Presentation to
Western States Institutional Investors Conference

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Representatives from Guam

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Indicates Speaker

Hafa Adai!

Overview of Guam

Guam is an unincorporated organized territory of the United States and a strategic U.S. military post in the Western Pacific

- Guam is governed by an elected Governor and Lieutenant Governor, 15 Senators and an appointed judicial branch
- Income taxes are paid to the Government of Guam instead of the U.S. Treasury
- Population as of April 2010 was estimated to be 159,358
- Guam's GDP measured $4.76 billion for 2012 up from $4.55 billion in 2010
- Most of Guam's bonds are triple-tax exempt in all U.S. states and territories
- All bond issuance is centralized through the Guam Economic Development Authority ("GEDA")

Source: US Bureau of Economic Analysis

Economic Update

Guam's economy continues to grow and additional efforts to increase tourism have resulted in a diversification of the tourism market

Tourism

- 2013 was a banner year for tourism
- Strong growth in visitors from Korea, Taiwan, China and Russia
- Guam's share of the total Japanese outbound tourist market increased to 5.11% in 2013
- Additional hotels expected to open in 2014
- Increased marketing efforts have helped to diversify Guam's tourism market

Construction

- $467 million of building permits issued CY 2013 (28% increase YOY)
- Guam Regional Medical City
  - $215 million private hospital expected to open 2014
- Dusit Thani Hotel
  - $110 million 400 room luxury hotel
- Improvements at airport and port

Business Development

- Interest from various investors in use of EB-5 program
- Additions of national chain restaurants and retailers
- Jack Nicklaus Golf Academy
- $89.5 million solar farm expected to be in operation in 2014
- GEDA is actively pursuing trade with Hong Kong

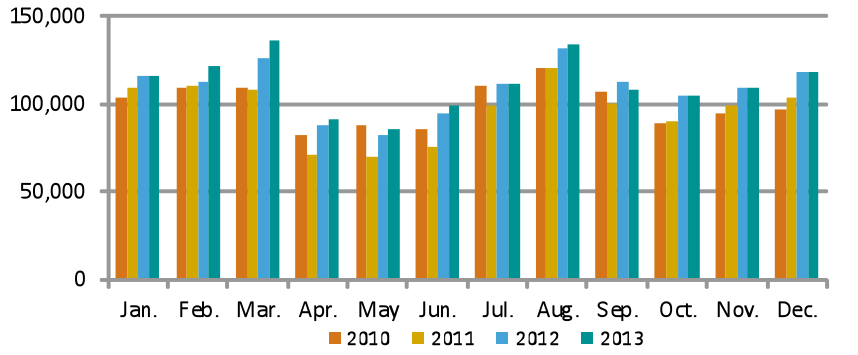
Source: Guam Economic Development Authority

Tourism Update

FY2014 visitor arrivals are on track to match FY2013's record setting total of 1.34 million visitors

Monthly Visitor Arrivals

Visitor traffic has steadily increased



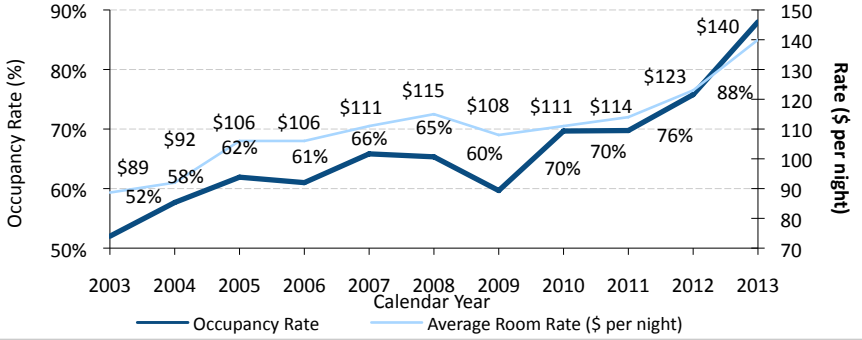
GVB Visitor Projections

GVB projects 1.51 million visitors by 2018

Fiscal Year	Projected Visitors	Projected Total Spend
2014	1.34 million	$2.58 billion
2015	1.38 million	$2.66 billion
2016	1.42 million	$2.74 billion
2017	1.46 million	$2.82 billion
2018	1.51 million	$2.91 billion

