John San Nicolas	[ ] DISAPPROVED
Deputy Administrator		Loans & Compliance Assistant Manager	
_____	[ ] APPROVED	_____	[ ] APPROVED
Larry Toves	[ ] DISAPPROVED	Bernice Torres	[ ] DISAPPROVED
Real Property Manager		Admin. & Operations Manager	
_____	[ ] APPROVED	_____	[ ] APPROVED
Christina D. Garcia	[ ] DISAPPROVED	Natalia Faculo	[ ] DISAPPROVED
Public Finance Manager		Commerce and Economic Development Supervisor	

The second item on the agenda was the Memorandum of Agreement between DISID & GEDA. Director Espaldon moved to approve the item, Director Mesa seconded the motion. The motion was unanimously approved.

April 21, 2016

To: GEDA Board of Directors

From: Administrator

RE: Memorandum of Agreement between the Department of Integrated Services for Individuals with Disabilities (DISID) and GEDA

BACKGROUND:

In the interest of pursuing the development of Lot 5138-2-R3-NEW-1, commonly known as the former Voc Rehab, located across JFK High School in upper Tumon along Route 1, Marine Corps Drive, GEDA desires to enter into a

Memorandum of Agreement (MOA) with the Department of Integrated Services for Individuals with Disabilities (DISID) with the intent of establishing a partnership to capitalize on GEDA's financing, development and property management capabilities along with DISID's property asset. With a formalized partnership, GEDA will be able to develop this property to further accomplish the respective missions of both agencies.

ANALYSIS:

Considering DISD's need to better service its clients, it has pursued development of a building on the above mentioned property however, all previous efforts to do so have been unsuccessful. As such, GEDA finds that it may be able to assist DISID in this endeavor while also finding potential long term mutual benefits. This partnership in development is anticipated to begin design and construction of an office building for both agencies, via upcoming grant opportunities already in discussions for FY 2017 with the Economic Development Administration under the U.S. Department of Commerce, which will eliminate office lease/rental expenses that continue to burden both agencies' respective operating budgets. DISID's mission of training individuals with disabilities for employment also dovetails with GEDA's mission of overall workforce development and to spur economic activities. With even further development of the property, both GEDA and DISID may also find additional revenues to augment respective operations and program services.

RECOMMENDATION:

GEDA staff recommends that the Board of Directors authorize the Administrator to execute an MOA with DISID to enter into a strategic relationship to explore the various options of property development to include, but not be limited to, building a home for both agencies, other highest and best use of DISID's property along with other initiatives that will result in mutual benefit for both agencies and further economic activity for our local community.

( ) Approved

( ) Disapproved

_____

EDWARD J. CALVO
Chairman of the Board

The next item on the agenda was the approval for Additional Check Signers & Certifying Officers. Vice Chairman John moved for the approval, Director Espaldon seconded. The motion was unanimously approved.

America in Asia

GEDA
Guam Economic Development Authority
Aturidad Inadilanton Ikunumiban Guahan

Eddie Baza Calvo
Governor of Guam
I Maga'lahen Guahan
Ray Tenorio
Lt. Governor of Guam
I Segundo Na Maga'lahen Guahan
Jay Rojas
Administrator
Administradot
Mana Silva Taijeron
Deputy Administrator
Segundo Na Administradot

MEMORANDUM

To: GEDA Board of Directors

From: Mana Silva Taijeron, Deputy Administrator

Subject: Obtain Board Approval for Authorized Signatures

Hafa Adai!

This letter is to request your approval for additional authorized check signers and certifying officers for the Authority.

GEDA's current signatories:

I. **Authorized Check Signers**
   a. Mana Silva Taijeron, Deputy Administrator
   b. Claire Cruz, Loans & Compliance Manager
   c. Christina D. Garcia, Public Finance Manager
   d. Lawrence C. Toves, Real Property Manager
   e. Bernice Torres, Administrative Services manager
II. **Authorized Certifying Officers**
   a. Mana Silva Taijeron, Deputy Administrator
   b. Gloria Molo, Administrative Services Officer

Proposed additional signatories:

I. **Authorized Check Signers**
   a. Jay Rojas, Administrator
II. **Authorized Certifying Officers**
   a. Lawrence C. Toves, Real Property Manager
   b. Christina D. Garcia, Public Finance Manager

GEDA Board Comments / Recommendations:

/ ✓ Approved / / Disapproved

Mana Silva Taijeron, Deputy Administrator

Edward J. Calvo, Board Chairman

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Reports

§10. The next item on the agenda was Reports. There were no reports.

Public Comments

§11. The next item on the agenda was Public comments. There were none.

Adjournment

§12. Having no further items to discuss, on motion to adjourn duly made by Director Espaldon and seconded by Director Mesa, at 3:25 p.m., the meeting was adjourned.

Dated this __**19th**__ day of __**May**__, **2016**

Edward J. Calvo
Chairman

ATTEST:

Vera Wu
Secretary