

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

October 24, 2013

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 October 24, 2013 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 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
Arlene P. Bordallo
George Chiu
Monte Mesa
Veru Wu (pending confirmation)

Offices or Positions:

Chairman
Vice Chairman
Secretary
Director
Director
Director

Also present were:

GEDA Officials:

Henry J. Taitano
Mana Silva Taijeron
Janalynn C. Damian

Diego Mendiola
Anisia Terlaje
Henry Cruz
Jha'Aunie Leon Guerrero
Tony Arriola
Lester Carlson, Jr.
Larry Toves
Claire Cruz

Administrator
Deputy Administrator
GEDA Legal Counsel
(Calvo Fisher & Jacob LLP)
Real Property Assistant Manager
Special Assistant Inter-Agency Support

Real Property Administrative Assistant

Financial Services Manager
Real Property Manager
Loan & Compliance Manager

Bernice Torres
Christina D. Garcia
Mike Willess
Carl Quinata
Nico Fujikawa
Brianna Benito
Therese Santos

Finance & IT Manager
Business Development Manager
Business Development Assistant Manager
Industry Development Specialist
Public Finance Officer
Executive Assistant
Administrative Assistant

Approval of Agenda

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

Approval of Minutes

§4. The next item on the agenda was approval of the minutes of the August 21, 2013 regular board meeting. On motion duly made by Director Mesa and seconded by Director Bordallo, the following resolution was unanimously approved:

Resolution No. 13-054

RESOLVED, that the Board approves the minutes of the August 21, 2013 meeting.

Communications

§5. The next item on the agenda was Communications. There were no communication items for presentation to the Board.

Old Business

§6. The next item on the agenda was Old Business. The first item presented for discussion was Guam Memorial Hospital Authority's \$25M Financing. An updated was provided to the Board by Deputy Administrator Mana Silva Tajeron. The Deputy Administrator noted that 2 proposals were received and that Lester Carlson, Jr., Financial Services Manager, and Administrator Taitano recused themselves from the process because of a conflict of interest with one of the proposers. The Deputy Administrator informed the Board that the evaluation committee is reviewing the proposals and there is no action from the Board being requested at this time.

§7. The next item for discussion under Old Business was the GEDA Property Purchase Offer. Claire Cruz, Loan & Compliance Manager, presented that at the last board meeting this item was tabled for more information and inquired what the Board's direction will be regarding the offer. Chairman Calvo inquired if this was the

CostU-Less site and Mrs. Cruz confirmed that it was. Chairman Calvo then mentioned -that more information or an analysis was requested. He then continued to discuss that on this property rent was collected and GEDA was able to recover the amount loaned, and the property was placed back on the market.

The property value was also discussed. The current offer is higher than the value of the property based upon a broker's opinion. Director Bordallo requested to see a certified appraisal before the Board makes a decision on the purchase price. Mrs. Cruz explained that a formal appraisal was not obtained and informed the Board that what is being presented is a broker's opinion.

Mrs. Cruz explained the details of the prior loan on this property, which was \$2.2 million (balance and payoff on 1st mortgage). The deficiency when the property foreclosed was \$1.3M, which has been recovered from rent collected. Mrs. Cruz informed the Board that the latest appraisal on the property was done in 2010. The appraisal was \$1.85 million based on comparable properties that were sold near the GEDA property site. Mrs. Cruz noted if the Board would like, she can request an updated appraisal can be obtained. Director John instructed GEDA staff to obtain an update to the 2010 appraisal based on a cash flow and income approach.

After further discussion, a motion duly made by Director John and seconded by Director Mesa, the following resolution was unanimously approved:

Resolution No. 13-055

RESOLVED, that the Board directs Management to obtain an updated appraisal for Lot 2145-REM-7 based on a cash flow and income approach.