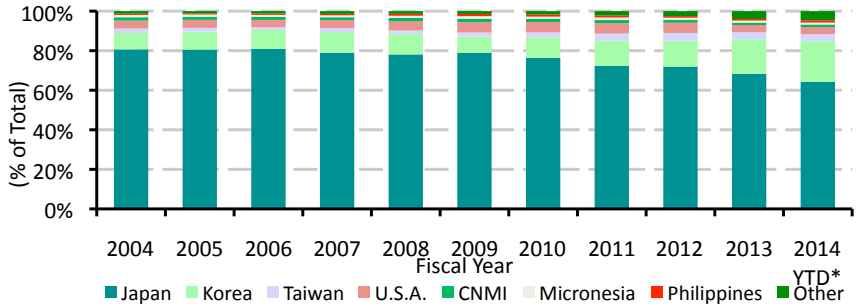
Hotel Occupancy and Average Room Rates

Occupancy and average room rates are the highest in 10 years



Visitor Arrivals as a Percent of Total Arrivals

Guam's visitor market continues to diversify



Source: Guam Visitors Bureau, Guam Hotel & Restaurant Association and 2012 Guam Comprehensive Annual Financial Report. *Preliminary.

Government of Guam Credits

General Obligation	Par Outstanding
Series 2007	$151,935,000
Series 2009	257,040,000

Limited Obligation	Par Outstanding
Business Privilege Tax ("BPT")	
Series 2011	$235,000,000
Series 2012B-1	81,325,000
Series 2012B-2 (Taxable)	27,375,000
Series 2013	21,340,000
Section 30 Bonds	
Series 2009	$193,010,000
Hotel Occupancy Tax Bonds	
Series 2011	$85,470,000

Other Obligations	Par Outstanding
Certificates of Participation	
Series 2010 JFK High School	$63,695,000
Compact Impact Funds	
Series 2006 GEFF	$34,595,000
Series 2008 GEFF	4,220,000

Revenue Bond Debt	Par Outstanding
Guam International Airport Authority	
Series 2013A	$14,620,000
Series 2013B	33,675,000
Series 2013C	199,040,000
Guam Power Authority	
Senior Lien	
Series 2010	$150,440,000
Series 2012	340,510,000
Subordinate Lien	
Series 2010	$27,300,000
Guam Waterworks Authority	
Series 2005	$88,485,000
Series 2010	118,825,000
Series 2013	172,630,000
Guam Economic Development Authority Tobacco Bonds	
Series 2007	$33,575,000

As of December 31, 2013
Source: GEDA. Does not include bank loans

Recent Guam Achievements

Governor Calvo's focus on fiscal responsibility and economic development has led to a number of significant accomplishments

Recent Guam Rating Developments					
	General Obligation	Business Privilege Tax	Section 30	Guam Waterworks Authority	Guam Power Authority
Rating Action	**Upgrade**	**Inaugural Credit (2011)**	**Upgrade**	**Upgrade/ Positive Outlook**	**Upgrade**
	▪ S&P Upgrade to BB-	▪ S&P: A ▪ Fitch: A-	▪ S&P Upgrade to BBB+	▪ S&P: A- ▪ Moody's upgrade to Ba1 Pos. Outlook ▪ Fitch Pos. Outlook	▪ Moody's Upgrade (Baa3)

- GovGuam recently achieved a Certificate of Achievement for Excellence in Financial Reporting
  - *"It shows increased professionalism" – Jeffrey Esser, GFOA Executive Director*
- National financial media recognition with two recent Bloomberg Articles
  - *"The [BPT] debt is ranked A by S&P, sixth-highest. That's the same level as California's GO bonds"* [1.]

"Guam bonds are beating the entire municipal market in 2014 for the fifth time in six years"
– Brian Chappatta, "Guam Rally on Fiscal Gains Defies Puerto Rico Cuts: Muni Credit," *Bloomberg L.P., February 25, 2014*

[1.] Brian Chappatta, "Guam Rally on Fiscal Gains Defies Puerto Rico Cuts: Muni Credit," Bloomberg L.P., February 25, 2014
Source: GovGuam, GEDA & Bloomberg.

