

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

March 19, 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 March 19, 2015 at the hour of 1:32 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

George Chiu

Director

Monte Mesa

Director

Ernesto V. Espaldon, Jr.

Director

***Also present were:***

***GEDA Officials:***

John A. Rios

GEDA Administrator

Mana Silva Taijeron

GEDA Deputy Administrator

Terry Brooks	GEDA Legal Counsel Terrence M. Brooks P.C.
Christina Garcia	Business Development Manager
Larry Toves	Real Property Manager
Bernice Torres	Administrative Services Manager
Diego Mendiola	Real Property Assistant Manager
Mike Cruz	Project Director
Jha' Aunie Leon Guerrero	Real Property Administrative Assistant
Sheena Black	CEDDS Manager
Gloria Molo	Administrative Services Officer
John San Nicolas	Compliance Supervisor
Thomas Paulino	Public Finance Officer
Therese Santos	Executive Assistant
Mike Benito	Manhita Guam
Derrick Muna Quinata	Auto Spot
Annmarie T. Muna	Auto Spot
Donna Muna Quinata	Auto Spot
Vince Mafnas	Auto Spot
Maria Hernandez	Pacific Daily News
Ariel Canlas	Setiadi Architects
Aja Reyes	Stanley Consultants
Andrew Judd	Stanley Consultants

### ***Approval of Agenda***

**§3.** The first item considered was approval of the agenda. Chairman EJ Calvo recommended that the order of Old and New Business be switched in terms of the order. On motion duly made by Vice Chair John and seconded by Director Chiu, to approve the agenda with the order of item VII. Old Business and item VIII. New Business to be switched to item VIII. New Business and item VII. Old Business. The amended agenda 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 February 19, 2015.

Motion duly made to approve the minutes from the Regular Board Meeting on February 19, 2015 by Director Mesa and seconded by Vice Chair John. The minutes were unanimously approved.

### ***Communications***

**§5.** The next item on the agenda was Communications. There was none.

***New Business***

**§6.** The next item on the agenda was New Business. The first item under New Business was Monster Auto Loan guarantee Request to Bank of Guam.

GEDA has received a Guam Development Fund Act (GDFA) loan guarantee application package from Bank of Guam for the following applicant:

**Applicant:** Monster Auto Corp. dba Guam Auto Spot  
**Industry / Business:** Retail of used and new cars  
**Request:** \$5,000,000.00 Line of Credit for the addition of GMC/Buick models

Note: GDFA loan cap is \$1.5m

**Use of Funds:** Inventory purchases and leasehold improvements

**Eligibility**

- 1. Industry:
  - a. Agriculture  Yes  No
  - b. Fishing  Yes  No
  - c. Manufacturing  Yes  No
  - d. Tourism  Yes  No
  - e. Support industries for the above entities:
  - f. Other:
  
- 2. Declination letters: N/A
- 3. Citizenship Status: U.S.
- 4. Business Status: Corporation
- 5. Business License: Retail (2014)
- 6. Criteria:
  - a. Creation of Employment  Yes  No
  - b. Reduction of Consumer Prices  Yes  No
  - c. Reduction of Imports  Yes  No
  - d. Vitally needed Service/Facility  Yes  No

**Company:** Guam Auto Spot has been in operations since February 2009 and engages in the retail of used and new cars. Used cars are all major brands while currently the new vehicles are the Mitsubishi brand of sedans and SUVs acquired in 2013. Owners are Derick Muna Quinata and Annmarie Muna.

**Operations:** Guam Auto Spot operates out of two locations, one in Anigua and the other in Hagatna, both along Marine Crops Drive. To accommodate expansion, borrowers will lease the former Ralphy's building to showcase the Mitsubishi brand. The existing location will be rebranded to GMC/Buick.

**Management:** Managed on a daily basis by Derick Muna Quinata, CEO/President has over 10 years of executive management and sales experience in the automobile industry. He started Guam Auto Spot in 2009 with an inventory of five cars.

Donna Muna Quinata, Executive Vice President has over 30 years in automotive sales.

Vince Mafnas, Vice President –Sales has over 35 years of experience in the automotive industry and has worked at every level of a dealership's organization from administrative assistance, inventory manager, sales and service positions to executive management positions.

Dean Mueller, Vice President-Operations has over 25 years of experience in the automotive industry in the areas of automotive sales, finance and insurance, aftermarket product sales, service, workplace safety and general operations.