New Business

§8. The next item on the agenda was New Business. The first item for discussion was the request by the Business Development Division to amend the Marketing Fund Budget. Christina Garcia, Business Development Manager, referred the Board to the October 23, 2013 Internal Memorandum and informed the Board that no additional funds are requested, just adjustments within categories and that the budget is a fixed amount based on contributions of certain QC clients. Under the current regulations, GEDA staff is required to come before the Board whenever there are adjustments needed.

Mrs. Garcia informed the Board that right before the HICAP Conference, there were a number of things that came up and staff had to request that additional funds be transferred into the HICAP event in the amount of \$11,000. Mrs. Garcia noted that there was also a request for a Philippine Business Trade Mission that came up

that called for meetings which happened in the Philippines. This is also funded by the Marketing Budget through the Administrator's fund.

Mrs. Garcia then requested for additional funding for these two events, \$11,000 for the HICAP Conference and \$4,000 for the Philippine Business Trade Mission. The funding amounts will be taken out of Trade Mission fund (\$12,000) and Program Support fund (\$3,000). There will only be a transfer of funds; there is no request to increase the budget.

Mrs. Garcia's second request was for the Board to grant the Administrator authority to make changes to the GEDA Marketing Fund for Fiscal Year 2014 budget to allow GEDA to respond to immediate requests. Mrs. Garcia requested that the Board grant the Administrator the authority to 1) to move funds within categories so long as the total category budget amount remains the same; 2) to adjust funds between categories in an amount up to 10% of the category budget. Any and all adjustments shall be reported at the next GEDA Board Meeting.

Director Chiu noted that 10% is too low; that if there is no increase in budget, just re-allocations, the Administrator should just be given authority. There was further discussion that the 10% limit was too small of an amount and that a limit is not necessary as long as the adjustments are within the budget and reported to the Board at the next meeting. Chairman Calvo mentioned that it is important that the Board is informed when these last minute trade missions come up.

After further discussion, on motion duly made by Director Chiu and seconded by Director Mesa, the following resolution was unanimously approved:

Resolution No. 13-056

RESOLVED, that the Board authorizes the Administrator to adjust the Fiscal Year 2014 Marketing Fund Budget within categories, provided there is no increase to the budget and the Board of Directors is kept updated on all adjustments and marketing efforts.

§9. The next item on the agenda under New Business was the Guam Waterworks Bond Financing. Mr. Carlson informed the Board that he and Administrator Taitano attended meetings with the rating agencies in San Francisco where they presented the credit of the Guam Waterworks Authority's anticipated 2013 Series issuance for the amount of One Hundred Ninety-Five Million Dollars (\$195,000,000.00). The Guam Waterworks Authority is now seeking the approval of the GEDA Board of this resolution to borrow, subject to the following events occurring: 1) the anticipated passage of Bill No. 181, and 2) the Public Utilities Commission approval of this same issuance. The approval for the resolution would be a conditional approval based on the outcome of the Legislative action on the Bill.

Chairman Calvo then confirmed that the resolution was circulated and all the members of the Board were able to review it. There were no questions regarding the resolution.

On motion duly made by Director Mesa, seconded by Director Bordallo, the following resolution was unanimously approved:

Resolution No. 13-057

RESOLUTION APPROVING THE ISSUANCE AND SALE OF
GUAM WATERWORKS AUTHORITY REVENUE BONDS
AND APPROVING AND AUTHORIZING THE EXECUTION
OF RELATED DOCUMENTS, AGREEMENTS AND
ACTIONS

WHEREAS, Article 2, Chapter 14, Title 12 of the Guam Code Annotated (the "Act") authorizes Guam Waterworks Authority ("GWA") to issue revenue bonds to raise funds for the purpose of acquiring, constructing, improving, equipping, maintaining, repairing, renewing, replacing, reconstructing or insuring the System (as that term is defined in the Act), or any part thereof, or for the purpose of refunding any such bonds or any other prior obligations of GWA, or for any combination of such purposes, in accordance with and subject to the requirements and limitations set forth in the Act; and