General Fund

The Calvo Administration's initiatives have resulted in tangible benefits which have helped to build positive momentum in improving fiscal conditions

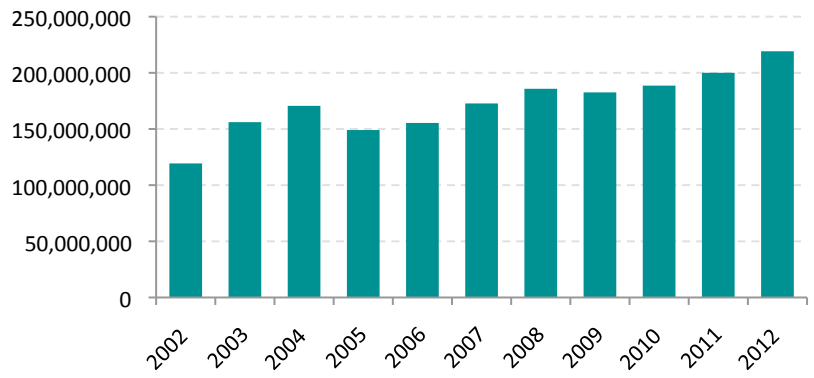
Initiative	Result
Improved Management	▪ Increased transparency including regular meetings with investors and rating agencies ▪ Proven ability to control spending
Eliminate General Fund Deficit	▪ FY 2012 ended with a budget surplus for the first time in 15 years – $30.2 million surplus ▪ General Fund liabilities have been reduced
Achieve Operating Balance	▪ Highest recorded revenues in 15 years attributable to increased tax collections ▪ Reduction in operating expenditures along with governmental reorganization for improved efficiencies
Reduce Unpaid Tax Refunds	▪ All past-due tax refunds have been paid for the first time in two decades ▪ All current-due refunds are being paid on time
Achieve Recurring Budgetary Balance	▪ FY 2012 and anticipated FY 2013 surplus ▪ FY 2015 proposed budget projects $59 million increase in revenues
Increase Economic Development	▪ Governor Calvo continues to make the China Visa Waiver a priority ▪ Under the Calvo administration tourism has had two consecutive banner years ▪ Increased presence at trade missions is helping to diversify Guam's visitor base ▪ Governor's Tourism 2020 Initiative

Business Privilege Tax ("BPT")

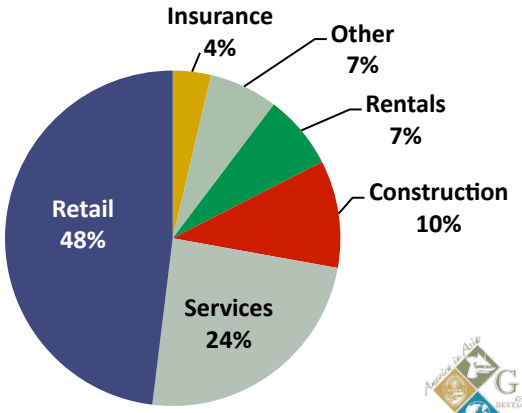
The BPT is a comprehensive tax on goods, services and the sale of tangible property and one of Guam's strongest revenue sources

Revenue Source	▪ 3% of the Government's existing BPT Revenues, a 4% tax on business receipts which accounts for approximately 1/3 of General Fund revenues
Legal Structure	▪ First lien on pledged BPT revenues ▪ Monthly set-aside of 1/6 interest and 1/12 principal deposited into bond fund ▪ Deposits are funded three months in advance so that 100% of debt service payments are on deposit three months prior to debt service payment dates
Additional Bonds Test	▪ 3.0x MADS for any consecutive twelve month period during the 24 months next preceding issuance
Principal Payment Date	▪ January 1 ▪ November 15 (Series 2013C)
Existing Debt	▪ Series 2011A - $235.0 million ▪ Series 2012B - $108.7 million ▪ Series 2013C - $22.6 million — Used to refund outstanding G.O. bonds for savings

