

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE  
**GUAM ECONOMIC DEVELOPMENT AUTHORITY**

June 26, 2015

***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 June 26, 2015 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:***

Edward J. Calvo

David J. John

Vera Wu

George Chiu

Monte Mesa

***Offices or Positions:***

Chairman

Vice Chairman

Secretary

Director

Director

***Absent and excused was:***

Ernesto V. Espaldon, Jr.

Director

Mana Silva Taijeron

GEDA Deputy Administrator

***Also present were:***

***GEDA Officials:***

John A. Rios	GEDA Administrator
Tom Fisher	GEDA Legal Counsel
Fisher & Associates	
Christina Garcia	Public Finance Manager
Larry Toves	Real Property Manager
Claire Cruz	Loans & Compliance Manager
Bernice Torres	Administrative Services Manager
Edward Camacho	Business Development Manager
Diego Mendiola	Real Property Assistant Manager
Mike Cruz	Project Director
Dong Choe	Special Assistant Inter-Agency Support
Therese Santos	Executive Assistant
Matt Sgro	Industry Development Specialist
Jha'Aunie Leon Guerrero	Program Coordinator
Matthew Baza	CEDs Specialist
Gloria Molo	Administrative Service Officer
Andrew Park	PPTC
Ken Quintanilla	KUAM
Colin Kirk	KUAM
Tyler Matanane	KUAM
Julius Cantana	Marianas Variety

***Approval of Agenda***

**§3.** The first item considered was approval of the agenda. On motion duly made by Director Chiu and seconded by Vice Chair John to approve the agenda, the motion was unanimously approved.

***Approval of Minutes***

**§4.** The next item on the agenda was the approval of minutes from the Regular Board of Directors Meeting on May 28, 2015.

Motion duly made to approve the minutes from the Regular Board Meeting on May 28, 2015 by Vice Chair John and seconded by Director Mesa. The motion carried and the minutes were unanimously approved.

## **Communications**

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

Administrator, John Rios informed the Board that Secretary of the Interior, Sally Jewell and Assistant Secretary for Insular Areas, U.S. Department of the Interior, Esther Kia'aina will be on island. Governor Calvo will be meeting with them and GEDA will be participating.

## **Old Business**

**§6.** The next item on the agenda was Old Business. The first item under Old Business was the QC Application of LGI Guam Pacific.

Mr. Matthew Sgro presented to the Board that at the May Board meeting, the QC Application of LGI Guam Pacific was tabled due to some concerns that were addressed. Mr. Sgro informed the Board that after discussions regarding the concerns that the Board of Directors expressed, there will be an auditing process prior to any tax rebate from the special hotel QC. The auditing process will be conducted upon completion of investment and will also be paid by the investor, upon GEDA's recommendation regarding the following:

1. Due to the fact that Ladera's investment per room key (total investment/total number of rooms) is significantly higher than that of the local market rate, LGI Polaris has agreed for GEDA to engage with an independent 3<sup>rd</sup> party to provide an audit of valuation of investment.
2. This auditing process will be payable by the investor and conducted once the total investment has been completed.
3. GEDA agrees to use its best efforts to keep the audit cost at a reasonable rate and to notify LGI Polaris of the quote within a timely manner.

After further discussion, motion duly made by Director Chiu and seconded Director Wu approve the QC Application for Polaris Lakeshore Global Investment (LGI) dba Ladera Towers, based upon the proposal by the Business Development team, subject to ensuring that all rooms will be subject to payment of hotel occupancy tax. The motion was unanimously approved.

## **New Business**

**§7.** The next item on the agenda was New Business. The first item under New Business was the Charge Off Recommendation for Loan #ADF 105-001 Ernest Wusstig.