Frederick Granillo, Vice President-Accounting & Finance has over 20 years of experience in accounting and commercial banking. He has a successful record of accomplishments in commercial finance, accounting management and loan account management.

Mariapaz Centeno, Finance & Insurance Manager has over 20 years in the automotive industry, over 11 of those years in Finance Management.

Brian Smith, Shop Foreman has over 14 years of experience in the automotive industry. He maintains ASC certification in engine repair, automatic transmission/transaxle, electrical/electronic systems and engine performance. GM Master Technician.

**Clearance:** No criminal records with the Guam Police Department.  
No criminal/civil cases with the Superior Court of Guam.

**Employment:** 53 Full time employees

**Marketing:** Increase frequency of both traditional and new media marketing along with innovative marketing schemes and sponsorships. Build an integrated marketing information system that is designed to get, keep and escalate buyer activity through marketing funnel. Executive reward

and loyalty incentive programs to demonstrate the value of customer relationships and ensure retention. Promote differentiation factors of vast selection, convenience and quality of experience at every point in the pre-purchase, active and post-purchase transaction cycle. Marketing mix of brand awareness, event marketing mobile and social media marketing and traditional automotive channel advertising (video, traditional, social media, email, web and event marketing)

### **Competitive Advantages:**

1.The success of the company in reintroducing the Mitsubishi brand to the Guam market demonstrate the depth and breadth of its market position and the ability of its team to execute it operation plan and growth strategies effectively to garner substantial market share.

2.Highly experienced staff with the key senior salesmen who have worked at various other new auto dealerships on Guam. Its Strategy of mentoring and training subordinate staff with senior members. The entire staff is focused on fulfilling the customer experience and matching the vehicle and aftermarket products to the needs of the customer.

3.Aggressive use of social media and online marketing is unmatched in the marketplace by competing dealership who lag in embracing these technologies. Potential customers are able to browse available inventory and pre-qualify themselves for purchases. Customers walk through the door knowing which vehicles they can buy and instead of spending time helping them shop for a car or truck the sales force is able to concentrate on closing the deal.

4.Unlike aggressive car sales teams, Auto Spot's team adopts a consultative selling approach, walking the customer through the entire purchase process.

**Competition:** Other new and used car dealerships on Guam representing most major auto brands as well as used car lots. Auto Spot has re-introduced the Mitsubishi brand and now will be re-introducing the GMC/Buick Lines. All dealerships are exclusive new cars dealers of their respective brands.

### **Financial Analysis**

	<b><u>Applicant</u></b>	
Credit:	Derrick M. Quinata	Annmarie Muna
Assets	\$1,792,740	\$2,793,095
Liabilities	\$758,000	\$759,776
Net Worth	\$1,034,740	\$2,033,319

Net Salary Income After Taxes	\$91,199	\$132,230
Net Other Income	-\$4,488	\$137,459
Net Monthly Debt Service	\$7,229 \$6,540	\$22,474 \$7,007
Debt to income ratio	90%	31%

**Monster Debt Service**

Net Monthly	\$78,910
BOG \$500k Line (SSBCI)	\$9,924
BOG \$150k Line	\$517
Coast360Line	\$1938
Private Individuals	\$3,171
Capital Lease	\$2,500
Credit Cards	\$427
Current Total Monthly Debts	\$18,477
Debt to income ratio	23%

Proposed GEDA \$5m LOC Guarantee      \$38,755

New Total Monthly Debt      \$46,791  
Debt to income ratio      59%

	2013	2014
Assets	\$2,829,512	\$4,352,901
Liabilities	\$2,089,173	\$2,585,671
Equity	\$740,000	\$1,415,660

**Business**

Declinations:      N/A

**Capacity:** Based on the projected monthly sales and operating cost remaining the same, the cash flow, the business should be profitable and able to service the proposed debt. Two Scenarios are presented to stress test the business. Based on the reduction of 5% in sales, and 5% increase in expenses, cash flow will be inadequate to cover debt service; however, annual growth for the last three years averages 150% per year and surely the introduction of the new line should result in additional sales and net income See Attachment.

**Collateral:** 1st UCC lien on business assets  
Trust receipts on vehicles purchased  
Inventory  
Receivables  
Equipment and Furniture

**Weaknesses:**

1. Applicants have a moderately high debt to income ratio.
2. The project is under collateralized
3. Cash flow inadequate to service a 7M loan.

