



OFFICE OF THE LEGISLATIVE SECRETARY  
ACKNOWLEDGMENT RECEIPT

Received By: [Signature]

7:50 PM

Date: 1-2-97

CARL T.C. GUTIERREZ  
GOVERNOR OF GUAM

OFFICE OF THE SPEAKER

Date: 1-2-97

Time: 1:35 pm

Received By: [Signature]

Print Name: Arlene B. Tores

JAN 02 1997

The Honorable Don Parkinson  
Speaker  
Twenty-Third Guam Legislature  
Guam Legislature Temporary Building  
155 Hesler Street  
Agana, Guam 96910

Dear Mr. Speaker:

Enclosed please find a copy of Substitute Bill No. 768 (LS), "AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO EXECUTE AN ASSIGNMENT OF ITS LEASES OF CERTAIN LOTS AND EASEMENTS WITHIN THE GUAM INTERNATIONAL AIRPORT INDUSTRIAL PARK AND WITHIN THE COMMERCIAL PORT OF GUAM TO SHELL GUAM, INC. FOR AIRPORT-RELATED USES AND FOR PORT-RELATED USES", which I have signed into law today as **Public Law No. 23-142**.

Governor's message and copy of public law have been delivered to the Office of the Legislative Secretary.

Very truly yours,

[Signature]  
Carl T. C. Gutierrez  
Governor of Guam

Attachment  
231636



CARL T.C. GUTIERREZ  
GOVERNOR OF GUAM

JAN 02 1997

The Honorable Hope A. Cristobal  
Acting Legislative Secretary  
Twenty-Third Guam Legislature  
Guam Legislature Temporary Building  
155 Hesler Street  
Agana, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY	
ACKNOWLEDGMENT RECEIPT	
Received By	<u>[Signature]</u>
Time	<u>2:45</u>
Date	<u>1/2/97</u>

Dear Madame Legislative Secretary:

Enclosed please find a copy of Governor's message and copy of Substitute Bill No. 768 (LS), "AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO EXECUTE AN ASSIGNMENT OF ITS LEASES OF CERTAIN LOTS AND EASEMENTS WITHIN THE GUAM INTERNATIONAL AIRPORT INDUSTRIAL PARK AND WITHIN THE COMMERCIAL PORT OF GUAM TO SHELL GUAM, INC. FOR AIRPORT-RELATED USES AND FOR PORT-RELATED USES", which I have signed into law today as **Public Law No. 23-142**.

Governor's message and copy of the public law have also been delivered to the Office of the Speaker.

Very truly yours,

  
Carl T. C. Gutierrez  
Governor of Guam

Attachments

231626

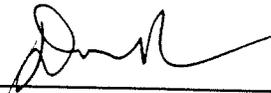
(for file purposes)  
mly

Same as Doc. No. 231636

TWENTY-THIRD GUAM LEGISLATURE  
1996 (SECOND) Regular Session

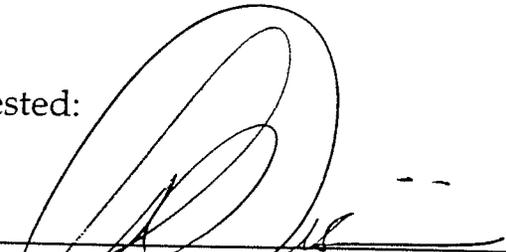
CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 768 (LS), "AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO EXECUTE AN ASSIGNMENT OF ITS LEASES OF CERTAIN LOTS AND EASEMENTS WITHIN THE GUAM INTERNATIONAL AIRPORT INDUSTRIAL PARK AND WITHIN THE COMMERCIAL PORT OF GUAM TO SHELL GUAM, INC. FOR AIRPORT-RELATED USES AND FOR PORT-RELATED USES," was on the 23rd day of December, 1996, duly and regularly passed.



DON PARKINSON  
Speaker

Attested:

  
SONNY LUJAN ORSINI

Senator and Legislative Secretary, Acting

This Act was received by the Governor this 23<sup>rd</sup> day of December,  
1996, at 4:55 o'clock P.M.



Assistant Staff Officer  
Governor's Office

APPROVED:

  
CARL T. C. GUTIERREZ  
Governor of Guam

Date: 1-2-97

Public Law No. 23-142

TWENTY-THIRD GUAM LEGISLATURE  
1996 (SECOND) Regular Session

Bill No. 768 (LS)

As substituted by the Committee on  
Economic & Agricultural Development  
and Insurance / Committee on Tourism  
and Transportation

Introduced by:

T. S. Nelson

---

By the request of the  
Governor in accordance  
with the Organic Act of  
Guam

AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO EXECUTE AN ASSIGNMENT OF ITS LEASES OF CERTAIN LOTS AND EASEMENTS WITHIN THE GUAM INTERNATIONAL AIRPORT INDUSTRIAL PARK AND WITHIN THE COMMERCIAL PORT OF GUAM TO SHELL GUAM, INC. FOR AIRPORT-RELATED USES AND FOR PORT-RELATED USES.

1           **BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:**

2           **Section 1. History.** The Guam International Airport Authority (GIAA)  
3 has developed certain real property located at the Guam International Air  
4 Terminal Industrial Park (the Industrial Park). Esso Eastern, Inc., is the  
5 holder of a duly authorized lease (the GIAA Lease) from GIAA of Lot No. 1,  
6 Block No. 1, Tract No. 1427 within the Industrial Park. The Port Authority of  
7 Guam supervises and administers various parcels of real property within the  
8 area of the Commercial Port of Guam (the Commercial Port). Esso Eastern,  
9 Inc. is the holder of certain duly authorized leases and an easement  
10 (collectively, the PAG Leases) within the Commercial Port of properties  
11 described as (i) Lot No. 2, Cabras Island, Piti; (ii) a portion of Lot No. 3

1 designated as Long No. 3A in Cabras Island Industrial Park; (iii) Esso Fire  
2 Fighting Pump House and Fire Fighting System, Piti, Land Square 21; Section  
3 2; and (iv) a 5 foot Wide Pipe Line Easement, Piti, Land Square 21, Section 2.  
4 Esso Eastern, Inc. desires to assign all its interests in the GIAA Lease and in  
5 the PAG Leases to Shell Guam, Inc. On September 19, 1996, at a meeting of  
6 the Board of Directors of PAG, an assignment of the PAG Leases from Esso  
7 Eastern, Inc., to Shell Guam, Inc., was approved, subject to approval by the  
8 Legislature. On September 26, 1996, at a meeting of the Board of Directors of  
9 GIAA, an assignment of the GIAA Lease from Esso Eastern, Inc., to Shell  
10 Guam, Inc., was approved, subject to approval by the Legislature.

11 **Section 2. Assignment of GIAA Lease authorized.** Esso Eastern, Inc., is  
12 hereby authorized to assign its interests in the GIAA Lease between it and the  
13 Guam International Airport Authority of the following described lot in the  
14 Guam International Air Terminal Industrial Park: Lot No. 1, Block No. 2,  
15 Tract No. 1427, Guam International Air Terminal Industrial park,  
16 Municipalities of Barrigada and Dededo, Guam, containing an area of  
17 approximately 5,709 square meters or 61,448 square feet, as shown on  
18 Drawing No. DS1-S-88-25 dated April 23, 1990, prepared by registered land  
19 surveyor Nestorio C. Ignacio, RLS No. 65, to Shell Guam, Inc., a Guam  
20 corporation, for airport-related uses; provided, however, that as a condition  
21 to this approval of such assignment, the assignee shall agree to be bound by  
22 all the terms and conditions of the GIAA Lease, including but not limited to  
23 any restrictions on uses of the land covered by the GIAA Lease.

24 **Section 3. Assignment of PAG Leases authorized.** Esso Eastern, Inc. is  
25 hereby authorized to assign its interests in the PAG Leases between it and the  
26 Port Authority of Guam (as successor in interest to the interests of the Guam  
27 Economic Development Authority) of the following described lots in the

1 Commercial Port of Guam: (i) Lot No. 2, Cabras Island, Municipality of Piti,  
2 Guam; (ii) a portion of Lot No. 3 designated as Long No 3A in Cabras Island  
3 Industrial Park, Municipality of Piti, Guam; (iii) Esso Fire Fighting Pump  
4 House and Fire Fighting System, Piti, Land Square 21, Section 2; and (iv) a  
5 five (5) foot-wide Pipe Line Easement, Piti, Land Square 21, Section 2, to Shell  
6 Guam, Inc., a Guam corporation; provided, however, that as a condition to  
7 this approval of such assignment, the assignee shall agree to be bound by all  
8 the terms and conditions of the PAG Leases, including but not limited to any  
9 restrictions on uses of the land covered by the PAG Leases.

10 **Section 4. Scope.** This Act relates solely to the approval of the  
11 assignment of the GIAA and PAG Leases from Esso Eastern, Inc., to Shell  
12 Guam, Inc., and nothing contained herein shall be considered an approval,  
13 tacit or otherwise, or disapproval by the government of Guam with respect to  
14 the acquisition of Esso Eastern, Inc., assets by Shell Guam, Inc.

15 (b) Neither Shell Guam, Inc. nor Esso Eastern, Inc., shall use the  
16 passage of this Bill in any official correspondence or capacity with the Federal  
17 Trade Commission (FTC) or any other federal or local government agency to  
18 imply government approval with respect to the acquisition of Esso Eastern,  
19 Inc., assets by Shell Guam, Inc.

VOTING SHEET

Bill No. 768  
 Resolution No. \_\_\_\_\_  
 Question: \_\_\_\_\_

NAME	YEAS	NAYS	NOT VOTING/ ABSTAINED	ABSENT/ OUT DURING ROLL CALL
ADA, Thomas C.	✓			
AGUON, John P.	✓			
BARRETT-ANDERSON, Elizabeth	✓			
BLAZ, Anthony C.	✓			
BROWN, Joanne S.	✓			
CAMACHO, Felix P.	✓			
CHARFAUROS, Mark C	✓			
CRISTOBAL, Hope A.	✓			
FORBES, MARK				✓
LAMORENA, Alberto C., V	✓			
LEON GUERRERO, Carlotta	✓			
LEON GUERRERO, Lou	✓			
NELSON, Ted S.	✓			
ORSINI, Sonny L.	✓			
PANGELINAN, Vicente C	✓			
PARKINSON, Don	✓			
SAN AGUSTIN, Joe T.	✓			
SANTOS, Angel L. G.	✓			
SANTOS, Francis E.	✓			
UNPINGCO, Antonio R.	✓			
WONPAT-BORJA, Judith				✓

TOTAL

19 0 0 2

CERTIFIED TRUE AND CORRECT:

\_\_\_\_\_  
 Recording Secretary

23-142

SENATOR  
JOHN PEREZ AGUON



CHAIRMAN  
COMMITTEE ON TOURISM & TRANSPORTATION

23RD GUAM LEGISLATURE

OFFICE: 479 W. O'Brien Drive · Suite 301 · Bank of Guam, Santa Cruz · Agana  
MAIL: 155 Hesler St. · Agana, Guam · 96910 · (671)472-3570/1/2 · Fax: (671)477-8358

December 17, 1996

Honorable Don Parkinson, Speaker  
23rd Guam Legislature  
155 Hessler St.  
Agana, Guam 96910

Dear Mr. Speaker,

The Committees on Tourism & Transportation and Economic-Agricultural Development & Insurance, to which the following was referred, wish to report their findings and recommendations:

BILL NO. 768 (As Substituted by the Committees on Economic-Agricultural Development & Insurance and Tourism & Transportation) AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO EXECUTE AN ASSIGNMENT OF ITS LEASES OF CERTAIN LOTS AND EASEMENTS WITHIN THE GUAM INTERNATIONAL AIRPORT INDUSTRIAL PARK AND WITHIN THE COMMERCIAL PORT OF GUAM TO SHELL GUAM, INC. FOR AIRPORT-RELATED USES AND FOR PORT-RELATED USES.

