

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

May 28, 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 May 28, 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

Ernesto V. Espaldon, Jr.

Absent and excused was:

Monte Mesa

Mana Silva Taijeron

Also present were:

GEDA Officials:

John A. Rios

Offices or Positions:

Chairman

Vice Chairman

Secretary

Director

Director

Director

GEDA Deputy Administrator

GEDA Administrator

Terry Brooks

GEDA Legal Counsel
Terrence M. Brooks P.C.

Christina Garcia
Larry Toves
Claire Cruz
Bernice Torres
Diego Mendiola
Mike Cruz

Business Development Manager
Real Property Manager
Loans & Compliance Manager
Administrative Services Manager
Real Property Assistant Manager
Project Director

Sheena Black
Dong Choe
Therese Santos
Matt Sgro
Jha'Aunie Leon Guerrero
Matthew Baza
Sydney Leon Guerrero

CEDDS Manager
Special Assistant Inter-Agency Support
Executive Assistant
Industry Development Specialist
Program Coordinator
CEDs Specialist
Finance Analyst

Scott Clark
Ken Quintanilla
Don Keraskes
Mary Bautista

LGI Pacific Guam
KUAM
KUAM
KUAM

Approval of Agenda

§3. The first item considered was approval of the agenda. On motion duly made by Director Chiu and seconded by Director Wu, 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 April 16, 2015.

Motion duly made to approve the minutes from the Regular Board Meeting on April 16, 2015 by Director Espaldon and seconded by Director Wu. The minutes were unanimously approved.

Communications

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

Administrator, John Rios informed the Board that effective June 1, 2015, there will be a change with the division managers. Mrs. Christina Garcia will be the manager of the

Public Finance Division and a new hire, Mr. Edward Camacho will be the manager of the Business Development Division.

Old Business

§6. The next item on the agenda was Old Business. The first item under Old Business was HOT Bond Project – Mangilao Public Market.

Mr. Larry Toves presented to the Board that, Public Law 30-228 authorized the expenditure of Hot Bond funds “for improvements to the stalls, public restrooms, landscaping and walking paths of the *Mangilao* Public Market.” In November 2013, GEDA and the Mangilao Mayor entered into a Memorandum of Agreement which allowed the Mayor to implement the project using \$47,150 allocated for the project under the budget. The \$47,150 has been exhausted and the Mayor has requested an additional \$5,000 to complete the project.

Using the amount originally provided, the Mayor has constructed new vendor stalls, additional bathrooms and parking. The additional funding is needed to complete the parking area and to comply with American with Disability Act requirements for parking and restroom facilities for the handicapped.

Although only \$5,000 is being requested, GEDA’s discretionary authority from the Governor only allows a 10% increase without having to go through the entire approval process. To expedite completion of this project, GEDA is seeking Board approval to increase the budget by \$4,715 (rather than \$5,000) or 10% of the original budget of \$47,150. Mayor Nito Blas has informed GEDA that \$4,715 is sufficient to complete this work. The funding for this action is from interest generated under the Hot Bond program.

GEDA staff recommends that the Board of Directors authorize the Administrator to execute Amendment No. 1 with the Mayor of Mangilao to increase the amount of funding for the Mangilao Public Market project by \$4,715 to allow the Mayor to complete this project.

After further discussion, motion duly made by Director Espaldon and seconded Director Wu to authorize the administrator to execute amendment No. 1. The motion was unanimously approved.

§7. The next item on the agenda under Old Business was HOT Bond Project – GCEF Media Production Contract.

Mr. Larry Toves presented to the Board that On July 23, 2014, GEDA issued RFP 14-011 for Professional Media Production Services for the Guam and Chamorro Educational Facility. The only company that submitted a proposal was Architects Laguana + Cristobal (ALC) which has partnered with Barry Howard Limited and Portable Interpretive Media Inc. to perform the services required under the RFP. Due to the high fee proposed by ALC (over \$900K), the RFP was cancelled. Thereafter, RFP 15-002 was issued, with a reduced scope of work. The role of the Media Production Professional is to communicate the Guam and Chamorro journey through time, *I Hinanao-ta*, so that the GCEF provides our people and visitors the opportunity to learn about our unique nature, history and culture in story form and provides a unique experience for patrons. Audio Visual hardware that will be used to display the Media Production Professional's work was previously procured by GEDA and approved by the Board following the design developed by the design firm contracted for this purpose.