WHEREAS, the Consolidated Commission on Utilities (the "Commission") has determined that there exists a need for certain additions and improvements to the System, including certain water production, treatment and distribution projects, certain wastewater collection and treatment projects, and certain electrical projects, contained in GWA's Capital Improvement Plan (collectively, the "Projects"), and has determined that it is in the public interest for GWA to issue bonds pursuant to the Act for such purposes; and

WHEREAS, pursuant to Section 14226 of the Act, GWA may provide for the issuance and sale of refunding bonds for the purpose of redeeming or retiring any bonds issued under the Act; and

WHEREAS, GWA anticipates that in connection with the proposed issuance of bonds for the Projects, the opportunity may arise to issue refunding bonds to redeem or retire all or a portion of its outstanding Series 2005 and Series 2010 revenue bonds (the "Prior Bonds");

WHEREAS, GWA has determined it is necessary and desirable to issue one or more series of Guam Waterworks Authority Water and

Wastewater Revenue Bonds (the "2013 Bonds") to finance the Projects and/or to redeem or retire all or a portion of the Prior Bonds, subject to the final approval of such issuance by the Consolidated Commission on Utilities and the Legislature of Guam (the "Legislature") as described below; and

WHEREAS, pursuant to §50103(k), Title 12, Guam Code Annotated, public corporations of the Government of Guam shall issue bonds and other obligations only by means of and through the agency of the Guam Economic Development Authority ("GEDA"); and

WHEREAS, as required by Section 14203 of the Act and said Section 50103(k), the authorization provided by this resolution to sell and issue the 2013 Bonds is subject to the approval by the Legislature of the terms and conditions of the 2013 Bonds; and

WHEREAS, GWA has requested that GEDA approve the issuance and sale of the 2013 Bonds; and

WHEREAS, this Board of Directors has determined that it is in the public interest for GWA to sell the 2013 Bonds for the purposes of financing the Projects and redeeming or retiring all or a portion of the Prior Bonds; and

WHEREAS, GWA has previously executed and delivered an Indenture, dated as of December 1, 2005, pursuant to which bonds in one or more series (including the 2013 Bonds) may be issued, and such indenture, as previously supplemented, is now in effect; and

WHEREAS, there has been presented to this Board of Directors the proposed substantially final form of a Preliminary Official Statement relating to the 2013 Bonds; and

WHEREAS, there have been presented to this Board of Directors proposed substantially final forms of a Supplemental Indenture pursuant to which the 2013 Bonds are proposed to be issued by GWA (the "Supplemental Indenture") and a bond purchase agreement pursuant to which the 2013 Bonds will be sold (the "Bond Purchase Agreement" and, together with the Supplemental Indenture, the "Bond Documents");

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors (this "Board") of the Guam Economic Development Authority as follows:

Section 1. The issuance and sale of the 2013 Bonds in an aggregate principal amount not to exceed (a) \$195,000,000 for the purpose of financing the Projects, plus (b) with respect to any redemption

or retirement of Prior Bonds, an aggregate principal amount sufficient to provide funds for such redemption or retirement of all or a portion of such Prior Bonds, plus related costs of issuance and of such redemption or retirement, are hereby approved in accordance with Section 50103(k), subject to the approval by the Legislature of the terms and conditions of the 2013 Bonds as described above, and subject to the approval by the Guam Public Utilities Commission pursuant to Title 12 of the Guam Code Annotated of the issuance of the 2013 Bonds.