The Committees' voting record on Substitute Bill No. 768 is as follows:

TO PASS	<u>10</u>
NOT TO PASS	<u>0</u>
TO ABSTAIN	<u>0</u>
TO PLACE IN THE INACTIVE FILE	<u>0</u>
NOT VOTING	<u>4</u>

The recommendation of the Committees is to do pass. A copy of the voting sheet, report and all pertinent documents are attached for your information.

Sincerely,

JOHN PEREZ AGUON  
Chairman

JOE T. SAN AGUSTIN  
Chairman

Attachments

**JOINT VOTING SHEET**  
**COMMITTEES ON TOURISM & TRANSPORTATION AND**  
**ECONOMIC-AGRICULTURAL DEVELOPMENT & INSURANCE**

BILL NO. 768 (As Substituted by the Committees on Economic-Agricultural Development & Insurance and Tourism & Transportation) AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO EXECUTE AN ASSIGNMENT OF ITS LEASES OF CERTAIN LOTS AND EASEMENTS WITHIN THE GUAM INTERNATIONAL AIRPORT INDUSTRIAL PARK AND WITHIN THE COMMERCIAL PORT OF GUAM TO SHELL GUAM, INC. FOR AIRPORT-RELATED USES AND FOR PORT-RELATED USES.

TO  
PASS

NOT TO  
PASS

TO  
ABSTAIN

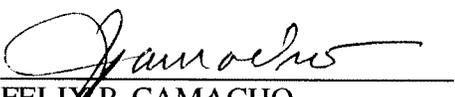
TO PLACE IN  
INACTIVE FILE

  
 \_\_\_\_\_  
 JOHN P. AGUON, Chairman

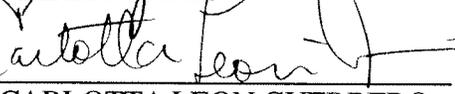
  
 \_\_\_\_\_  
 JOE T. SAN AGUSTIN, Chairman

  
 \_\_\_\_\_  
 ANTHONY C. BLAZ

  
 \_\_\_\_\_  
 JOANNE S. BROWN

  
 \_\_\_\_\_  
 FELIX P. CAMACHO

  
 \_\_\_\_\_  
 MARK FORBES

  
 \_\_\_\_\_  
 CARLOTTA LEON GUERRERO

\_\_\_\_\_  
 SONNY L. ORSINI

  
 \_\_\_\_\_  
 VICENTE C. PANGELINAN

\_\_\_\_\_  
 DON PARKINSON

\_\_\_\_\_  
 ANGEL L. G. SANTOS

\_\_\_\_\_  
 FRANCIS E. SANTOS

\_\_\_\_\_  
 ANTONIO R. UNPINGCO

\_\_\_\_\_  
 JUDITH WONPAT-BORJA



# 23rd Guam Legislature COMMITTEE ON TOURISM and TRANSPORTATION

## COMMITTEE REPORT

**BILL NO. 768** (As Substituted by the Committees on Economic-Agricultural Development & Insurance and Tourism & Transportation) AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO EXECUTE AN ASSIGNMENT OF ITS LEASES OF CERTAIN LOTS AND EASEMENTS WITHIN THE GUAM INTERNATIONAL AIRPORT INDUSTRIAL PARK AND WITHIN THE COMMERCIAL PORT OF GUAM TO SHELL GUAM, INC. FOR AIRPORT-RELATED USES AND FOR PORT-RELATED USES.

### **PUBLIC HEARING:**

December 11, 1996

**SENATOR JOHN PEREZ AGUON, Chairman**

**SENATOR JOE T. SAN AGUSTIN**  
**Vice Chairman**

SENATOR JOANNE S. BROWN  
SENATOR FELIX P. CAMACHO  
SENATOR MARK FORBES

SENATOR CARLOTTA LEON GUERRERO  
SENATOR SONNY L. ORSINI  
SENATOR VICENTE C. PANGELINAN  
SENATOR FRANCIS E. SANTOS  
SENATOR ANTONIO R. UNPINGCO  
SENATOR JUDITH WON PAT-BORJA

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  - Calvin Holloway, Sr., Attorney General
  - Jay Sprague, Guam International Airport Authority Executive Manager
4. Letter to Sen. Aguon from the AG dated Dec. 16, 1996
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18. Memo to Members dated Dec. 4, 1996
19. Referral letter to Committee on Tourism and Transportation
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    - Letter of Paul Souder (PAG Chair) to the Governor dated Oct. 10, 1996
    - PAG Board Resolution dated Sept. 19, 1996
    - Assignment of Leased Landed Asset Sites between Esso Eastern Inc., and Shell Guam Inc., dated Oct. 7, 1996
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    - Consent of Government of Guam executed by the Governor and Lt. Governor
  - Sublease Agreement between GEDA and Esso Standard Eastern, Inc. dated Oct. 1, 1969 on Lot 2
  - Sublease Agreement between GEDA and Esso Standard Eastern, Inc. dated Jan. 18, 1971 on Lot 3A
  - Easement for Construction and Maintenance of Pipeline and Pumphouse dated July 11, 1986 between GEDA and Esso Standard Eastern, Inc.

TWENTY-THIRD GUAM LEGISLATURE  
1996 (SECOND) Regular Session

Bill No. 768

**Introduced by:**

(as substituted by the Committee on  
Economic & Agricultural Development  
and Insurance / Committee on Tourism  
and Transportation)

\_\_\_\_\_   
by the request of the  
Governor in accordance  
with the Organic Act of  
Guam

**AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO  
EXECUTE AN ASSIGNMENT OF ITS LEASES OF CERTAIN  
LOTS AND EASEMENTS WITHIN THE GUAM  
INTERNATIONAL AIRPORT INDUSTRIAL PARK AND  
WITHIN THE COMMERCIAL PORT OF GUAM TO SHELL  
GUAM, INC. FOR AIRPORT-RELATED USES AND FOR  
PORT-RELATED USES.**

1        **BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF**

2        **GUAM:**

3        **Section 1. History.** The Guam International Airport Authority  
4        (GIAA) has developed certain property located at the Guam  
5        International Air Terminal Industrial Park (the Industrial Park). Esso  
6        Eastern, Inc. is the holder of a duly authorized lease (the GIAA Lease)  
7        from GIAA of Lot No. 1, Block No. 1, Tract No. 1427 within the Industrial  
8        Park. The Port Authority of Guam supervises and administers various  
9        parcels of real property within the area of the Commercial Port of Guam  
10       (the Commercial Port). Esso Eastern, Inc. is the holder of certain duly  
11       authorized leases and an easement (collectively the PAG Leases) within

1 the Commercial Port of properties described as (i) Lot No. 2, Cabras  
2 Island, Piti; (ii) a portion of Lot No. 3 designated as Long No 3A in Cabras  
3 Island Industrial Park; (iii) Esso Fire Fighting Pump House and Fire  
4 Fighting System, Piti, Land Square 21, Section 2; and (iv) a 5 foot Wide  
5 Pipe Line Easement, Piti, Land Square 21, Section 2. Esso Eastern, Inc.  
6 desires to assign all its interests in the foregoing GIAA Lease and in the  
7 foregoing PAG Leases to Shell Guam, Inc. On September 19, 1996, at a  
8 meeting of the Board of Directors of PAG, an assignment of the PAG  
9 Leases from Esso Eastern, Inc., to Shell Guam, Inc. was approved, subject  
10 to approval by the Legislature. On September 26, 1996, at a meeting of the  
11 Board of Directors of GIAA, an assignment of the GIAA Lease from Esso  
12 Eastern, Inc., to Shell Guam, Inc. was approved, subject to approval by the  
13 Legislature.

14 **Section 2. Assignment of GIAA Lease authorized.** Esso Eastern,  
15 Inc. is hereby authorized to assign its interests in the GIAA Lease  
16 between it and the Guam International Airport Authority of the following  
17 described lot in the Guam International Air Terminal Industrial Park: Lot  
18 No. 1, Block No. 2, Tract No. 1427, to Shell Guam, Inc., a Guam  
19 corporation, for airport-related uses; provided, however, that as a  
20 condition to this approval of such assignment, the assignee shall agree to  
21 be bound by all the terms and conditions of the GIAA Lease, including but

1 not limited to any restrictions on uses of the land covered by the GIAA  
2 Lease.

3       **Section 3. Assignment of PAG Leases authorized.** Esso Eastern,  
4 Inc. is hereby authorized to assign its interests in the PAG Leases  
5 between it and the Port Authority of Guam (as successor in interest to  
6 the interests of the Guam Economic Development Authority) of the  
7 following described lots in the Commercial Port of Guam: (i) Lot No. 2,  
8 Cabras Island; (ii) a portion of Lot No. 3 designated as Long No 3A in  
9 Cabras Island Industrial Park; (iii) Esso Fire Fighting Pump House and  
10 Fire Fighting System, Piti, Land Square 21, Section 2; and (iv) a 5 foot Wide  
11 Pipe Line Easement, Piti, Land Square 21, Section 2 to Shell Guam, Inc., a  
12 Guam corporation; provided, however, that as a condition to this  
13 approval of such assignment, the assignee shall agree to be bound by  
14 all the terms and conditions of the PAG Leases, including but not limited  
15 to any restrictions on uses of the land covered by the PAG Leases.

16       **Section 4. Scope.** This Act relates solely to the approval of the  
17 Assignment of the GIAA and PAG Leases and nothing contained herein  
18 shall be considered an approval, tacit or otherwise, or disapproval by the  
19 Government of Guam with respect to the acquisition of Esso Eastern, Inc.  
20 assets by Shell Guam, Inc.

# COMMITTEE REPORT

**BILL NO. 768 - At the request of the Governor**  
AN ACT TO APPROVE THE ASSIGNMENT OF THE PORT AUTHORITY OF  
GUAM'S LEASES WITH ESSO EASTERN, INC. TO SHELL GUAM INC.