Mrs. Claire Cruz presented to the Board the following information:

Borrower: Ernest Sablan Wusstig dba: Island View Farms

Guarantor: Ernest Sablan Wusstig

Type of Project: Farm

Original Loan Amount: \$25,000.00

Acct#: ADF-105-001

Date: 11/01/2005

Maturity Date: 10/31/2006

Interest Rate: 4% (fixed rate)

Amount Disbursed: \$25,000.00

Principal Balance: \$6,300.81 as of 2/28/2015

Accrued Interest: \$0.00 as of 2/28/2015

Fees: \$0.00 as of 2/28/2015

Pay Off: \$6,300.81 as of 2/28/2015

Last Payment: 05/15/2013

Status: 08/31/2010 transferred to Non-Accrual Principal

Balance: \$7,897.87 as of 8/31/2010

Accrued Interest: \$152.94 as of 8/31/2010

Fees: \$0.00 as of 8/31/2010

Payoff: \$8,050.81 as of 8/31/10

Collateral: UCC1  
Personal Guarantee of Ernest Sablan Wusstig

**ANALYSIS:**

1. Accounts maintained on a cash basis because of deterioration in financial position

2. Payment in full if interest or principal is not expected
3. Principal or interest has been in default for a period of over 90 days

GEDA's policy is to charge off all loans whose collectivity is sufficiently questionable that it can no longer justify showing these loans as assets on the balance sheet. A charge off is an acknowledgement of a loss on GEDA's records of the account. It does not affect GEDA's legal rights against a debtor.

**BRIEF HISTORY:** Disposed of all business assets  
05/19/2014 referred to Attorney Tom Fisher  
08/24/2014 Attorney sent 10 day demand letter  
09/11/2014 Attorney advised demands returned undeliverable  
09/12/2014 Resent demand letter to updated address  
12/05/2014 Sent reviewed Complaint to Attorney  
01/27/2015 Recalled from Attorney Fisher  
03/16/2015 Referred to Attorney Terry Brooks

**RECOMMENDATION:** Charge off balance of \$6,300.81 plus interest, fees and costs to date of charge off.

After further discussion, the Board requested to work out some kind of payment plan; these are the kind of people GEDA wants to help. Mrs. Cruz explained to the Board that GEDA does not want to lose the security interest with a new loan, so we will do it as a "work out". No Board action was required at this time.

**§8.** The next item under New Business was the Charge Off Recommendation for loan #GDFA 002-11 Grant Paul, and #GDFA 006-11 Grant Paul.

Mrs. Claire Cruz presented to the Board the following information:

Borrower: Grant Paul dba: Portraits by Grant Paul

Guarantor: Grant Paul / Thelma Paul

Type of Project: Photography Studio

Original Loan Amount: \$10,000.00

Original Loan Amount: \$35,000.00

Note: Loan was made under the Mitigation Program for Business Interruption (P.L. 31-13)

Acct #: GDFA-002-11

Acct #: GDFA-006-11

Date: 03/21/2011

Maturity Date: 03/23/2016

Interest Rate: 6.00% per annum

Amount Disbursed: \$10,000.00

Principal Balance: \$8,772.84 as of 2/28/2015  
of 2/28/2015

Accrued Interest: \$83.65 as of 2/28/2015  
2/28/2015

Fees: \$279.93 as of 2/28/2015

Pay Off: \$9,136.42 as of 2/28/2015

Last Payment: 10/30/2012

Status: 12/27/2012 transferred to Non-Accrual

Collateral: UCC1 Personal Guarantee of Grant Paul and Thelma Paul

**ANALYSIS:**

1. Accounts maintained on a cash basis because of deterioration in financial position
2. Payment in full if interest or principal is not expected
3. Principal or interest has been in default for a period of over 90 days

GEDA's policy is to charge off all loans whose collectivity is sufficiently questionable that it can no longer justify showing these loans as assets on the balance sheet. A charge off is an acknowledgement of a loss on GEDA's records of the account. It does not affect GEDA's legal rights against a debtor.

**BRIEF HISTORY:** 09/12/14 Referred to Attorney Terry Brooks

09/19/14 Attorney sent 10-day demand letter

09/28/14 Mrs. Paul e-mailed Attorney Brooks informing him that Mr. Paul passed away and she has no assets, income or credit to repay loan

Date: 05/04/2011

Maturity Date: 04/04/2017

Interest Rate: 6.74% per annum

Amount Disbursed: \$35,000.00

Principal Balance: \$32,633.54 as of

Accrued Interest: \$265.15 as of

Fees: \$275.68 as of 2/28/2015

Pay Off: \$33,174.37 as of 2/28/2015

Last Payment: 11/13/2012

Status: 12/27/2012 transferred  
to Non-Accrual

09/30/14 Attorney Brooks suggest that we suspend action for 6-months and see if Mrs. Paul is able to get back on her feet

06/16/15 Status has not changed

RECOMMENDATION: Charge off balance of \$9,136.42 for GDFA-002-11 and \$33,174.37 for GDFA-006-11 plus interest, fees and costs to date of charge off.