Section 2. The form of Bond Purchase Agreement presented to this meeting, relating to the 2013 Bonds, is hereby approved for execution and delivery by GWA and GEDA in substantially such form, with such additions, changes and modifications as (i) the Consolidated Commission on Utilities, acting as Board of Directors of GWA (the "CCU"), may approve or may authorize the Chairman or Vice-Chairman of the CCU or the General Manager of GWA (collectively, the "Designated Officers of GWA") to approve upon consultation with the Administrator of GEDA (the "Administrator") and legal counsel, such approval to be conclusively evidenced by the adoption of one or more bond resolutions by said Board and by execution and delivery of the Bond Purchase Agreement by the Designated Officers of GWA, and (ii) are approved by the Administrator upon consultation with legal counsel, such approval to be conclusively evidenced by the execution and delivery of such Bond Purchase Agreement by the Administrator or the Public Finance Division Manager of GEDA, who are hereby authorized to execute and deliver the Bond Purchase Agreement on behalf of GEDA.

Section 3. The forms of Bond Documents presented to this meeting, relating to the 2013 Bonds are hereby approved for execution and delivery by GWA in substantially such form, with such additions, changes and modifications as the CCU may approve or may authorize the Designated Officers of GWA, to approve upon consultation with the Administrator and legal counsel, such approval to be conclusively evidenced by the adoption of one or more bond resolutions by said Board and by execution and delivery of such Bond Documents on behalf of GWA by one or more Designated Officers of GWA.

Section 4. The Preliminary Official Statement in the form presented to this meeting is hereby approved, and the distribution of the Preliminary Official Statement in connection with the offering and sale of the 2013 Bonds, with such changes, omissions and insertions as shall be approved by the Designated Officers of GWA, is hereby authorized and approved. GEDA hereby approves and acknowledges the review of the Preliminary Official Statement by the Designated Officers of GWA and their certification on behalf of GWA upon appropriate authorization and delegation by the CCU, that the Preliminary Official Statement is

“deemed final” as of its date, except for the omission of certain terms and pricing information permitted to be omitted therefrom pursuant to Securities and Exchange Commission Rule 15c 12.

GEDA further hereby approves and acknowledges the preparation of a final version of the Official Statement by the Designated Officers of GWA (such final version of the Official Statement, in the form of the Preliminary Official Statement, with such changes, insertions and omissions as shall be approved by the Designated Officers of GWA, upon consultation with the Administrator and legal counsel, being hereinafter referred to as the “Official Statement”) upon appropriate authorization and delegation by the CCU, and their execution of the Official Statement and any amendment or supplement thereto, in the name of and on behalf of GWA, and their causing the Official Statement and any such amendment or supplement to be delivered to the purchasers and distributed in connection with the sale of the 2013 Bonds.

Section 5. The Designated Officers of GWA, upon appropriate authorization and delegation by the CCU, and the Administrator are hereby authorized and directed to determine, consistent with the Act, the aggregate principal amount of 2013 Bonds to be issued (subject to Section 1 hereof), the number of series of such 2013 Bonds, the maturity or maturities, the interest rates (not exceeding any limitation established by the Legislature), interest payment dates, denominations, forms, registration privileges, terms and place or places of payment, terms of redemption and other terms of each series of the 2013 Bonds.

Said Designated Officers of GWA, upon appropriate authorization and delegation by the CCU, and the Administrator are hereby also expressly authorized to arrange for such bond insurance, reserve fund surety bond or other supplemental security arrangements for all or such portion of the 2013 Bonds as they may deem in the public interest, and to enter into any other agreements deemed by them to be necessary or appropriate in connection therewith.

Notwithstanding any other provision of this resolution, the 2013 Bonds and any obligations of GWA under any reimbursement or other similar agreement shall be limited obligations of GWA payable solely from the revenues and other assets of GWA pledged for such purpose and shall not be a debt or liability of the Government of Guam.

Section 6. The Administrator and the Designated Officers of GWA, upon appropriate authorization and delegation by the CCU, are hereby authorized and directed to do any and all things and to execute and deliver any and all documents, certificates and other instruments, including tax certificates which they may deem necessary or advisable in

order to consummate the sale of the 2013 Bonds and otherwise to effectuate the purposes of this resolution. Such actions may include, but are not limited to, the distribution of other information and material relating to the 2013 Bonds and the holding of any appropriate information meetings concerning the 2013 Bonds.