Total Historical BPT Collections (FY2002 - 2012)



Breakdown of BPT Collections by Sector



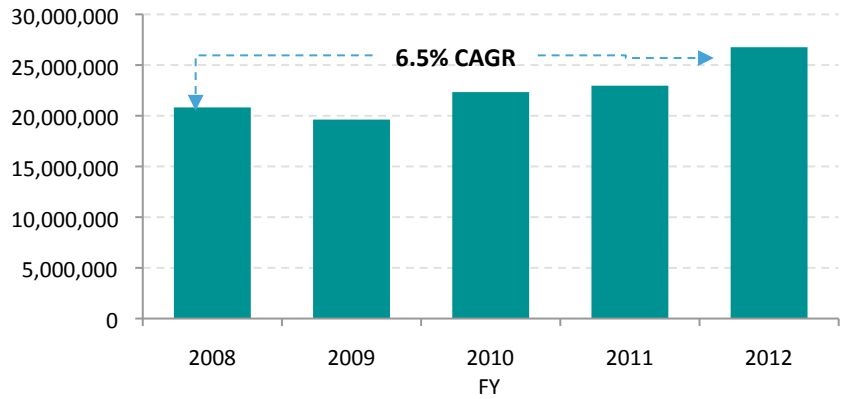
Source: Government of Guam audited financial.

Hotel Occupancy Tax ("HOT")

Hotel Occupancy Tax has been levied since 1971 and has been at its current rate of 11% since 1995

Revenue Source	▪ Hotel occupancy tax
Legal Structure	▪ All HOT revenues received by the Government are immediately subject to a lien of an Indenture dated April 1, 2011 ▪ HOT revenues are collected by the Government and deposited into the Revenue Fund to provide for a monthly set aside of debt service, rebate, reserve and bond expense amounts
Additional Bonds Test	▪ 1.8x MADS for any consecutive twelve month period during the 24 months next preceding issuance
Rate Covenant	▪ The Government covenants that it will impose, levy, enforce and collect HOT revenues in an amount equal to at least 125% of Aggregate Annual Debt Service for such Bond Year
Principal Payment Date	▪ November 1

Historical Hotel Occupancy Tax Revenues (FY2008-2012)



Top 10 Hotels by Number of Rooms

Hotel	Number of Rooms
Pacific Islands Club	777
Hilton Guam Resort & Spa	645
Outrigger Guam Resort	600
Guam Plaza Hotel	505
Hotel Nikko Guam	492
Hyatt Regency Guam	450
Westin Resort Guam	432
Onward Beach Resort	430
Guam Reef & Olive Spa Resort	422
Guam Marriott Resort	380

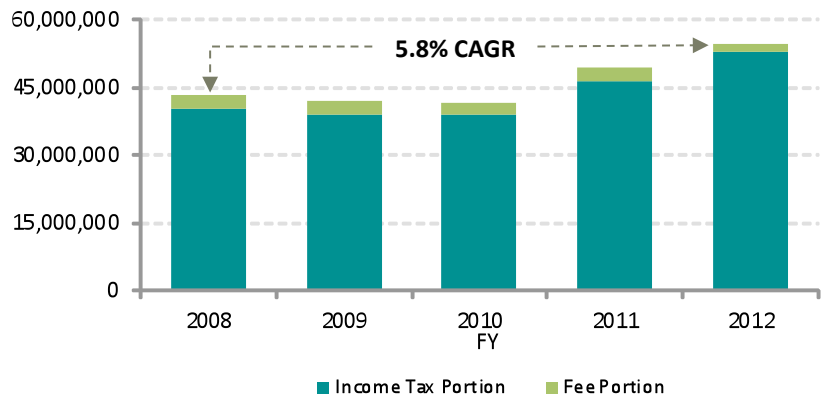
Source: Government of Guam.