GEDA publicized availability of the RFP in the newspaper and sent copies of the publication to numerous on-island production companies. Three companies submitted proposals. GEDA, with assistance from the Department of Chamorro Affairs (DCA) evaluated the proposals and ranked them based upon the evaluation factors identified in the RFP. The number 1 ranked firm was Architect Cristobal again in partnership with Barry Howard Ltd; number 2 was Ideal Corp; and number 3 was Guinifi Productions. The next step in the procurement process was to negotiate fees to perform the work with the highest ranked offeror, which step has been completed. The negotiated fee to perform media production services is \$581K.

The number one ranked offeror is essentially the same company and partners that produced the design for the construction of the GCEF and its interior furnishings including exhibits and audio visual systems.

As the board is aware, funding for all components of the GCEF is extremely limited. As a result, our Administrator has been able to secure funding from DCA's operational budget to help pay for media production services.

GEDA recommends that the Board of Directors approve the award of a contract to Architects Cristobal and BHL to provide media production services for the GCEF in an amount not to exceed \$581K of which \$250K will be obtained from HOT Bond proceeds. GEDA also recommends that the Board authorize the Administrator to execute any and all documents for the use of \$331K in other funding. BBMR, AG and Governor's approval of the contract will be required.

A motion duly made by Director Espaldon and seconded by Director Chiu to authorize the Administrator to execute any and all documents for the use of the approved \$250K HOT Bond proceeds, and also to approve any documents for the amount of \$331K to come from DCA. The motion was unanimously approved.

New Business

§8. The next item on the agenda was New Business. The first item under New Business was First Net Insurance Company, Inc. QC No. 221 – Change of Majority Ownership.

Mrs. Claire Cruz presented to the Board that First Net Ins. Company is in the process of restructuring its company and is requesting GEDA to approve its change of majority ownership pursuant to §58121 of the QC law and §2.01 of its QC which both require the QC beneficiary obtain GEDA and the Governor of Guam’s prior written approval. The Guam Insurance commissioner has already approved First Net Ins. Company Inc. change in ownership.

QC benefits authorized:

QC No.	Effective Date	GRT Abatement % & Years	Expiration Date	Corporate Tax Rebate % & Years	Expiration Date	Dividend Tax Rebate % & Years	Expiration Date
221	4/16/99	100% 20 yrs. Renewable	1 st Term 4/16/19	100% 20 yrs. Renewable	1 st Term 4/16/19	100% 20 yrs. Renewable non-resident shareholders	1 st Term 4/16/19

The request is necessary because the **resulting change will also change who is the controlling entity for the QC**. Specifically §58121 of the QC law stated, “a QC or the benefits thereunder may not be transferred, assigned or conveyed to another without the written permission of the authority. ...a transfer of benefits shall have occurred at any time that there is a transfer of a majority of the voting stock of the QC Beneficiary resulting in a change in the identity of the shareholder(s) who will control the QC Beneficiary...”

Shown below is the proposed ownership change:

Current Shareholders	No. of Shares	Proposed Shareholders	No. of Shares
<i>Moylan’s Ins. Underwriter, Inc.</i>	1,499,994	<i>Judith A. Moylan</i>	1,288,789
Kurt S. Moylan	2	Kurt S. Moylan	202,588
Judith A Moylan	1	Miki R. Moylan	4,311
Miki R. Moylan	1	Troy K. Moylan	4,311
Troy K. Moylan	1		
Total Shares:	1,499,999		1,499,999

GEDA staff recommends that the Board approve First Net Ins. Company, Inc.’s change of majority ownership as proposed on the condition that the QC beneficiary is in

full compliance with all the conditions set forth in its QC as of date of the change in ownership.

After some discussion, a motion duly made by Vice Chairman John and seconded Director Espaldon to file with Legal Counsel Brooks' office to review the documents for full compliance and submit for proper protocol for approval. Director Chiu recused himself from voting on the motion due to conflict of interest. The motion was unanimously approved.

§8. The next item under New Business was QC Application of LGI Guam Pacific.

Mrs. Christina Garcia presented to the Board the Qualifying Certificate (QC) application of Polaris Lakeshore Global Investment (LGI), dba Ladera Towers. The applicant is requesting for full benefits under public law 32-266 (Special Hotel QC).