Section 7. All actions heretofore taken by the officers, representatives or agents of GEDA in connection with the issuance and sale of the 2013 Bonds are hereby ratified, confirmed and approved.

Section 8. The 2013 Bonds shall not be issued without, and shall be in all respects subject to the terms and conditions of, the approvals of the Legislature, the Consolidated Commission on Utilities and the Guam Public Utilities Commission in accordance with the Act and Chapter 12 of Title 12, Guam Code Annotated.

Section 9. This resolution shall take effect from and after its adoption.

Reports

§10. The next item on the agenda was Reports. Administrator Taitano reported that GEDA has recent financing activities and all the managers have been doing a great job.

Administrator Taitano continued by giving kudos to Mr. Carlson and his team and the underwriters. They have done a great job on a recent general bond appropriation.

Chairman Calvo inquired on the recently discussed upgrades on the economic bond project and analysis. His inquiry was based on whether there was a plan or timeline for the Qualifying Certificates (QCs).

Administrator Taitano informed the Board that at the next working session there will be a QC and a Credit Review Committee (CRC) for a decision. Henry Cruz who is in charge of the new Commerce Economic Development Division has started implementing a new economic impact assessment.

Mr. Cruz presented an update on the status of the economic analysis project. The economic model looked at was developed by Dr. Maria Claret M. Ruane, Resident Development Economist, University of Guam. One of the methodologies she had laid out was used, but there are complications in trying to apply it to the evaluation process, so a hybrid approach was used in setting up criteria for the QC. Mr. Cruz expressed that they would like to set up that particular system so that there is continuity and consistency when it comes to reviewing any type of QC. They are

trying to develop a rating system that can be applied to this particular hybrid model and are trying to use the rating system for interpretation for evaluating applications before it comes in front of the Board.

Mr. Cruz noted that the hybrid model is designed to address all GEDA enabling mandates. Each of those criteria would have a particular rating value, so at the end of the day we would have a score for a particular applicant and we would be able to apply the score against a rating scale, which would also assist the Board.

Chairman Calvo expressed that specifically to the QC Program that is exactly what is needed but in general as well. The data will also be valuable to show the trends.

After further discussion, Administrator Taitano informed the Board that with the resources they have provided GEDA within the reorganization, they will see at the next work session, and the CRC, for instance with the Hospital QC, what our current impact statement is going to look like. The output would result in job creation, tax revenues and an impact on real-estate income in the area of the hospital. Administrator Taitano informed the Board that they would need to make a decision on whether the technical assistance would be needed for a revenue model with the current structure.

Chairman Calvo continued with his second concern regarding the QC design and the ongoing modification of the process. Director John informed Chairman Calvo that the QC subcommittee had a very good meeting the week before and that Mrs. Cruz brought good information to the meeting. The plan is to go back to the beginning of the program because it's very complicated. There are weekly meetings and they will be working on something to report to the Board.

§11. The next item on the agenda was the Marketing Fund. Chairman Calvo requested the team to give him some feedback and noted that \$75,000.00 per year is by no means close to what is needed to make an impact in this competitive region. Chairman Calvo noted that GEDA keeps saying it will reach out for investments and GEDA is going to give it a good try. GEDA needs to look at ways to increase the marketing fund whether it's through the property management fees that are being collected. Realizing that a lot of the funding comes from QC investments that are already here, GEDA needs to spend money to make new money and GEDA needs to increase its funds.

Administrator Taitano suggested having a subcommittee formed for the Marketing Fund. This committee will be able to discuss the details of Marketing

Funds. Director John suggested that when the packets are given to potential investors, information about the sponsors should be included.