Limited Obligation Section 30

The Government's right to receive Section 30 Revenues is granted by Section 30 of the Organic Act and GovGuam has been collecting Section 30 Revenues since 1978

Revenue Source	▪ Section 30 Revenues
Legal Structure	▪ First lien on Section 30 Revenues collected by the Trustee and immediately deposited in to the Section 30 Revenue Fund ▪ Majority of Section 30 Revenues (Income Tax component) is received directly from the U.S. Government on or about October 1st each year ▪ Cash funded reserve fund at MADS
Additional Bonds Test	▪ 2.0x the lesser of (i) most recent fiscal year revenues or (ii) average of the three most recent fiscal year revenues
Principal Payment Date	▪ December 1

Historical Section 30 Revenues (FY 2008-2012)



Composition of Section 30 Revenues

- Federal income taxes derived from military personnel and federal civil service employees on Guam or who indicate Guam as their state of legal residence ("home of record")
- Passport fees
- Immigration fees
- Naturalization fees

Source: Government of Guam.

Guam's Revenue Bond Credits

Guam's revenue bond credits include the island's sole civilian utility providers (electricity, water and wastewater) and the island's only commercial airport

	Guam Power Authority ("GPA")	Guam Waterworks Authority ("GWA")	Guam International Airport Authority ("GIAA")
Overview	▪ Electric system includes 28 substations, 175 miles of transmission lines & over 645 miles of distribution lines ▪ Net capacity of 537.8 MW	▪ Provides water to all of the civilian population of Guam and sewer service to a large percentage of the civilian population, the Air Force base and several Navy facilities	▪ Only commercial airport on the Island ▪ Passenger traffic is at a 15 year high ▪ New duty free retail concession agreement with Lotte Duty Free
Moody's	▪ SR: Baa3 (Sta.) Sub: Ba1	▪ Ba1 (Positive)	▪ Baa2 (Stable)
S&P	▪ SR: BBB (Sta.) Sub: BBB-	▪ A- (Stable)	▪ BBB (Stable)
Fitch	▪ SR: BBB- (Sta.) Sub: BB+	▪ BB (Pos.)	▪ NR
Total Debt Outstanding[1.]	▪ Senior – $430.95 million ▪ Subordinate - $27.3 million	▪ $379.94 million	▪ $247.335 million

[1.] As of December 31, 2013. [2.] Preliminary and subject to change.

Possible Near-Term Financings

Department of Education

- Evaluating financing options for repairs or replacement of various Department of Education facilities
  - Existing public laws and pending legislation specifically provide for various DOE funding alternatives

Guam Power Authority

- Current capital plan projects 2014 bond issue to fund up to $75 million in near-term needs

Guam Waterworks Authority

- GWA anticipates 2015 bond issue to fund remaining projects in its 5-year CIP

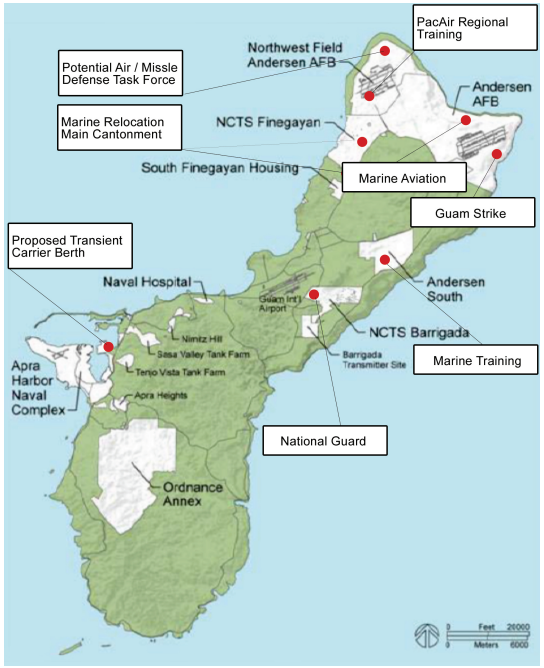
[1.] As of December 31, 2013. [2.] Preliminary and subject to change.