Full benefits are stated below:

Nature of Tax	Periods Requested	Percentages Requested
Business Privilege Tax	Twenty (20) years	Fifty Percent (50%) of unpledged tax
Income Tax Rebate	Twenty (20) years	Seventy-Five percent (75%)
Real Property Tax Abatement	Ten (10) years	One Hundred percent (100%)
Use Tax Exemption	Must be claimed no later than one (1) year of issuance of the facility's occupancy permit	One Hundred percent (100%)

1. Project Description:

- Polaris Lakeshore Global Investment. (LGI) will invest \$134,700,000 to re-construct and operate the Ladera Towers in Mangilao, Guam.
- Amounts by category as follows:

Project Cost Item	Amount
Construction	\$60,000,000
Equipment, furniture & fixtures	
Pre-opening expenses & contingencies	\$3,100,000
Land & Project Building	\$55,000,000
Working Capital	\$5,500,000
Consulting Fee	\$1,100,000
Design & PM Fee	\$4,600,000
Contingencies	\$5,400,000
Total Estimated Cost	\$134,700,000
Amount from shareholders	TBD
Amount to be financed	TBD

- **Building Info:** The renovated condominium-hotel will feature 218 total units with a lobby of 3,000 square meters and a corridor of 4,000 square meters. The hotel will also offer restaurants in a 1,700 square meter area, a kitchen/back of house of 5,300 square meters, and a Banquet Hall with Meeting Rooms that stretch 1,800 square meters. Lastly, there will be additional shops and amenities that cover 3,300 square meters. The total estimated cost for these items is \$60,000,000.
- **Services:** The new Ladera Towers will provide guests with a personalized service by using a “one stop shop” method in order to cater to all aspects of their needs. This service will allow the guests to embrace the comfort and homey ambiance of the hotel. Guests will be able to enjoy their luxurious suites and condos, restaurants, shopping, private swimming pool, garden, recreation, and entertainment all in one building.
- **Land Info:** The property contains an area of 55,248 square meters, or 594,684 square feet at Lot No. 310 Ladera Lane Mangilao, Guam 96913.

A. Shareholders Information:

- Polaris Lakeshore Global Investment (Polaris LGS) was set up to create and expand a real estate platform in Asia. Polaris LGI Cayman is the fund manager for a private equity fund with investments in Japan and Guam and is also active with projects in China and Taiwan. The Japan fund portfolio was sold in July, 2013. A Guam fund of similar size focused on the residential sector closed in March 2012. There are currently real estate and support personnel in Japan and Taiwan.
- Polaris Securities Group was founded in 1988 as a stock brokerage firm. The company became a leading service provider of on-line financial management and new financial products in the domestic Taiwanese market. Independently, Polaris controlled more than 15% market share in the on-line trading brokerage industry, and had overall net assets worth above NT\$300 billion. Polaris was one of the top three securities firms in Taiwan until its merger with Yuenta Securities, which formed the largest securities company in Taiwan. Polaris/Yuenta Securities is the majority owner of Polaris Securities Investment Trust (PSIT), which is the Taiwanese market leader for exchange-traded funds.
- Apex International Financial Engineering Research & Technology Co. Ltd. was founded in 1988. They provide finance technology integration services, including econometric asset management system, digital finance system, stock market immediate quoting system, risk management platforms, and digital videoconference and distant learning system. It is listed on the Taipei Stock Exchange, and has subsidiaries in mainland China and Hong Kong.
- Agility Asset Advisors, Inc. (“AAA”) is a real estate asset management company set up in January 2005. AAA has been operating “core and core

plus” types of residential funds. There are currently 18 members consisting of real estate professionals and back office staff.

B. Services

- The Ladera Towers will feature luxurious condominium-hotel rooms, one of a kind lobby experience with high-end restaurants, shopping, and recreational facilities, and an exhibit hall with meeting rooms for various business events.
- Will cater to the growing tourism industry, need for more MICE (meetings, incentives, conferences, and expos), and the high demand for higher end hotel rooms, which will assist with the overall objective of the Tourism 2020 Master Plan.
- Provide a hotel destination that is centrally located, with easy access to all parts of the island. Gives visiting guests another option other than Tumon.