§12. The next item on the agenda was HICAP 2013. Director Mesa commended the staff for putting together the investment brochure that was presented at the HICAP. He continued to explain that it was a good approach for us to get the word out and that the information was concise. Director Mesa pointed out that one of the biggest concerns for investors is the process in the government for businesses. He suggested a “real” one stop, where all the government processes need to be looked into because that is one of the biggest concerns with the developers. Guam is competing with other Asian countries that have fewer requirements which could work against us and having these developers take advantage of the opportunity. He continued by saying that we are optimistic that we can attract investors, but it’s good that we are now focusing on specific properties so that investors from the hotel branch would know there is an opportunity.

Director John updated the Board on the QC Subcommittee and the two things that were discussed. First was to peak the interest of investors to come to Guam and then it just grinds to a halt. He continued by explaining how these investors need to go to different agencies, and asked why zoning is being done in Tumon. Director John suggested that the various agencies get involved up front so that when there are interested investors, it will be a simple process. As much as the tax benefits granted by a QC can be attractive, the ability to put the capital in place quickly is equally as important, if not more important.

So if we could take a look at Tumon and want to make it into a development zone and have things all ready to go or if you go to get the process approved, you are pretty much done and ready to go. The second piece of it is the goal of Guam Visitor’s Bureau and the Governor to get 2000 more rooms. After explaining the details further, Chairman Calvo asked if GEDA has a Hotel Investment Subcommittee. Director Mesa said that the subcommittee is being set up. Chairman Calvo has been working with the Real Property Division on properties and there is cross committee collaboration, but believes that a lot of these items should be looked into by the Hotel Investment Committee. He also mentioned that the Hotel Investment Committee should also look at ways to attract visitors during off peak season to fill the hotel rooms.

Director Mesa presented the overview of the HICAP Conference: There are three concerns; 1) the China visa waiver 2) attract a high end investor, and 3) air flight. The Board Members discussed the concerns and decided that these would be issues that the Marketing Investment Subcommittee should look into.

Public Comments

§13. The next item was Public Comments. There were none.

§14. The status of ongoing projects which are being overseen by the Real Property Division was presented by GEDA's PMO representative Calvin Kelly.


- Guam Museum: The main contractor is onsite and construction has commenced. There is a RFI process that is going on right now, the contractor, designer and construction manager are interpreting documents, providing submittals and approvals for all stages of the project. The IFB for the construction of the gallery, and the exhibits were released yesterday. The due date for bid submissions is December 10 for that IFB. We would like to request for action of the Board after opening the bids, hopefully in December so that timelines will be met.
- Inarajan Community Center Restoration: The project is at the tail end. The ribbon cutting ceremony is scheduled for November 5, 2013.
- Plaza de España Restoration: The restoration is on schedule and we have started on what is typically a two month progress on a site like that, to coordinate completing construction.
- Farmers Coop Project: The project is happening at the same location where the Dededo Flea Market is being relocated. That design is complete and the IFB will be issued for the construction for that next week. There is one final technical issue on that project, which relates to the amount of water that is available to us for fire protection purposes. That is one technical challenge we are going to address in one fashion with respect to the actual bidding. We are going to put plans in place for what we are going to do onsite.
- Standardized Village Entrance Signs & Road Signs: We presented to the Mayors Council on the 16th of November and discussed the details of the signs. There are requests for more than one sign but it's not feasible with project budget. We will make plans on how they will be able to get their additional signs later.
- Tumon Flooding: The great stretch of weather has allowed us to gauge the situation and all the data is being fed into a model. We are still on track to provide a preliminary report by December for detailed discussion. By December we will know two (2) things: 1) what are the conditions on the ground, and 2) how we take those conditions and merge them into a phased solution.

Chairman Calvo commended the Project Manager and GEDA for the good job on projects and status reports.

Adjournment

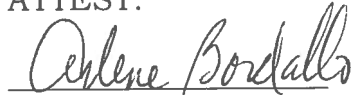
§15. There being no further business to address before the Board, on motion duly made by Director Chiu and seconded by Director John, the meeting was adjourned at 3:00 p.m.

Dated this 30th day of December, 2013



Edward J. Calvo
Chairman

ATTEST:



Arlene P. Bordallo
Secretary