Update on Marine Relocation & DOD Projects

Initial funding for the Marine relocation from Okinawa has been approved

2014 National Defense Authorization Act

- Allocates almost $495 million in spending for construction projects on Guam including:
  - $85.6 million for a USMC aircraft hangar at Andersen AFB which directly supports the realignment of Marines from Okinawa to Guam
- Allows use of $114 million of Government of Japan funds for site improvement projects as well as unlimited use for planning and design of future projects
- Authorizes $176 million for selective hardening of facilities at Andersen Air Force Base to support the Pacific Airpower Resiliency (PAR) program
- Authorizes $128 million for a fully hardened Fuel Systems Hangar at Andersen Air Force Base
- Marine Corps Special Operations Command will be arriving on Guam
  - *"The deployment here will provide MARSOC unique opportunities to train in the region while strengthening the Marine Corps' relationship with the people of Guam" – Colonel Phillip Zimmerman*



Active Duty Military Personnel increased from 4,777 in 2012 to 5,866 in 2013 and Military Dependents on Guam increased from 5,381 in 2012 to 7,483 in 2013.

Source: U.S. Bureau of Economic Analysis as of 2010. Note: DOD/JGPO officials on Guam have confirmed that the authorizations for outside the fence infrastructure are restricted from use until certain conditions are met. The conditions include the completion of the EAC report on infrastructure and the Master Plan are complete. These actions are at not expected to be completed until at least after the signing of the ROD in 2Q FY2015.

Marine Corps Special Ops Team Set to Arrive

Marine Corps Special Ops Team Set to Arrive; Forces Will Rotate; Calvo Welcomes Increased Marine Presence

A release from the Governor's Office • Contact Phill Leon Guerrero at 929-7467 or Phillip.Leonguerrero@Guam.gov

"Guam is being tapped to play a key role in the re-balancing of military forces in this region. We take this duty very seriously and we welcome the Marines to their new home. We are honored to do our part for the country and the security of our allies. This gives us a chip in the game – an opportunity to work collaboratively while building a mutual respect for each other's needs. Ensuring a smooth integration moving forward is a priority. I'm looking forward to establishing a supportive relationship with our military partners." – *Governor Eddie Baza Calvo*

Marine Special Operations Unit First in Series of Incoming Rotational Forces

A Marine Corps unit from the Marine Corps Special Operations Command will be arriving on Guam. This is the first of a series of forces who will rotate on Guam. The MARSOC unit will be integrating with existing special operations trainings and missions occurring in the region. They will be co-located with the Naval Special Warfare Unit already stationed on Guam. These Marine forces are part of a rotational cycle of similar units that also will make their way to Guam during the re-balancing ("military buildup") of forces throughout the region.

Captain Barry Morris, MARSOC Public Affairs Officer, said the purpose for the units' deployment here is that "this deployment is the start of MARSOC's efforts to provide persistent forward deployed fully enabled MSOCs to select Theater Special Operations Commands (TSOC) in order to conduct routine, partner-nation training and other operations throughout the Southeast Asia-Pacific region."

Local, military officials committed to partnership, open communication

Governor Eddie Calvo is optimistic and open to exploring mutually-beneficial strategies to ensure a smooth integration process for both the local community and military personnel. "The potential for a successful integration relies on both parties and the willingness to work together. I'm certain the influx of military forces on Guam can be an opportunity for growth in critical areas – if we build relationships on an open, supportive and collaborative level."

Colonel Philip Zimmerman, Officer-in-Charge, Marine Corps Activity Guam (MCAG) said of the arrival of the Marine Special Operations Company's (MSOC), "they will be a great addition to the Marine Corps family here in Guam."

"Guam is being tapped to play a key role in the re-balancing of military forces in this region. We take this duty very seriously and we welcome the Marines to their new home."
–Governor Eddie Baza Calvo

Useful Guam Websites

Economic Information	
GEDA	www.investguam.com
Guam Chamber of Commerce	www.guamchamber.com.gu

Visitor Industry	
Guam Visitor's Bureau	www.visitguam.com
Guam Hotel & Restaurant Association	www.ghra.com

Financial Information	
Government of Guam	www.admin.gov.gu
Office of the Public Auditor	www.guamopa.com

Guam Autonomous Agency Issuers	
A.B. Won Pat International Airport, Guam	www.guamairport.com
Guam Waterworks Authority	www.guamwaterworks.org
Guam Power Authority	www.guampowerauthority.com

Si Yu'os Ma'ase!

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