C. Employees

- Anticipated total employees: Four Hundred and fifty (450)
 - Full-time employees: TBD
 - Part-time employees: TBD
- Annual gross payroll - \$10,800,000 by the fifth year.
- Citizens of permanent residents of the United States: Ninety Five percent (95%)
- Aliens: Five percent (5%)
- Classification of proposed payroll for the first full year of operations

Classification	Employees	Gross Payroll (annual)
Resident	145	\$3,240,000
Food & Beverage	180	\$4,320,000
Administration	55	\$1,360,000
Accounting	28	\$750,000
Engineering	22	\$480,000
TOTAL	430	\$10,800,000

2. Company Overview:

- LGI Pacific Guam Inc. was established in January 2012. The purpose of the company is to hold and manage Ladera Towers on behalf of Polaris’ Asian Real Estate Fund. Until February 2015, the property had been managed through a master lease type structure, but since that time, LGI Pacific Guam has operated the property directly. LGI Pacific Guam is a subsidiary of Polaris Lakeshore Global Investment (Polaris LGS), which was set up to create and expand a real estate platform in Asia. Polaris LGI Cayman is the fund manager for a private equity fund

with investments in Japan and Guam and is also active with projects in China and Taiwan. Polaris primary structural advisor in Guam is E&Y.

3. Public Hearing Comments

- There were no comments at the Public Hearing. The only members present were GEDA's Deputy Administrator, Business Development & Marketing Manager, staff, and one media representative. The following comment was made via email regarding the public hearing:
- "What happened to the promise of the water tanks to help with the lower water pressure problems in the surrounding community? My understanding is when the original developer could not come up with the resources to build the water tanks, the occupancy permit was withheld. Now that there's a new developer, does the water tank requirement simply go away?..." – James Montague, Mangilao resident

4. Findings:

1. Does the project meet eligibility requirements (§58105, QC Law):

The application is being processed as a "vitality needed product or service" for Guam. This is substantiated with the Guam Visitors Bureau's Tourism 2020 Plan that highlights the need for 1,600 additional hotel rooms by 2020. Currently, tourists encounter moments where all hotels on Guam are at full capacity. This hotel will help cater to the ever-growing influx of tourist that Guam welcomes every year.

Letter of Intent submitted: - Yes.

- Acknowledge received on January 16, 2015

QC Application Submitted: - Yes.

- Submitted application on February 13, 2015

1.1. Price Reduction - N/A

1.2. Creation of a vitality needed facility - Yes.

- With the anticipated increase in tourism and military, Guam is in vital need of additional hotel and condominium rooms. Ladera Towers will provide visiting guests with an additional area for leisure, business, and personal activities. It will also lessen the amount of times our island faces a full occupancy amongst desired hotels. Lastly, it will bring more luxurious hotel options to the island for that specific visiting market.

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

2.2 Project Risks and challenges.

- It has been a challenge for some hotels to fill occupancy during non-peak seasons. The location of the hotel might provide an even greater

challenge for Ladera. The hotel will assist with the ever-growing tourism arrivals and the need of more hotel rooms on island. However, the location of the hotel lacks what many tourist desire to experience while staying on Guam. There are no close shopping areas, restaurants, beaches, or scenic views within walking distance of the hotel. The Ladera Towers are hoping that their “one stop shop” method will work for tourists that prefer to remain on the hotel grounds.

2.3 Importance to the economy and the official policy of the government:

- Currently, there are many times when all of our hotels on Guam are at full occupancy. This leaves potential visitors having to re-arrange their traveling plans or look to motels and Inn’s rather than the desired 3 or 4 star beach front hotels. The Ladera Towers will assist with the issue of having hotels at full occupancy. It will also give more options to those visiting with higher incomes that prefer to stay at 4 or 5 star hotels.
- The Guam Visitors Bureau (GVB) has repeatedly stated that more hotel rooms are needed to serve the current tourism arrivals in Guam. GVB is currently marketing Guam more than ever throughout the Asia-Pacific region. Also, the China Visa Waiver is expected to pass in the next couple of years. This waiver will skyrocket Guam’s Tourism numbers higher than it has ever been. The renovation of Ladera Towers will help meet the overall objectives of the Tourism 2020 Master Plan.