**Strengths:**

1. Creates employment now over 50 full time and 10-20 jobs in the next three years.
2. Key Management positions with over 154 years combined experience
3. Re-introduction of the Mitsubishi brand into Guam achieving sales of 274 units in 2014.
4. Re-introduction of the GMC/Buick is a promising venture given the significant upgrades in technology, styling and quality.

**Recommendation**

Recommendation is to approve the \$5m LOC application of Monster Auto Corp at 20% of the balance of the new \$5m LOC to Bank of Guam. Maximum exposure is \$1m  
Note: GEDA had already extended a \$500k LOC Guarantee to Bank of Guam through the SSBCI Loan Program. BOG currently has a \$1.5m LOC extended to borrowers.

1. Creates employment for underserved market.
2. Industry knowledge and work experience of owners.
3. Business projections will be able to accommodate debt service based on historical sales trends.
4. Adjusted loan amount is supported by business model.

**Terms**

1. 20% Guarantee on balance of new \$5m LOC (maximum exposure \$1m)
2. 2 years revolving line of credit
3. Interest only payments, 9 month draws
4. Estimated .75% interest
5. UCC-1 on Vehicles, FF&E, and inventory.
6. Personal Guaranties of Mr. Derick Muna Quinata and Annmarie Muna
7. Subject to 2% Arrangement fee and all other fees associated with loan closing.

The Chairman of the Board invited the loan clients to address the Board members. Mr. Derrick Muna Quinata informed the Board that GEDA was a key instrument with their business and expressed their appreciation for the opportunity for a favorable decision.

After further discussion, a motion duly made by Director Espaldon and seconded by Director Chiu to approve the Monster Auto Loan Guarantee at 20% as recommended by GEDA. The motion was unanimously approved.

### ***Old Business***

**§7.** The next item on the agenda was Old Business. The first item under Old Business was IFB 15-002 – Construction of Improvements and Restoration of Magellan Monument and Malesso Bell Tower.

Mr. Larry Toves presented to the Board that based upon Board approval, the Governor approved the contract with Setiadi Architects Inc. in June 2014 to study and design the Malesso Bell Tower and the Magellan Monument under the HOT Bond Program. Design was completed in November 2014 and on January 21, 2015, GEDA issued IFB 15-002 to solicit bids for the project. Bids were due on February 23, 2015. Two companies submitted bids – Maeda Pacific Corporation and Allied Pacific Builders, Inc.

The lowest most responsive and responsible bidder was Maeda Pacific Corp which submitted a base bid of \$395K for both Malesso and Magellan. This base bid amount is \$33K more than the amount available for these projects. Procurement law does not allow GEDA to reduce the scope of work to bring bids under budget, unless the project is re-bid.

In addition, bidders were requested to submit optional bids to design and construct the wall which would prevent further deterioration of the Malesso Bell Tower from erosion and for archaeological services. The optional bid submitted by Maeda for these items totaled \$45K.

GEDA staff is currently in communication with the Guam Preservation Trust to pay for costs over GEDA's available budget. GPT is receptive but no commitment has been received as GPT must review bids and discuss the project with the GPT Board.

GEDA staff recommends that the Board of Directors authorize the Administrator to award a contract for the construction of Improvements and Restoration of Magellan Monument and Malesso Bell Tower to Maeda Pacific Corp in an amount not to exceed the available budget of \$361,662 contingent upon other sources of funding outside of HOT Bonds can be obtained to fund the difference between available HOT Bond funds and



Maeda's bid and bid options. GEDA staff also recommends that the Board authorize the Administrator to execute an agreement with other potential sources of funding provided that such agreement does not commit GEDA to pay more than the amount of funding available in the budget for this project. Legal counsel review of the construction contract and funding agreement and approval from Bureau of Budget and Management Research, the Attorney General and the Governor is also necessary.

After some discussion, a motion duly made by Vice Chair John and seconded by Director Chiu to approve \$361,662 for the restoration and improvements of Magellan Monument and Malesso Bell Tower contingent on Guam Preservation Trust stepping up for the \$33K difference in the base construction and the \$45K wall option bid. The motion was unanimously approved.