## JOINT PUBLIC HEARING

### COMMITTEE ON ECONOMIC & AGRICULTURAL DEVELOPMENT AND INSURANCE / COMMITTEE ON TOURISM AND TRANSPORTATION

TIME AND DATE: 2 p.m., Wednesday, December 11, 1996  
LOCATION: Public Hearing Room, Guam Legislature  
PRESIDING: Chairman Sen. Joe T. San Agustin  
SENATORS PRESENT: Senator Alberto Lamorena  
Senator Carlotta Leon Guerrero  
Senator Vicente Pangelinan  
Senator Antonio Unpingco

#### PERSONS WHO PRESENTED TESTIMONIES:

Paul Souder, Port Authority of Guam (PAG) Chairperson  
Greg Krogel, Esso Eastern Inc. Branch Manager  
David O'Brien, Shell Guam, Inc. General Manager  
Calvin Holloway, Sr., Attorney General

#### SUBMITTED TESTIMONY BUT NOT APPEARING:

Jay Sprague, Guam International Airport Authority  
(GIAA) Executive Manager

#### SUMMARY OF TESTIMONIES

**Paul Souder** (PAG Chairperson) read his written testimony supporting the bill. Shell Guam Inc. plans to buy all the assets of Esso Eastern Inc. - Cabras terminal and LPG storage facilities, 14 retail service stations with 10 convenient stores. PAG supervises and administers parcels of land that Esso has leased and they are assigning all their interests under the same terms and conditions. The properties are (1) Lot. No. 2 Cabras Island; (2) a portion of Lot No. 3 designated as Lot No. 3A in the Cabras Industrial Park; (3) Esso Fire Fighting Pump House and Fire Fighting System, Piti, Land Square 21, Section 2; and (4) a five foot wide pipeline easement, Piti, Land Square 21, Section 2.

During the Sept. 19, 1996 PAG board meeting, the Port board approved the assignment of the leases from Esso to Shell subject to the approval of the Governor and the Legislature.

The acquisition of Esso's assets by Shell is contingent on the review of the acquisition by the Federal Trade Commission (FTC) and approval of the assignments by the Government of Guam.

Souder pointed out that "... it is the responsibility of the Federal Trade Commission to review the anti trust implications of the proposed acquisition."

**Greg Krogel** (Esso Branch Manager) read his written testimony supporting the transfer of ongoing Esso leases on GovGuam properties controlled by PAG and GIAA to Shell. The company will assume the leases under the same terms and conditions. Both the PAG and GIAA board of directors have approved the assignments.

**David O'Brien** (Shell President) read his written testimony supporting the transfer of all Esso leases with GovGuam to Shell. The assignment of PAG leases requires the consent and approval of the Governor, including the Attorney General, and the concurrence of the Legislature while the assignment of the GIAA lease requires the consent of the airport authority, the Governor and the Legislature. Through this acquisition, Shell's strategy is to establish Guam as the regional hub for Micronesia.

**Calvin Holloway, Sr.** (Attorney General) read his written testimony cautioning the Legislature from approving the proposed transfer. The FTC and the AG are currently reviewing the transaction because of existing anti trust laws. Through this acquisition, only 2 petroleum companies will be selling gasoline on island and only 1 oil company will be importing liquid propane gas.

Since the oil companies have refused to allow the FTC to share their information with the AG regarding the acquisition, the AG has been forced to conduct their own investigations. Guam has anti trust provisions in 9 G.C.A. Chapter 69 which "... makes it unlawful for two or more persons to contract in restraint of trade, and authorizes..." the AG "... to conduct investigations into potential violations."

The AG is requesting the Legislature to exercise caution in the following ways.

1. Withhold approval of the transfer and assignment until the AG and the FTC have completed their investigations.
2. Approve the transfer and assignment "... while making it very clear on the legislative record that the approval is solely for the transfer and assignment of Exxon's lease, and that the approval is not for any proposed acquisition by Shell of all Exxon's Guam assets."

The AG added that "The danger, of course, in approving the transfer and assignment of Exxon's lease in a hasty manner is that legislative approval of a simple real estate transaction could be used as a justification by Shell for gaining approval for Shell's entire proposed acquisition."

**Jay Sprague** (GIAA Executive Manager) submitted written testimony supporting the assignment of the Esso lease to Shell for Lot No. 1, Block No. 2, Tract 1427 in the airport industrial park. The property is about 5,709 sq. meters. Since the ground lease was authorized by PL 20 - 188, the assignment of the lease must have the written consent of the Governor, the Legislature and the approval by GIAA. The GIAA board adopted a Resolution on Sept. 26, 1996 approving the assignment of the lease.

## DISCUSSION

Sen. San Agustin expressed his concern that this is an administration bill with the Governor and Lt. Governor's signed Consent and that the AG has a signed Approved As To Form. He asked if this was done against the AG's advise. The AG explained that the documents met the legal requirements but a confidential letter was also sent to the Governor. San Agustin inquired if the AG's letter was sent after the Oct. 18, 1996 (the date that the Consent was completed). The AG replied yes. San Agustin clarified that the Legislature has jurisdiction over approving the assignment but not the sale of the assets. San Agustin queried why the AG was asking the Legislature to hold back the approval. He answered that he wants to obtain all the necessary information first.

Sen. Pangelinan wanted the AG to clarify his position regarding exercising caution in approving the assignment. The AG replied that there is a strong possibility that once the assignment is transferred, then Shell could claim tacit approval.

Sen. Lamorena asked if "... there would be a problem if a section was added that the leases would not go into effect until the approval by the FTC?" The AG replied that he would not have a problem if the Attorney General's Office was added. Shell explained that the closing of the contract between Shell and Exxon is conditional upon approval by the FTC and they will not use the Legislature's consent as leverage with the FTC." Lamorena inquired why Shell is not submitting information to the AG that they willingly gave the FTC. Shell expressed surprise with the AG's claim and stated that they are willing to provide the committee with copies of communications between Shell and the AG. He added that the last letter from the AG was dated Dec. 5, 1996 and he understands from their lawyers that there are about 100 - 134 cartons of documents that need to be submitted for this case. He added that it will take time to copy and comply with the AG's request.

The AG stated that the FTC was on Guam about 3 weeks ago and he had a long discussion with them. Apparently there is a waiver that both Shell and Exxon can sign so that the FTC and the AG could share information. Despite the AG's request, Shell and Exxon have both refused to comply with the request. Lamorena inquired if Shell had a problem with granting the waiver. Shell replied that the issues raised by the AG is under discussion between the AG and their lawyers. They contend that a waiver is not needed and they will comply with both local and federal statutes.

The AG explained that the FTC works with local attorney. With the waiver, the review process will be fast tracked. Lamorena stated that if both companies do not have a problem with providing information to the FTC, then they should not have problem with giving the same information to the AG. Shell stated that they will provide the AG with the requested information.

Sen. San Agustin explained that the AG has identified two (2) issues. One relates to the "simple transfer of assets" and the other is an "apparent anti trust violation." He

added that both the Legislature and the AG are tasked with protecting the local consumers.

Sen. Carlotta Leon Guerrero inquired about the January 1997 deadline. Shell began by stating that "... there is no anti trust violation but there are certain anti trust implications." They added that the investigation by the FTC is normal for deals of this size. In response to Sen. Leon Guerrero's question, he explained that "... the deal has value to Shell and that there is a competitive nature to it." The deal has been with the FTC since September, 1996 and they expect a response from the FTC by January 1997. Leon Guerrero asked if the deal will collapse or will be affected if the deadline is not met. Shell replied that there are contractual implications if the time frame is exceeded.

Sen. Unpingco stated that since it is normal for the FTC to investigate a deal of this size, is it also normal for the AG to investigate. Holloway answered that normally the FTC works with the local AG and shares the information with them. Unpingco added that since the oil companies have not granted the waiver, then the AG has been forced to conduct their own independent investigation. Unpingco asked Shell if it would not be easier for them to provide the waiver rather than providing the huge volume of documents. Shell replied that both companies "... do not have anything to hide " and they will comply with the requests.

Sen. Pangelinan presented a scenario where Exxon shuts down and Shell begins operations after a 6 month period. He asked if the FTC's concern was limited to on going businesses. Holloway replied affirmatively. The AG stated that he is not against the merger but what he "... needs is information to make an intelligent recommendation."

Sen. San Agustin asked if the lease rate has remained static. Carbullido (PAG's legal counsel) explained that the Port has no power to renegotiate the lease. "The provision is just that the assignment will not be withheld for any unreasonable reasons." Since the GEDA leases were assigned to PAG in '88 - '89, the rental rate is tied to the current terms. Carbullido stated that from the Port's perspective this is an assignment of an existing lease. On the other hand, San Agustin stated that the AG, as the protector of the consumers, is concerned with the impact on the consumer by such a transaction. Carbullido suggested that a provision be added stating that "... nothing in this consent shall be deemed in any way an approval of the substantive transaction which is under review by the Attorney General and the Federal Trade Commission." San Agustin asked the AG if he agreed with Carbullido's provision. The AG prefers Lamorena's wordings. Carbullido stated that they will work with the AG's office so that their concerns are addressed.

Sen. Leon Guerrero asked about the \$16,000 p.a. lease rate. Carbullido replied that a reappraisal was done '89. Exxon added that the new rate is \$19,518.79 monthly for a 10 year term. She inquired about the airport lease rate. Exxon replied that it began in 1992 and has a 10% escalation clause that begins in 1997.

### JOINT COMMITTEE RECOMMENDATION

The Committee on Economic & Agricultural Development and Insurance and the Committee on Tourism and Transportation recommends the passage of Bill No. 768 (as substituted by the Committee on Economic & Agricultural Development and Insurance and the Committee on Tourism and Transportation): AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO EXECUTE AN ASSIGNMENT OF ITS LEASES OF CERTAIN LOTS AND EASEMENTS WITHIN THE GUAM INTERNATIONAL AIRPORT INDUSTRIAL PARK AND WITHIN THE COMMERCIAL PORT OF GUAM TO SHELL GUAM, INC. FOR AIRPORT-RELATED USES AND FOR PORT-RELATED USES with the following changes.

1. Esso Eastern, Inc. is also assigning their lease to Shell Guam Inc. for Lot No. 1, Block No. 1, Tract No. 1427 at the Airport Industrial Park. On Sept. 26, 1996, the GIAA Board approved the assignment.
2. Section 4 was added to address the concerns raised by the Attorney General. It states that this Act only approves the assignment of GIAA and PAG leases and cannot be considered as an "... approval , tacit or otherwise, or disapproval by the Government of Guam with respect to the acquisition of Esso Eastern, Inc. assets by Shell Guam, Inc."



**PORT AUTHORITY OF GUAM  
ATURIDAT I PUETTON GUAHAN**

GOVERNMENT OF GUAM  
1026 Cabras Highway  
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Piti, Guam 96925

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(671) 477-2683/85  
Telex: (721) 6689 PAGGUM  
Facsimile: (671) 477-2689

**TESTIMONY OF  
PORT AUTHORITY OF GUAM  
IN SUPPORT OF  
BILL NO. 768, AN ACT TO APPROVE THE ASSIGNMENT OF  
PORT AUTHORITY OF GUAM'S LEASE WITH  
ESSO EASTERN, INC. TO SHELL GUAM INC.**

Mr. Chairman and members of the Committee on Tourism and Transportation:

My name is Paul J. Souder. I am the Chairman of the Board of Directors of the Port Authority of Guam. I am here to testify today in support of Bill No. 768.