5. Recommendations:

In recent years, there have been moments when all of our hotels in Guam were at full capacity due to the high influx of visiting tourists and military. In 2014, the Guam Visitors Bureau issued their 5-year master plan, which included a need for 1,600 more hotel rooms by the year 2020 in anticipation of the rising tourism numbers and the China Visa Waiver. The Tourism 2020 plan also stated the need for more luxurious 4-5 star hotels in order to accommodate visitors with higher income. This section was also stressed in hopes that existing hotels would renovate their infrastructure as well to keep up with competing hotels in nearby locations.

Several companies have expressed interest in building hotel rooms on Guam; however, Guam must offer incentives to compete with other nearby tourism markets. GEDA received its first letter of intent for the Special Hotel QC in January 2015 with the application submitted in February 2015.

Based on the review of the facts on this case, the recommendation is to **APPROVE** the Qualifying Certificate Application 15-2-01 with the following benefits and additional conditions

Recommended Benefits for QC:

The following benefits will be awarded to LGI Pacific in the amount equal to \$13,470,000 or 10% of their total construction cost, as per public law 32-233. This amount will be applied by the developer at their discretion with the following:

Nature of Tax	Periods Requested	Percentages Requested
Income Tax Rebate	Twenty (20) years	Seventy-Five percent (75%)
Business Privilege Tax (BPT)	Twenty (20) years	Fifty Percent (50%)
Real Property Tax Abatement	Ten (10) years	One Hundred percent (100%)
Use Tax Exemption	Must be claimed no later than one (1) year of issuance of the facility's occupancy permit	One Hundred percent (100%)

* The exception of the Use Tax must be claimed no later than one (1) year of issuance of the facility's occupancy permit

Recommended Additional Conditions: In addition to the standard requirements of the QC law, the following are additional conditions of approval as per §58205 of the Special Hotel QC Law

1. **Community Contributions** - Public Contribution funds in an amount of 0.5% to be deposited with GEDA in a separate account to be Administered by the GEDA Administrator with concurrence from the GEDA Board of Directors as follows:
 - a. Funding for the maintenance and upkeep of uncertain tourist attractions or to support other tourism projects;
 - b. Economic Development with a priority on the promotion of industry and small business; and
 - c. Higher education and cultural preservation.

Funding for maintenance of tourist attractions or Tourism Projects	10% of contribution
Economic Development with a priority on the promotion of industry and small business	70% of contribution
Higher Education & Cultural Preservation	20% of contribution

2. Effective date of the QC shall be the date the Governor executes the QC.

After further discussion, the Board decided to table the QC Application for Polaris LGI until the next Board meeting. No Board action was required at this time.

§9. The next item under New Business was Marketing IDIQ Task Order – Imagine Guam.

Mrs. Christina Garcia presented to the Board that Imagine Guam is the program that will bring the community together to envision what Guam will be in 50 years. Guam's 50-year strategic vision will include the growth and birth of industries, population and resource management, cultural advancement, infrastructure development, and everything that can dictate the growth of the community. Once the vision is made, Imagine Guam will ask educators what must be done to begin educating students in today's classrooms so they lead the implementation of this vision as globally-competitive workers, entrepreneurs, and creators.

Governor Calvo created the program by Executive Order 2014-13 on September 19, 2014 and designated GEDA to lead its development. It is our intent to have MR&D support GEDA management in this task. GEDA is requesting for the Board's approval to reaffirm its approval to fund the work for this project at an initial amount of \$50,000.

GEDA management is now working to finalize the contract in the next few weeks with a goal to initiate work as soon as possible.

After some discussion, a motion duly made by Director Chiu and seconded by Director Wu to reconfirm the budget of \$50,000 and approve Task Order No. 1, to work on Imagine Guam. The motion was unanimously approved.

Reports

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

Mrs. Christina Garcia presented to the Board the top initiatives that Business Development Division is currently working on. There are three Trade Missions that are being planned; Philippines on June 17-20, 2015, Taiwan on August 4-7, 2015, and China on October 12-16, 2015. In April 6-8, 2015, the Korea Trade Mission was held.

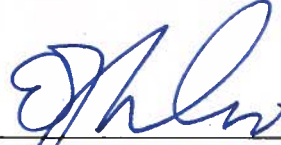
Public Comments

§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 Wu and seconded by Vice Chair John, at 3:510 p.m., the meeting was adjourned.

Dated this 26th day of June, 2015



Edward J. Calvo
Chairman

ATTEST:



Vera Wu
Secretary