After some discussion, a motion duly made by Director Chiu and seconded by Vice Chairman John to approve the charge off of Grant Paul's loans. The motion was unanimously approved.

**§9.** The next item on under Old Business was the World Health Organization (WHO) Meeting on Guam: GEDA's role.

Mrs. Christina Garcia presented to the Board that the next World Health Organization Conference will be hosted by Guam in 2015. This is the 66<sup>th</sup> Conference, and held on October 12 to October 16, 2015.

The Governor endorses this meeting; this will give Guam an opportunity to show that our island is an ideal location for such international meetings. The Governor has asked GEDA along with the Guam Visitor's Bureau (GVB) to assist Department of Public Health and Social Services (DPHSS) with the logistical support for the conference.

Mrs. Garcia informed the Board that at this point this is just informational and that GEDA will be working with GVB and DPHSS to layout the requirements of the group conference to include other logistics support and with any other needs to represent Guam.

There are 37 member countries and territories that will be attending the WHO Conference. The funding for this will be provided by DPHSS with the Compact Impact funds and other sources on the local side. GVB will also be receiving additional funding to assist with the event. If needed, GEDA marketing coordinator will assist.

No Board action was required.

### ***Reports***

**§10.** The next item on the agenda was Reports.

Administrator, John Rios informed the Board that there were two bills, Bill No. 127-33 and Bill No. 130-33 recently introduced.

Bill 127 deals with vendor payables; it's a result of a public hearing that was held at Department of Education (DOE), where they reported that a lot of their bills are over ninety days. Senator San Nicolas introduced this bill, it also relates to us in a way where outstanding payables over thirty days, will hold GEDA from approving existing QCs. Vice Chair John added that the logic behind the bill is that if the government doesn't have money to pay its bills, then they shouldn't be giving tax breaks. The second thing is if QCs aren't generating tax revenue for us through multiplier, unless it's just for the community, then we shouldn't be giving QCs. Administrator Rios added that the public hearing for this bill has not yet been scheduled.

Bill 130 deals with the refunding of 2007 and 2009 Bonds. GEDA worked with Senator Rodriguez on the bill. The senator included verbiage that the future savings with the debt service will help finance a new hospital and the bill was held up. Then Senator San Nicolas that basically removed the requirement that savings would go for a new hospital. The senator switched the source of repayment by using the Business Privilege Tax (BPT) to General Obligation (GO). GEDA will be providing testimony on the bill but we will recommend amendments to the bill.

Administrator Rios, informed the Board that GEDA is working with Department of Chamorro Affairs (DCA) and the Governor instructed DCA to look at whether they will be operating the museum or are they going to hire a contractor to do the operations. The business plan will be done in July; GEDA is also working with DCA on the RFP.

Chairman Calvo requested for the Real Property Division to be more involved with the business plan. It's understood that after GEDA paid for the consultant to work with DCA, they took the lead instead of working as a third party.

Administrator Rios and Mr. Larry Toves added that DCA received additional funding to hire a private firm to manage the operations of the museum. DCA will still get revenue, but the funding is to help operations. Chairman Calvo mentioned that in the agreement between GEDA and DCA, part of the terms was that if funding was found, GEDA would get reimbursed. Administrator also mentioned that there were 16 people hired for the operations of the museum.

One last item that the Administrator wanted to inform the Board on was the State Small Business Credit Initiative (SSBCI). GEDA has already submitted a letter to the Governor that we will be applying for the third tranche of the SSBCI. This will be an additional \$4 Million to use to give out loans.

Chairman Calvo mentioned that as the GEDA Board approved a new QC, he questioned that the report shows that three QCs were revoked. The Chairman asked for the names of the three QCs. Mrs. Claire Cruz informed the Board that the three QCs that were revoked were; Calvo's Enterprises, *Sagua Managu* and Vincent Insurance.

**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 Mesa and seconded by Director Chiu, at 2:46 p.m., the meeting was adjourned.

Dated this 28th day of July, 2015

  
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Edward J. Calvo  
Chairman

ATTEST:

  
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Vera Wu  
Secretary