Shell Guam, Inc. recently agreed to buy the assets of Esso Eastern Inc., Guam branch, which markets products on Guam under the Exxon name. As explained to the Port, Shell will acquire Exxon's assets on Guam which includes Exxon's Cabras terminal and the LPG storage facilities, fourteen retail service stations including ten convenient stores. The Port is advised that the purchase will give Shell a stronger and more dynamic presence in Micronesia. With an expanded network of 32 retail service stations and a larger marketing team, Shell will better serve the needs and requirements of its customers.

Presently, the Port Authority supervises and administers various parcels of real property within the area of the Port Authority. Esso Eastern is the holder of certain duly authorized leases and an easement (collectively the "PAG Leases") within the Commercial Port properties described as (1) Lot No. 2, Cabras Island, Piti; (2) a portion of Lot No. 3 designated as Lot No. 3A in Cabras Island Industrial Park; (3) Esso Fire Fighting Pump House and Fire Fighting System, Piti, Land Square 21, Section 2; and (4) a five foot wide pipeline easement, Piti, Land Square 21, Section 2. Esso Eastern desires to assign all its interest in the foregoing PAG leases to Shell Guam.

On September 19, 1996 at a meeting of the Board of Directors of the Port Authority, an assignment of the PAG Leases from Esso Eastern, Inc. to Shell Guam Inc. was approved, subject to the approval of the Governor and the Guam Legislature.

The Port Authority leases land to various companies for commercial/industrial use including, but not limited to, storage of, petroleum products (motor gasoline, diesel, fuel oil and liquified petroleum gas ("LPG")). Shell Guam Inc., Esso Eastern Inc. and Mobil Oil Company lease parcels of land where they have petroleum products storage tanks. The



Port Authority also uses a parcel of land for petroleum products storage ("PAG Terminal", which is also known as the former BHP Terminal) that is managed by Mobil on a contract basis. In addition, the Port Authority supervises and administers the docks where petroleum products are off loaded: F-1 and Golf Pier. On behalf of the Port Authority, F-1 is managed by Shell and Golf Pier is managed by Mobil. The Port Authority also leases pipelines from Golf Pier to the Port Authority terminal.

The Port Authority derives revenue from, among other things, rent from leasing the various parcels of land, dock fees based on throughput of petroleum products, and storage fees for use of the Port Authority terminal.

Esso's petroleum products storage tanks are built on land leased from the Port Authority. Esso and Shell have notified the Port Authority that Esso's lease would be assigned to Shell once the acquisition is consummated and that the acquisition is contingent on, among other things, review of the acquisition by the Federal Trade Commission and approval of the assignments by the Government of Guam.

The Port Authority is sufficiently satisfied that even after the transfer of the Esso's operations to Shell, competition in the Guam petroleum market will continue to exist. The reason for this is that if an interested third party wanted to come into the Guam market, the Port's present Management Agreement with Mobil for the PAG terminal will allow for this. Mobil, as manager for the PAG terminal, is entitled to use the storage capacity at the terminal. However, the Port Authority's Management Agreement with Mobil requires that the manager make the Port Authority terminal available for use by interested third parties for at least two reasons. First, the Port Authority has a strong interest in promoting commerce in Guam. Second, the Port Authority obtains revenue from use of the Port Authority terminal as well as from additional throughput and dock fees. As manager, Mobil can use the Port Authority terminal. However, if a third party is interested in using the Port Authority terminal, Mobil has to demonstrate to the Port Authority the amount of capacity that Mobil needs for its operations, so that the spare capacity can be made available for use by third parties. It is likely that Mobil, which has its own storage facilities on land leased from the Port, does not need to use more than about forty percent of the capacity available at the Port Authority terminal on a regular basis. It is our understanding that Mobil is currently using about sixty percent of the storage capacity at the Port terminal because it is repairing one of the tanks at the Mobil terminal. However, once that project is completed, Mobil will probably not need to use as much storage space at the Port terminal. Accordingly, there is spare capacity or ullage at the Port terminal for third parties to use.

The Management Agreement between the Port and Mobil governs the use of the Port Authority terminal. The Management Agreement requires that Mobil cooperate with third parties that desire to use the facility. That cooperation extends to (a) coordinating and scheduling the usage of tank capacity; (b) commingling product where feasible and (c) building additional tanks if needed.

In addition to the petroleum products storage capacity available to third parties at the Port Authority terminal, there are unused parcels of land that could be leased from the Port for the purpose of building storage tanks for any type of petroleum product. In fact, the Port's most recent master plan anticipates that additional tracts of land in the Cabras area may be used for storage of petroleum products.

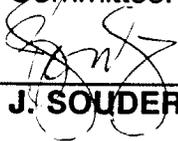
In reference to the LPG business in Guam, if a company wanted to enter the LPG market it would require pressurized storage facilities, which are different from the tanks that are used for other petroleum products. There are unused parcels of land that could be leased from the Port for LPG storage. For example, a company could lease from the Port the vacant tract of land that used to be a landing ramp for seaplanes (i.e. the "Seaplane Ramp"), which would be well suited for that use. In addition, if the company entering the LPG market is Mobil, it has already sufficient and appropriate space on the land it currently leases from the Port Authority that could be used for LPG storage. For example the area Mobil currently uses to store oil drums. Either parcel of land is conveniently situated for building a pipeline for LPG from either F-1 or Golf Pier to facilitate discharge of ships.

Further, I have been informed that Mobil is currently investigating reentering the LPG market in Guam. If this happens, then Mobil will be competing with Shell in the LPG market.

In any event, it is the responsibility of the Federal Trade Commission to review the anti trust implications of the proposed acquisition by Shell of the Esso Eastern operations in Guam. As far as the Port is concerned, Shell is a reputable company and has been a good neighbor of the Port for many years. The Port Authority welcomes Shell's expansion plans in Guam. The proposed assignment of leases and easements are upon the same terms and conditions which Esso presently has with the Port. The Port is satisfied that competition in the petroleum market will continue with Mobil and Shell. If not and the parties decide to engage in parallel pricing, then the present Management Agreement of the Port Authority terminal will allow for interested third party to competitively enter the petroleum market in Guam.

In conclusion, the Port Authority of Guam supports the passage of Bill No. 768.

Thank you Mr. Chairman and Members of the Committee.

  
\_\_\_\_\_  
**PAUL J. SOUDER**, Chairman

  
\_\_\_\_\_  
**E.C. BERMUDES**, General Manager

The Honorable John P. Aguon, Chairman  
Committee on Tourism & Transportation  
23rd Guam Legislature  
155 Hesler Street  
Agana, Guam 96910

Attention: Senator Joe T. San Agustin, Vice Chairman

Dear Mr. Chairman & Members of the Committee:

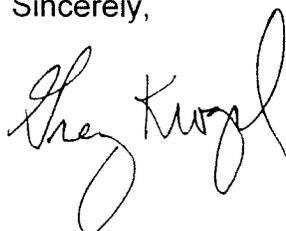
I am Greg Krogel, Branch Manager of Esso Eastern, Inc. Guam Branch and I am here today to testify and ask that you support bill number 768, as amended by the substitute bill attached to this testimony and previously communicated to the committee. This bill simply authorizes Esso Eastern, Inc. Guam Branch to transfer ongoing leases of Government of Guam property controlled by the Port Authority of Guam and the Guam Airport Authority, to Shell Guam, Inc. The assignment of these two leases has been approved by the respective Boards, copies of which are also attached. These leases are already set up for petroleum facilities. Shell will assume these leases under their current terms and conditions.

My company has enjoyed doing business on Guam for over twenty-five years, and we would like to thank the people of Guam and the Government of Guam for welcoming us here and for their support and patronage over the past years.

As you may know, Esso Eastern Inc. has announced it's intention to sell it's assets on Guam to Shell Guam, Inc. Plans are in place to assure a smooth transition during these changes.

Thank you for this opportunity to speak before you and I wish all of you a very happy and safe holiday season.

Sincerely,



12/11/96

**TWENTY-THIRD GUAM LEGISLATURE**  
**1996 (SECOND) Regular Session**

**BILL No.** \_\_\_\_\_

**Introduced by:** \_\_\_\_\_  
\_\_\_\_\_

**AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO EXECUTE  
AN ASSIGNMENT OF ITS LEASES OF CERTAIN LOTS AND  
EASEMENTS WITHIN THE GUAM INTERNATIONAL  
AIRPORT INDUSTRIAL PARK AND WITHIN THE  
COMMERCIAL PORT OF GUAM TO SHELL GUAM, INC. FOR  
AIRPORT-RELATED USES AND FOR PORT-RELATED USES.**

**BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:**

**Section 1. History.** The Guam International Airport Authority ("GIAA") has developed certain property located at the Guam International Air Terminal Industrial Park (the "Industrial Park"). Esso Eastern, Inc. is the holder of a duly authorized lease (the "GIAA" Lease) from GIAA of Lot No. 1, Block No. 1, Tract No. 1427 within the Industrial Park. The Port Authority of Guam supervises and administers various parcels of real property within the area of the Commercial Port of Guam (the "Commercial Port"). Esso Eastern, Inc. is the holder of certain duly authorized leases and an easement (collectively the "PAG Leases") within the Commercial Port of properties described as (i) Lot No. 2, Cabras Island, Piti; (ii) a portion of Lot No. 3 designated as Long No 3A in Cabras Island Industrial Park; (iii) Esso Fire

1 Fighting Pump House and Fire Fighting System, Piti, Land Square 21, Section 2; and  
2 (iv)a 5 foot Wide Pipe Line Easement, Piti, Land Square 21, Section 2. Esso Eastern,  
3 Inc. desires to assign all its interests in the foregoing GIAA Lease and in the foregoing  
4 PAG Leases to Shell Guam, Inc. On September 19, 1996, at a meeting of the Board of  
5 Directors of PAG, an assignment of the PAG Leases from Esso Eastern, Inc., to Shell  
6 Guam, Inc. was approved, subject to approval by the Legislature. On September 26,  
7 1996, at a meeting of the Board of Directors of GIAA, an assignment of the GIAA  
8 Lease from Esso Eastern, Inc., to Shell Guam, Inc. was approved, subject to approval  
9 by the Legislature.

10 Section 2. Assignment of GIAA Lease authorized. Esso Eastern, Inc. is  
11 hereby authorized to assign its interests in the GIAA Lease between it and the Guam  
12 International Airport Authority of the following described lot in the Guam  
13 International Air Terminal Industrial Park: Lot No. 1, Block No. 2, Tract No. 1427, to  
14 Shell Guam, Inc., a Guam corporation, for airport-related uses; provided, however, that  
15 as a condition to this approval of such assignment, the assignee shall agree to be bound  
16 by the all the terms and conditions of the GIAA Lease, including but not limited to any  
17 restrictions on uses of the land covered by the GIAA Lease.