**§8.** The next item under Old Business was IFB 15-001 – Design and Construction of Improvements to Hagåtña Pool.

Mr. Larry Toves presented to the board that at the February 19, 2015 meeting, the Board approved GEDA's recommendation authorizing the Administrator to award a contract for the Design and Construction of Improvements to Hagåtña Pool to the lowest, most responsible and responsive bidder in an amount not to exceed the available budget. On February 20, 2015, bids were received in response to IFB 15-001. The lowest bid was submitted by Maeda Pacific at \$179K, or \$61,399 higher than the available budget.

Procurement law prevents GEDA from negotiating the scope after bids are submitted so that the cost comes under budget. At the same time, the scope of work for this project, which principally involves the repair of the mechanical system, has been determined by both the Department of Parks and Recreation (DPR) and our engineering consultant CHA, to be critically necessary for continued operation of the pool. Two options include the reissuance of the invitation for bid with a reduced scope which will delay the project or increasing available funding.

To increase available funding, GEDA staff proposes to transfer funds from the Hot Bond Scenic Parks project. The Scenic Parks project addresses repairs at various parks including East Agana, Nimitz Beach, Fish Eye Park, Cetti and Sella Bay overlooks, Umatac's Fort Soledad, Piti's Santos Park, Fadian Overlook and Angel Santos Park. Through the construction management efforts of DPR, all parks should be completed this month, well under budget. The Angel Santos Park is the only Scenic Park project remaining to be completed as the statue is currently scheduled to arrive on island in April. Approximately \$587K remains in the accounts for this project. Transferring \$61,399 will leave about \$526K. DPR will manage the Pool project, eliminating the need for construction management funding.

GEDA staff recommends that the Board of Directors authorize the Administrator to award a contract for the Design and Construction of Improvements to Hagåtña Pool to Maeda Pacific Corporation in an amount not to exceed \$179K. Legal counsel review of the contract and approval from Bureau of Budget and Management Research, the Attorney General and the Governor is also necessary.

A motion duly made by Vice Chair John and seconded by Director Chiu to authorize the Administrator to award a contract for the Design and Construction of Improvements to Hagåtña Pool to Maeda Pacific Corporation in an amount not to exceed \$179K. The motion was unanimously approved.

**§9.** The next item under Old Business was Hagåtña Tennis Courts.

At the December meeting, the Board approved GEDA recommendation to award a contract in an amount not to exceed amount of \$141,700.00 to Maeda Pacific Corp. to complete improvements to the Hagåtña Tennis Courts. To enable Guam to host a major tennis tournament in May, Maeda required that the Notice to Proceed be issued by mid-February 2015. Instead, NTP was issued on March 11, 2015 due to delays in securing contract approval after the Board approved the award. To complete the project in May, the contractor has indicated that supplies required for improving the facility must be air-freighted to Guam at an additional cost. GEDA has discretionary authority from the Governor to approve the increase provided that it does not exceed 10% of the contract award. However, Board approval is needed as discretionary authority provided by the Board to the Administrator only provides for use of discretionary authority if the change is within budget. The additional amount is not “within budget.”

The scope of work includes repair of cracks; resurface, level and repaint existing courts; fence repair; repair of bleachers and some electrical work. Optional work included in the contract by the Department of Parks and Recreation includes application of non-slip paint to accessible areas, painting the building exterior, lighting, and fence netting. The supplies for this project especially the paint, are not available on-island and must be flown in if the May completion date is to be met.

GEDA staff recommends that the Board of Directors approve the requested increase to the Maeda Pacific Corp contract and authorize the Administrator to increase the Tennis Court budget up to 10% via transfer of funds from the Scenic Parks project.

After further discussion, a motion duly made by Director Espaldon and seconded by Director Chiu to authorize the Administrator to approve additional expenses up to 10% for change orders under the Hagåtña Tennis Courts project. The motion was unanimously approved.

**Reports**

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

Tumon Flooding Project update was given by Stanley Consultants representatives, Andrew Judd and Aja Reyes. The design package has been circulated to the agencies and other stakeholders for review and comment. There are concerns of the water flowing out into the ocean due to erosion. There is a public hearing scheduled for this project on Wednesday, March 25, 2015, 7:00 p.m. at the Tamuning Community Center.

No Board action required.


**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 Chiu and seconded by Vice Chair John, at 2:35 p.m., the meeting was adjourned.

Dated this 16th day of April, 2015

  
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Edward J. Calvo  
Chairman

ATTEST:

  
\_\_\_\_\_  
Vera Wu  
Secretary