18 Section 3. Assignment of PAG Leases authorized. Esso Eastern, Inc. is  
19 hereby authorized to assign its interests in the PAG Leases between it and the Port  
20 Authority of Guam (as successor in interest to the interests of the Guam Economic

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Development Authority) of the following described lots in the Commercial Port of  
Guam: (i) Lot No. 2, Cabras Island; (ii) a portion of Lot No. 3 designated as Long No  
3A in Cabras Island Industrial Park; (iii) Esso Fire Fighting Pump House and Fire  
Fighting System, Piti, Land Square 21, Section 2; and (iv) a 5 foot Wide Pipe Line  
Easement, Piti, Land Square 21, Section 2 to Shell Guam, Inc., a Guam corporation;  
provided, however, that as a condition to this approval of such assignment, the  
assignee shall agree to be bound by the all the terms and conditions of the PAG Leases,  
including but not limited to any restrictions on uses of the land covered by the PAG  
Leases.

**RESOLUTION**  
**OF THE**  
**BOARD OF DIRECTORS**  
**OF THE**  
**GUAM INTERNATIONAL AIRPORT AUTHORITY**

The following Resolution was adopted at the Regular Meeting of the Board of Directors of the Guam International Airport Authority ("GIAA") on September 26, 1996.

**WHEREAS**, GIAA entered into a Ground Lease with Esso Eastern Inc. on August 15, 1991, for the real property originally described as Lot No. 1, Block No. 2, Tract No. 1427, Guam International Air Terminal Industrial Park, Municipalities of Barrigada and Dededo, Guam, now known as Lot No. 1NEW-1, Block No. 2, Tract No. 1427, Barrigada, Guam, containing an area of 5,709 square meters, more or lease; and

**WHEREAS**, said Ground Lease was authorized by Public Law 20-188 subject to certain conditions set forth in Section 2 of said law, including the requirement that no assignment of the Ground Lease or sublease of any portion of the leased premises may be made without the written consent and approval of the Governor and Legislature; and

**WHEREAS**, Shell Guam, Inc. and Esso Eastern, Inc. have entered into an Asset Purchase and Sale Agreement, whereby, subject to certain conditions being met, Shell Guam, Inc. will acquire the interest of Esso Eastern, Inc. in the Ground Lease; and

**WHEREAS**, one of the conditions of the Asset Purchase and Sale Agreement is that Esso Eastern, Inc. assign its interest in and to the Ground Lease to Shell Guam, Inc., with the consent of GIAA, the Governor and the Legislature.

**NOW, THEREFORE, BE IT KNOWN THAT IT IS HEREBY RESOLVED**, that the Guam International Airport Authority consents to the Assignment of the Ground Lease by Esso

Eastern, Inc. to Shell Guam, Inc. in substantially the same form as the Assignment set forth in Exhibit "A" attached hereto and respectfully request the Governor of Guam and the Guam Legislature approve and consent to the Assignment;

**BE IT FURTHER RESOLVED** that GIAA's Executive Manager and Legal Counsel take all steps reasonably necessary to obtain such consent and approval.

Dated this 30th day of September, 1996.

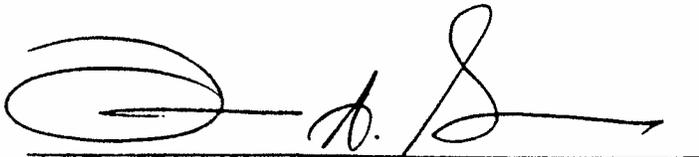
GUAM INTERNATIONAL AIRPORT AUTHORITY

By:



W.R. THOMPSON  
CHAIRMAN OF THE BOARD

ATTEST:



FRANCES A. GUERRERO  
GIAA Board Secretary

**RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
PORT AUTHORITY OF GUAM**

This Resolution is adopted at the September 19, 1996 special meeting of the Board of Directors of the Port Authority of Guam as follows:

**WHEREAS**, the Guam Economic Development Authority has entered into a Sublease with Esso Eastern, Inc. dated January 18, 1971, which was extended by Notice of Exercise of Option to Extend dated October 24, 1990 for Lot 3A of the Cabras Island Industrial Park consisting of 3.214 acres; and

**WHEREAS**, the Guam Economic Development Authority also entered into a Sublease with Esso Eastern, Inc. dated October 1, 1969, which was extended by Notice of Exercise of Option to Extend dated July 6, 1989 for Lot 2 of the Cabras Island Industrial Park consisting of 5 acres; and

**WHEREAS**, there is also an easement granted by the Guam Economic Development Authority to Esso Eastern, Inc. dated July 11, 1986; and

**WHEREAS**, the interest of Guam Economic Development Authority in said Subleases and easement (hereinafter collectively "Subleases") has been transferred to the Port Authority of Guam; and

**WHEREAS**, Shell Guam, Inc. and Esso Eastern, Inc. have entered into an agreement whereby, subject to certain conditions being met, Shell Guam, Inc. will acquire the interest of Esso, Eastern, Inc. in the Subleases; and

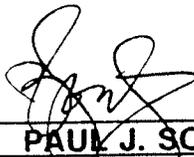
**WHEREAS**, one of the conditions to the closing of the Purchase and Sale Agreement is that the consent of Government of Guam be obtained for the Assignment of said Subleases:

**NOW THEREFORE, BE IT KNOWN THAT IT IS HEREBY RESOLVED**, that the Port Authority of Guam consents to the Assignment of the Subleases from Esso Eastern, Inc. to Shell Guam, Inc. in substantially the same form as the Assignment set forth in Exhibit "A" attached hereto and respectfully request the Governor of Guam and Guam Legislature approve and consent to the Assignment;

**BE IT FURTHER RESOLVED** that the General Manager and legal counsel for the Port Authority of Guam take such steps as are reasonably necessary to obtain such consent and approval.

Dated this 19th day of September, 1996.

**PORT AUTHORITY OF GUAM**

By: 

Name: \_\_\_\_\_

**PAUL J. SOUDER**

Title: \_\_\_\_\_

**CHAIRMAN OF THE BOARD**

ATTEST:



\_\_\_\_\_  
**ELEANOR A. HILLS, Secretary**



## Shell Guam, Inc.

Your Reference:

Our Reference:

Date: 11 December 1996

A Guam Corporation

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643 Chalan San Antonio  
Tamuning, Guam 96911

Telex No. (721) 6709 Shell GM

Telephone (671) 647-0000  
Facsimile (671) 649-4353

The Honorable John P. Aguon, Chairman  
Committee on Tourism & Transportation  
23rd Guam Legislature  
155 Hesler Street  
Agana, Guam 96910

Attention: Senator Joe T. San Agustin, Vice Chairman

Dear Mr. Chairman & Members of the Committee:

I am David O'Brien, President of Shell Guam, Inc., I am here today before this Committee to testify in my official capacity and on behalf of Shell Guam, Inc. in support of bill number 768, as amended by the substitute bill attached to Mr. Krogel's letter relative to the transfer of current leases of Government of Guam land from Esso Eastern, Inc., an affiliate of Exxon, to Shell Guam, Inc. I ask your support in passing the substitute bill into law.

The substitute bill refers to current leases of Government of Guam property controlled by the Port Authority of Guam and the Guam Airport Authority. Exxon currently leases the land for its Cabras Terminal from the Port Authority of Guam and leases part of the land for its Ocean Vista gas station from the Guam Airport Authority. Assignment of the Port leases to Shell requires the consent and approval of the Executive Branch of the Government of Guam, including the office of the Attorney General, and the concurrence of the Legislature and the assignment of the Airport lease requires the consent of the Airport Authority, Governor and Legislature.

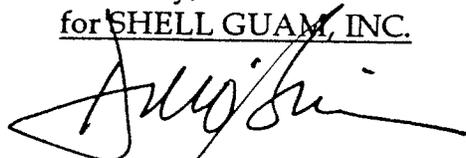
Please let me refer you to our press release dated September 10, 1996, wherein we first publicly stated our Company's intent to acquire the assets of Exxon. As stated, our acquisition will help augment our competitive position in the market by providing Shell with fourteen (14) additional gas stations currently operated by Exxon which include ten (10) convenience stores; as well as Exxon's Cabras terminal and LPG storage facilities on Guam. We will add these assets to our current inventory of seven (7) retail service stations on Guam, five (5) on Saipan, and six (6) in Palau.

In the press release, we also stated our Company's strategy of establishing Guam as a regional hub for our business here and in Micronesia. Our commitment to this is evidenced by the opening of our new Shell North Pacific offices. These lease agreements are a vital part of this acquisition and are absolutely essential to our Company's overall strategic objectives. We feel that the people of Guam and Micronesia have welcomed us here and we are strongly committed to improving our relationship by continuing to grow and develop along with our island community and island neighbors.

Customers and customer service are important to both companies and I would like to take this opportunity to state that plans are in place to ensure that during this transitional phase there is continuity of the excellent customer service that customers expect from Shell Guam.

Once again, I urge you and your colleagues to pass the substitute bill which will address all the issues for all concerned. Thank you very much for allowing me this brief testimony, and I hope that you all have a safe and a happy holiday season.

Sincerely,  
for SHELL GUAM, INC.



DAVID O'BRIEN  
President

Committee Members

Senator Joanne Brown  
Senator Felix Camacho  
Senator Mark Forbes  
Senator Carlotta Leon Guerrero  
Senator Sonny Orsini  
Senator Ben Pangelinan  
Senator Francis Santos  
Senator Tony Unpingco  
Senator Judith Won Pat-Borja

**CALVIN E. HOLLOWAY, SR.**  
*Hinirát Abugao*  
*Attorney General*



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**GUS F. DIAZ**  
*Atkádí, Sigundo Hinirát Abugao*  
*Chief Deputy Attorney General*

**Ufisinan Hinirát Abugao**  
**Tiritorian Guáhan**

**Office of the Attorney General**  
**Territory of Guam**

December 11, 1996

The Honorable Joe T. San Agustin  
Acting Chairman  
Committee on Tourism and Transportation  
Twenty-third Guam Legislature  
55 Hessler Place  
Pacific Arcade Building  
Agana, Guam 96910

Re: Bill 768

Dear Senator San Agustin and Fellow Committee Members:

Buenas Yan Hafa Adai!

Thank you for inviting me and my staff to present testimony on this matter. We urge this Legislature to exercise caution in approving the proposed transfer. We request that caution be exercised in light of the Office of the Attorney General and the Federal Trade Commission (FTC) pending reviews of Shell's proposed acquisition of Exxon's Guam assets under the antitrust laws.

On September 19, 1996, the Port Authority's Board of Directors approved the assignment of the leases and transfer of the easement. On October 18, 1996, the Attorney General approved assignment of the easements and forwarded these documents to the Governor.

Subsequently, the Guam Attorney General's Office and the Federal Trade Commission have each begun investigations into a different area: Shell's proposed acquisition of Exxon's Guam assets, under Guam and Federal antitrust requirements. A few weeks ago, Shell and Exxon announced that Shell proposed the acquisition of all Exxon's Guam assets. Such an acquisition would result in a reduction from three to two petroleum companies on island selling gasoline. The acquisition would also result a reduction from two to one petroleum company importing liquid propane gas, or LP gas, on island.



Commonwealth Now!

Guam's antitrust provisions are found in 9 G.C.A. Chapter 69. Guam's provision makes it unlawful for two or more persons to contract in restraint of trade, and authorizes our office to conduct investigations into potential violations. Likewise, federal law gives the FTC power to look into proposed acquisitions. For example, the Hart Scott Rodino Act, 15 U.S.C. 18a, an amendment to the federal Clayton Antitrust Act, requires companies planning mergers or acquisitions of a particular size to file certain documents with the Federal Trade Commission. This allows the FTC to conduct an investigation and object to merger or acquisition proposals if the FTC believes the proposed acquisition violates the Sherman Anti-trust Act.

Both the FTC and Guam Attorney General are conducting separate investigations. We hope to work with the Federal Trade Commission in a joint investigation of Shell's proposed acquisition of Exxon's Guam assets. A regulation promulgated in 1992 allows the FTC and the state or territory concerned with a proposed acquisition or merger to share information gathered by the FTC. However, the FTC and Guam can engage in this information sharing only if the parties proposing the merger, in this case Exxon and Shell, agree the FTC and Guam may share information.

Unfortunately, Exxon and Shell, the parties to this proposed acquisition, have refused to allow the FTC to share the information it has gathered concerning the acquisition with Guam. Consequently, Guam must conduct its own investigation, rather than collaborate with FTC.

Presently, the Attorney General's Office is still gathering information concerning the proposed acquisition by Shell of Exxon's assets.

We request this Legislature to exercise caution in one or two ways. First, the Legislature could and should withhold approval of the transfer and assignment of the Exxon lease until the Attorney General's and the FTC's investigations are completed. Alternatively, the Legislature could approve the transfer and assignment of Exxon's lease while making it very clear on the legislative record that the approval is solely for the transfer and assignment of Exxon's lease, and that the approval is not for any proposed acquisition by Shell of all of Exxon's Guam assets. This Legislature should not consider this alternative unless Shell is prepared to answer why a delay in your approval of the assignment would be detrimental to Shell. Does Shell intend to close the acquisition before the end of the year? This is something the honorable body must determine.

The danger, of course, in approving the transfer and assignment of Exxon's lease in a hasty manner is that legislative approval of a simple real estate transaction could be used as a justification by Shell for gaining approval for Shell's entire proposed acquisition. None of us



COMMONWEALTH NOW!



# **GUAM AIRPORT AUTHORITY**

**(ATURIDAT PUEYTON BATKON AIREN GUAHAN)**

P.O. Box 8770, Tamuning, Guam 96931 • Telephone: 646-0300, 646-0301, 646-0302  
Fax: (671) 646-8823

## WRITTEN TESTIMONY

**AN ACT TO AUTHORIZE ESSO EASTERN INC.  
TO EXECUTE AN ASSIGNMENT OF ITS LEASE OF A CERTAIN LOT  
WITHIN THE GUAM INTERNATIONAL AIRPORT INDUSTRIAL PARK  
TO SHELL GUAM, INC. FOR AIRPORT RELATED USES**

---

Mr. Chairman and Members, Committee on Tourism and Transportation, the A.B. Won Pat Guam International Airport Authority hereby presents written testimony in support of the proposed legislation to authorize Esso Eastern, Inc. to execute an assignment of its lease of property at the Airport Industrial Park.

Esso Eastern currently leases Lot No. 1, Block No. 2, Tract 1427, A. B. Won Pat Guam International Airport Industrial Park containing an area of approximately 5,709 square meters of land. Esso is required under the ground lease to operate a Motor Vehicle Service Station and authorized to operate other activities including sale of convenience items and car wash facilities. The Ground Lease containing this property was authorized by the 20th Guam Legislature through Public Law 20-188. The Lease requires that no



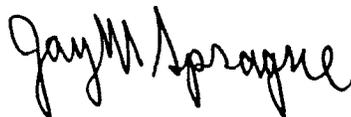
assignment of the leased land may be made without the written consent of the Governor, Legislature, and approval of the A.B. Won Pat Guam International Airport Authority.

Esso Eastern, Inc. and Shell Guam have entered into an Asset Purchase and Sale Agreement containing certain conditions one of which is that Esso Eastern assign its interest in the Airport Industrial Park Ground Lease to Shell Guam, Inc.

The Guam International Airport Authority Board of Directors adopted a Resolution on September 26, 1996 approving the Assignment of the Ground Lease, subject to approval by the Governor of Guam and the Guam Legislature.

Management and the Board are confident of Shell's business plans and financial ability to meet the terms and conditions of the GIAA Ground Lease Agreement and provides this testimony in support of the proposed legislation.

The Guam Airport Authority appreciates the opportunity to testify before this committee and thanks you for your continued assistance in developing the future of the A.B. Won Pat Guam International Airport Authority.



JAY W. SPRAGUE

EXECUTIVE MANAGER

CALVIN E. HOLLOWAY, SR.  
Hĭnĭrĭt Abugao  
Attorney General

GUS F. DIAZ  
Atĭcĭdĭ, Sĭgundo Hĭnĭrĭt Abugao  
Chief Deputy Attorney General

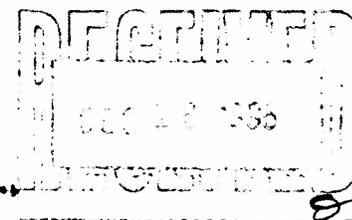


COPY

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Ufĭsinan Hĭnĭrĭt Abugao  
Tiritorĭan Guĕhan

Office of the Attorney General  
Territory of Guam



December 16, 1996

The Honorable John P. Aguon  
Chairman, Committee on Tourism and Transportation  
Twenty-third Guam Legislature  
3rd Floor, Bank of Guam Building, Santa Cruz Branch  
Agana, Guam 96910

Re: Bill 768

Dear Senator Aguon:

Hafa Adai!

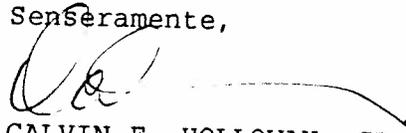
We have agreed on the language most recently suggested by Steven A. Zamsky concerning the wording of Section 4 of Bill 768. As we understand it, the Section will read:

"This Act relates solely to the approval of the Assignment of the GIAA and PAG leases and nothing contained herein shall be considered an approval, tacit or otherwise, or disapproval by the Government of Guam with respect to the acquisition of Esso Eastern, Inc. assets by Shell Guam, Inc."

Please do not hesitate to contact me if you have questions or comments.

Dangkolo Na Agradesimento - Thank you very much!

Senseramente,



CALVIN E. HOLLOWAY, SR.  
Attorney General

cc: Steven A Zamsky, Esq.  
Zamsky Law Firm  
Suite 501, Bank of Guam Building  
111 Chalan Santo Papa  
Agana, Guam 96910

CONSUMER\96C0574S.L03\mb1a



Commonwealth Now!

Suite 2-200E, Judicial Center Bldg., 120 West O'Brien Drive, Agana, Guam U.S.A. 96910

Steven A. Zamsky

Thomas M. Parker

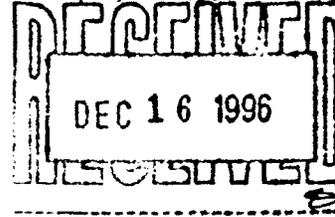
Of Counsel: John A. Bohn

**ZAMSKY LAW FIRM**

Suite 501, Bank of Guam Building  
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VIA HAND DELIVERY

December 16, 1996

Senator John Aguon  
Third Floor  
Bank of Guam Building  
Santa Cruz Branch  
Agana, Guam 96910

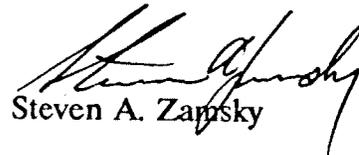
**RE: BILL 768**

Dear Senator Aguon:

Enclosed herewith please find the revised draft of the above Bill. This contains the changes agreed to by the Attorney General's Office.

Very truly yours,

**ZAMSKY LAW FIRM**

  
Steven A. Zamsky

Enclosure

cc: Amy Brothers, Assistant Attorney General, Civil Division (Fax #(671) 475-3213)

Z8(004.645)\LTR\4079

*Affiliated with Law Firms in:  
Anchorage \* Portland \* San Francisco \* Seattle \* Washington D.C. \* Hong Kong \* Frankfurt and London*

**TWENTY-THIRD GUAM LEGISLATURE**  
**1996 (SECOND) Regular Session**

Bill No. 768  
as amended by the Committee

Introduced by:

---

by request of the Governor in  
accordance with the Organic Act  
of Guam.

**AN ACT TO AUTHORIZE ESSO EASTERN, INC. TO EXECUTE  
AN ASSIGNMENT OF ITS LEASES OF CERTAIN LOTS AND  
EASEMENTS WITHIN THE GUAM INTERNATIONAL  
AIRPORT INDUSTRIAL PARK AND WITHIN THE  
COMMERCIAL PORT OF GUAM TO SHELL GUAM, INC. FOR  
AIRPORT-RELATED USES AND FOR PORT-RELATED USES.**

1           **BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:**

2           **Section 1. History.** The Guam International Airport Authority ("GIAA") has  
3 developed certain property located at the Guam International Air Terminal Industrial  
4 Park(the "Industrial Park"). Esso Eastern, Inc. is the holder of a duly authorized lease  
5 (the "GIAA" Lease) from GIAA of Lot No. 1, Block No. 1, Tract No. 1427 within the  
6 Industrial Park. The Port Authority of Guam supervises and administers various  
7 parcels of real property within the area of the Commercial Port of Guam (the  
8 "Commercial Port"). Esso Eastern, Inc. is the holder of certain duly authorized leases  
9 and an easement (collectively the "PAG Leases") within the Commercial Port of  
10 properties described as (i) Lot No. 2, Cabras Island, Piti; (ii) a portion of Lot No. 3  
11 designated as Long No 3A in Cabras Island Industrial Park; (iii) Esso Fire

1 Fighting Pump House and Fire Fighting System, Piti, Land Square 21, Section 2; and  
2 (iv)a 5 foot Wide Pipe Line Easement, Piti, Land Square 21, Section 2. Esso Eastern,  
3 Inc. desires to assign all its interests in the foregoing GIAA Lease and in the foregoing  
4 PAG Leases to Shell Guam, Inc. On September 19, 1996, at a meeting of the Board of  
5 Directors of PAG, an assignment of the PAG Leases from Esso Eastern, Inc., to Shell  
6 Guam, Inc. was approved, subject to approval by the Legislature. On September 26,  
7 1996, at a meeting of the Board of Directors of GIAA, an assignment of the GIAA  
8 Lease from Esso Eastern, Inc., to Shell Guam, Inc. was approved, subject to approval  
9 by the Legislature.

10 **Section 2. Assignment of GIAA Lease authorized.** Esso Eastern, Inc. is  
11 hereby authorized to assign its interests in the GIAA Lease between it and the Guam  
12 International Airport Authority of the following described lot in the Guam  
13 International Air Terminal Industrial Park: Lot No. 1, Block No. 2, Tract No. 1427, to  
14 Shell Guam, Inc., a Guam corporation, for airport-related uses; provided, however,  
15 that as a condition to this approval of such assignment, the assignee shall agree to be  
16 bound by the all the terms and conditions of the GIAA Lease, including but not  
17 limited to any restrictions on uses of the land covered by the GIAA Lease.

18 **Section 3. Assignment of PAG Leases authorized.** Esso Eastern, Inc. is  
19 hereby authorized to assign its interests in the PAG Leases between it and the Port  
20 Authority of Guam (as successor in interest to the interests of the Guam Economic

1 Development Authority) of the following described lots in the Commercial Port of  
2 Guam: (i) Lot No. 2, Cabras Island; (ii) a portion of Lot No. 3 designated as Long No  
3 3A in Cabras Island Industrial Park; (iii) Esso Fire Fighting Pump House and Fire  
4 Fighting System, Piti, Land Square 21, Section 2; and (iv) a 5 foot Wide Pipe Line  
5 Easement, Piti, Land Square 21, Section 2 to Shell Guam, Inc., a Guam corporation;  
6 provided, however, that as a condition to this approval of such assignment, the assignee  
7 shall agree to be bound by the all the terms and conditions of the PAG Leases,  
8 including but not limited to any restrictions on uses of the land covered by the PAG  
9 Leases.

10 **Section 4. Scope.** This Act relates solely to the approval of the Assignment of  
11 the GIAA and PAG Leases and nothing contained herein shall be considered to be an  
12 approval, tacit or otherwise, or disapproval by the Government of Guam with respect  
13 to the acquisition of Esso Eastern, Inc. assets by Shell Guam, Inc.  
14  
15  
16

ATTORNEY GENERAL

ID:671-472-2493

DEC 13 '96 15:18 No.016 P.01



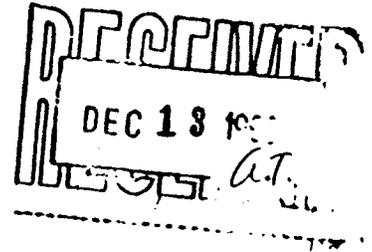
Calvin E. Holloway, Sr.  
Hinirát Abugao  
Attorney General

Gus F. Diaz  
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Chief Deputy Attorney General

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FACSIMILE COVERSHEET

Date & Time:

Dec. 13, 1996

To:

Senator John Aguon  
Committee on Tourism & Transportation

Facsimile No:

477-8358

No. of Pages: 3  
(Including Coversheet)

Subject:

Bill 768: Changes to: "scope"  
action

From:

AAG Amy Archera

Remarks:

If there is a problem with this transmission, please contact Bernie Alvarez  
at (671) 475-3324.

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ATTORNEY GENERAL

ID:671-472-2493

DEC 13 '96 15:19 No.016 P.02

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**GUS F. DIAZ**  
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**Uffislan Hinirát Abugao**  
**Tiritorlan Guáhan**

**Office of the Attorney General**  
**Territory of Guam**

December 13, 1996

The Honorable Joe T. San Agustin  
Acting Chairman  
Committee on Tourism and Transportation  
Twenty-third Guam Legislature  
55 Hessler Place  
Pacific Arcade Building  
Agana, Guam 96910

Re: Bill 768

Dear Senator San Agustin and Fellow Committee Members:

Buenas Yan Hafa Adai!

We have reviewed Steven Zamsky's and Phillip Carbullido's proposed changes to Bill 768. We would prefer that the following language be used in Section 4:

**Scope.** This Act relates solely to the approval of the Assignment of the GLAA and PAG Leases and nothing contained herein shall be considered to be an approval, tacit or totherwise, of the Government of Guam with respect to the acquisition of Esso Eastern, Inc. assets by Shell Guam, Inc.

These changes are being simultancously corresponded to Mr. Zamsky so that he may input them to his document, which shall be forwarded to the Committee forthwith.

Thank you again for this opportunity to present testimony on a very important matter of significant impact for the present and future of Guam.

ATTORNEY GENERAL

ID:671-472-2493

DEC 13 '96 15:19 No.016 P.03

Letter to the Honorable Joe T. San Agustin  
December 13, 1996  
Page 2

Dangkolo Na Agradesimo - Thank You Very Much!

Senseramente

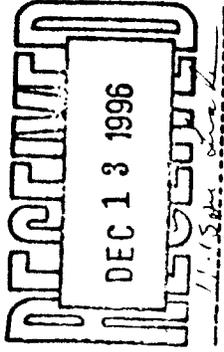


CALVIN E. HOLLOWAY, SR.  
Attorney General

cc: Steven A. Zamsky  
Zamsky Law Firm  
Suite 501, Bank of Guam Building  
111 Chalan Santo Papa  
Agana, Guam 96910

08084

Leases to be Assigned from Esso Eastern Inc. to Shell Guam Inc.



**Cabras Island Leases with Port Authority of Guam**

Lot #	Lot Size Sq. Meter	Initial Lease Date	Initial Annual Payment	Initial Lease Expiration & Renewal Date	Annual Payment after Renewal	Renewal Expiration
Lot 3A	13007	Jan 1971	\$10,285	Jan 1991	\$94,286	Jan 2001
Lot 2	20204	Oct 1969	\$16,000	Oct 1989	\$141,429	Oct 1999
Easement for Construction and Maintenance of Pipeline and Pumphouse and Pipeline Easement	250	Jul 1986	\$315	Sep 1989	\$1,750	Sep 1999

Appraisal dated 6/15/90 by The Appraisal Desk

**Guam Airport Authority Land Lease**

Parcel 1, Lot No. 1  
Blk No. 2, Tract # 1427

5709	Aug 1991	\$148,434 + escalation	Aug 2021	to negotiate	Aug 2031
------	----------	---------------------------	----------	--------------	----------

Appraisal dated 2/15/91 by R. J. and Associates

6.b8a

Decan 1/2/10 (7)

GAA INDUSTRIAL PARK  
GROUND LEASE

By and Between

GUAM AIRPORT AUTHORITY

and

ESSO EASTERN, INC. - GUAM BRANCH

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- Exhibit A - Property Description**
- Exhibit B - Rental**
- Exhibit C - Authorized Uses & Activities**
- Exhibit D - Project Description**

## GAA INDUSTRIAL PARK GROUND LEASE

### Preamble

THIS LEASE made and entered into by and between the **GUAM AIRPORT AUTHORITY**, a public corporation and autonomous instrumentality of the Government of Guam ("Landlord"), and **ESSO EASTERN, INC. - Guam Branch**, a Delaware corporation ("Tenant").

### RECITALS:

Landlord has undertaken a construction program for the development of vacant land consistent with the approved Master Plan for development of the **Guam International Air Terminal**, including land leased lots for commercial/industrial use, known as the **Guam Airport Authority Industrial Park** ("GAA Industrial Park").

Tenant has applied to Landlord to lease and occupy land within the **GAA Industrial Park**.

Landlord is willing to lease land to Tenant within the **GAA Industrial Park** upon the terms, conditions and covenants set forth below.

### Agreement

In consideration of the premises and the mutual covenants and agreements herein contained, Landlord and Tenant agree as follows:

ARTICLE 1

DEMISE OF LEASE LAND

Leased Land

S1.01. Landlord for and in consideration of the rents, covenants, and conditions herein contained to be kept, performed, and observed by Tenant, does LEASE and DEMISE to Tenant, and Tenant does RENT and ACCEPT from Landlord, the real property, referred to as the "Leased Land", as particularly described and shown on the attached Exhibit "A".

ARTICLE 2

LEASE TERM

Term

S2.01. The term of this lease shall be for a period of thirty (30) years, to begin on August 14, 1991 and end on midnight, August 13, 2021.

Options to Extend

S2.02. If this lease shall then be in full force and effect and Tenant shall have fully performed all of its obligations, terms and conditions hereunder, Tenant shall have the option to extend the term of this lease, upon the same terms and conditions, for the following two (2) successive ten (10) year periods:

1. First Extended Period : August 14, 2021 through August 13, 2031.
2. Second Extended Period: August 14, 2031 through August 13, 2041.

Tenant shall not have the right to extend the term of this lease beyond the second extended term.

2.02.01 Exercise of Options. Tenant shall exercise its options to extend the term for each ten (10) year period by giving written notice to Landlord, at least one hundred twenty (120) days before the expiration of the initial term or first extended term (as the case may be), of its intention to extend the term of this lease as provided herein. Failure of Tenant to give the required written notice of its exercise of the option to extend or any termination of this lease shall terminate all rights to extend the term.

#### Holding Over

S2.03. If Tenant shall remain in possession of the Leased Land after the expiration or termination of this lease, such possession shall be on a month-to-month tenancy upon the same terms and conditions of this lease as existed immediately prior to the expiration or termination of the term, except, however, the duration of the lease shall be on a month-to-month basis with no option to extend.

## ARTICLE 3

### RENT, COMMON AREA EXPENSE, TAXES AND UTILITIES

#### Monthly Rent

S3.01. During the term of this lease, as may be extended, Tenant shall pay Landlord monthly rent as set forth on the Rental Schedule attached hereto as Exhibit "B".

3.01.01 Escalation. At the end of each fifth (5th) year of the term hereof, the rental rate for the next ensuing five (5) years shall be increased by ten percent (10%) of the prior effective rental rate. The rental to be paid by Tenant to Landlord during the extended periods, if extended, shall be determined as hereinafter provided. Rent during the first extended period shall be ten percent (10%) per annum of the ten current highest appraised fair market value of the Leased Land based on two appraisals, by two independent licensed appraisers, made within six (6) months of the first extended period of the lease, of the highest and best use for such Leased Land regardless of zoning restrictions, and shall escalate at the rate of ten percent (10%) every five (5) years. Rent during the second extended period, if extended, shall be increased by ten percent (10%) at the commencement of the second extended period and by ten percent (10%) after the fifth year of the extended period. As used herein, the "fair market value" of the Leased Land shall mean the Leased Land exclusive of all buildings and improvements constructed thereon by Tenant.

3.01.02. Payments. Rental payments shall be paid to Landlord monthly in advance, on the first (1st) day of each month for that month's rental, without offset or deduction of any kind whatsoever, at Landlord's address listed hereinbelow or at such other address as may be from time to time designated in writing by Landlord; provided the first rental payment hereunder shall be due no later than six (6) months upon notice from Landlord to Tenant that the Leased Land is ready for possession or upon Tenant's possession of the Leased Land, whichever occurs first.

#### Common Area Expense

S3.02. Upon thirty (30) days prior notice from Landlord, Tenant shall commence paying to Landlord, on the same date the rent is due, a monthly common area expense based upon Tenant's monthly share of the projected common area expenses for the GAA Industrial Park for ensuing year, as reasonably determined from time to time by Landlord. From time to time, upon further thirty (30) days prior notice from Landlord to Tenant, the common area expense to be paid by Tenant to Landlord may be reasonably increased or decreased by Landlord to reflect Tenant's share of the total common area expense in the GAA Industrial Park. Common area expense may include, without limitation, costs and expenses for security, maintenance, landscaping, street lights, road repair, and utilities within or related to the GAA Industrial Park.

### Tenant to Pay Taxes

S3.03. Tenant agrees to pay direct to the taxing authorities all real property taxes, special taxes, charges or assessments, including street improvement liens, if any, and all property taxes on personal property located on the Leased Land, levied or assessed upon or against the Leased Land during the term of this lease.

3.03.01. Contesting Taxes. Nothing herein contained shall prevent Tenant from contesting in good faith, by any appropriate proceedings commenced before the same becomes delinquent, the validity or amount of any such tax, assessment or charge, nor require the payment thereof until the final determination of such contest adversely to Tenant; provided, however, that Tenant will pay all such taxes, assessments or charges, together with all interest, penalties, fines and costs accrued thereon or imposed in connection therewith, forthwith upon the commencement of proceedings to foreclose any lien which may attach to the Leased Land or any interest or part thereof; and provided, further, that if Tenant shall fail to pay any such taxes, assessments or other charges as herein provided, Landlord may at any time thereafter pay the same, together with any interest, penalties, fines and costs accrued thereon or imposed in connection therewith, and Tenant will repay to Landlord upon demand therefor the full amount so paid by Landlord, together with interest thereon at the rate of one and one-half percent (1 1/2%) per month.

### Tenant to Pay Utility Charges

S3.04. Tenant shall pay or cause to be paid all charges for water, gas, electricity, sewer, telephone and any and all other utilities used upon the Leased Land throughout the term of this lease, including any connection fees.

## ARTICLE 4

### USE OF PREMISES, INSURANCE AND INDEMNITY

#### Use

S4.01. Tenant shall use the Leased Land specifically for the purpose of constructing, maintaining and operating thereon facilities limited to the airport and airport related purposes and activities specifically set forth on the attached Exhibit "C". Tenant shall not use, or permit the Leased Land, or any part thereof, to be used for any purpose or activity other than the purposes and activities set forth on Exhibit "C" hereto. Use of the Leased Land for any other purpose or activity without the express prior written consent of Landlord shall constitute a material breach of this lease. Tenant shall indemnify and hold harmless Landlord from any and all claims, demands, expenses (including attorneys' fees and court costs), damages and losses Landlord may suffer or incur as a result of Tenant's breach of this S4.01. Failure to use the Leased Land for any of the required purposes and activities set forth in Exhibit "C" for a period of one hundred twenty (120) days or more without the express prior written permission of Landlord shall also constitute a material breach of this lease.

### Compliance with Laws

S4.02. Tenant covenants and agrees that during the term of this lease, Tenant shall promptly comply with all present and future laws, ordinances, orders, rules, regulations, and requirements of the Federal, territorial and municipal governments or any of their agencies (including Landlord) departments, bureaus, boards, commissions and officials thereof with respect to the Leased Land, the buildings and improvements erected thereon, or the use or occupancy thereof, whether said compliance shall be ordered or directed to or against Landlord or Tenant or both. This lease is subject to all consents, approvals and permits required by law or governmental rule or regulation. It shall be Tenant's duty and responsibility to obtain any such required consents, approvals and permits. Landlord shall cooperate with and assist Tenant in obtaining any such required consents, approvals or permits.

### Tenant Not To Commit Waste; Nuisance

S4.03. Tenant shall not use the Leased Land in any manner that will constitute waste, nuisance, or unreasonable annoyance (including, without limitation, the use of a loud speakers or sound or light apparatus that can be heard or seen outside of the Leased Land) to other tenants of Landlord in property adjoining the Leased Land within the GAA Industrial Park.

### Liability Insurance

S4.04. Tenant covenants and agrees, at its sole cost and expense, throughout the duration of this lease, to obtain, keep, and maintain in full force and effect for the mutual benefit of Landlord and Tenant the following types of insurance:

4.04.01. Liability. Comprehensive liability insurance against claims for damage to persons or property arising out of the use and occupancy of the Leased Land or any part or parts thereof in limits of not less than Five Hundred Thousand Dollars (\$500,000.00) in respect to bodily injury to or death of any one (1) person in any one (1) accident, and in limits of not less than One Million Dollars (\$1,000,000.00) in respect to bodily injury or death to more than one (1) person in any one (1) accident, and property damage in all instances in an amount not less than One Hundred Thousand Dollars (\$100,000.00).

4.04.01.01. Deductible. Such public liability policy or policies may provide for a deductible not in excess of One Thousand Dollars (\$1,000.00) or such other amount as Landlord may determine irrespective of the number of persons, parties or entities involved.

4.04.01.02. Adjustment of Coverage. In the event that Landlord shall at any time and from time to time deem the limits of Liability Insurance as hereinabove provided to be insufficient, upon notice to Tenant the parties shall promptly endeavor to agree on reasonable limits for such insurance coverage then to be carried, and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to this Section. Should the parties be unable to agree upon the proper and

reasonable limits for such liability insurance within five (5) days of notice from Landlord to Tenant, then Landlord may select any insurance company licensed to and engaged in business on the Territory of Guam (excluding the insurance company then carrying the liability insurance hereunder) to determine the proper limits of liability insurance to be provided and maintained by Tenant hereunder. Said insurance company's determination on the proper and reasonable limits of liability insurance shall be binding upon both parties until such limits shall again be changed pursuant to this Section.

4.04.02. Casualty Insurance. A policy of fire and typhoon insurance with standard form extended coverage endorsement, to the extent of the full insurable value, covering all buildings and improvements which may from time to time be located on the Leased Land. The proceeds from any such policy shall be used for the repair or replacement of such improvements and buildings except as otherwise provided herein.

4.04.03. Certificates. Copies or duplicate originals, certificates, or binders of such insurance policies shall be furnished to Landlord at the commencement of the term of this lease and each renewal certificate of such policies shall be furnished to Landlord at least thirty (30) days prior to the expiration of the policy it renews. Each such policy of insurance shall contain an agreement by the insurer that such policy shall not be canceled without thirty (30) days prior written notice to Landlord.

4.04.04. Forms. All insurance provided for in this Article may be in the form of a general coverage, floater policy or so-called blanket policies which may be furnished by Tenant, or a related corporation of Tenant or any related entity. The liability and casualty coverage set forth herein shall be issued by insurers of recognized responsibility,

as may be reasonably approved by Landlord. All policies of insurance to be provided for herein by Tenant shall be issued in the names of Tenant and Landlord and for the mutual and joint benefit and protection of the parties as their interests may appear.

4.04.05. Failure to Comply Constitutes A Default. Tenant's failure to effectuate any and all such insurance and renewal policies of insurance required as set out in this S4.04, and to pay the premiums and renewal premiums on all such policies and insurance as they become due and payable, and to deliver all such certificates of insurance and renewals thereof or duplicate originals or copies to Landlord within the time limits set out in this Article, shall constitute a material default by Tenant under the terms of this lease.

4.04.06. Landlord May Effect Insurance. In the event Tenant fails to cause the aforesaid insurance policies to be written and pay the premiums for the same and deliver all such certificates of insurance or duplicate originals or copies thereof to Landlord within the time provided for in this lease, Landlord shall nevertheless have the right, without being obligated to do so, to effect such insurance and pay the premiums therefor, and all such premiums paid by Landlord shall be repaid to Landlord on demand as additional rent, and Tenant's failure to repay the same as aforesaid shall constitute a material default under this lease.

4.04.07. Indemnity not Limited. Nothing contained in the S4.04 shall effect or limit Tenant's obligations under S4.05, infra.

### Indemnity

S4.05. Tenant covenants and agrees that from and after the commencement of the term of this lease or any extended term, Tenant shall indemnify and hold harmless Landlord from any and all claims, demands, expenses (including attorney's fees and court costs) or damages for any personal injury or injuries, death(s), damages, or losses to any person(s) or property that may be suffered or sustained by Tenant or any of its agents, servants, employees, patrons, customers, invitees, visitors, licensees, departments, and concessionaires or by any other person or persons in, on or about the Leased Land or any part thereof, arising from any and all causes whatsoever, except the willful misconduct or gross negligence of Landlord.

## ARTICLE 5

### CONSTRUCTION BY TENANT

#### Tenant's Obligation to Build

S5.01. Tenant shall, at its sole cost and expense, construct the building and improvements described in Exhibit "D" attached hereto (the "Building Project"). Construction of the Building Project shall commence within one hundred twenty (120) days after receipt of the building plans and specifications approval of Landlord as required hereunder. Construction of the Building Project shall be completed and the Building Project ready for occupancy and use within ninety (90) days of the projected construction

completion date as set forth in Tenant's construction contract documents and approved by Landlord. Such time for completion shall be extended for so long as Tenant shall be prevented from completing the Building Project by interference or other causes beyond the reasonable control of Tenant, but in no event to exceed the period of three (3) years from the execution of this lease.

5.01.01. Specifications and Plan. Tenant shall, at its own cost and expense, engage a licensed architect or engineer to prepare plans and specifications for the Building Project, and, no later than ninety (90) days from the commencement of this lease, shall submit to Landlord for approval, two (2) copies of detailed working drawings, plans and specifications prepared by such architect or engineer, including the following:

(a) Drawings and materials in the form of plans, elevations, sections and rendered perspectives sufficient to convey the architectural design of the Building Project to Landlord;

(b) The architect's estimate of the Building Project's construction cost.

5.01.02. Review and Approval. Within sixty (60) days after submission of such plans and specifications by Tenant, Landlord will review and approve the plans and specifications by endorsing such review on the plans and specifications and returning one (1) set thereof to Tenant, or Landlord will inform Tenant in writing of any objections to such plans and specifications and Tenant shall have sixty (60) days thereafter to propose in writing corrective amendments which Landlord shall accept or reject within the next thirty (30) days. Failure of Landlord to inform Tenant of objections within such thirty (30) day period shall be deemed Landlord's approval of the changes.

5.01.03. Changes in Plans. Tenant shall submit to Landlord a statement of any substantial changes in the plans and specifications required to be reviewed and approved by Landlord under this section. Failure of Landlord to object to such changed plans and specifications within thirty (30) days shall be deemed Landlord's approval of the changes. Minor changes in work or materials, not affecting the general character of the Building Project, may be made in the plans and specifications at any time without the review and approval of Landlord, but a copy of the altered plans and specifications shall be furnished to Landlord.

5.01.04. No Liability to Landlord. The review and approval of Landlord of any plans and specifications refers only to the conformity of such plans and specifications to the general architectural plan for the Leased Land. Such plans and specifications are not reviewed and approved for architectural, structural or engineering design, and Landlord, by reviewing and approving such plans and specifications, assumes no liability or responsibility therefor or for any defect in any structure constructed or compliance from such plans or specifications or noncompliance therewith.

5.01.05. Additional Documents. Tenant shall furnish Landlord with copies of the following documents, as soon as they are available:

- (a) Contract between Tenant and its architects;
- (b) Contract between Tenant and all contractors engaged to work on the Building Project;
- (c) Copies of all plans, specifications and working papers for the Building Project, including "as built" drawings; and

(d) All contractor and subcontractor Performance and Payment Bonds.

5.01.06. Cost to be Tenant's. The cost of any construction, renovation, enlargement, reconstruction, demolition, or of any change, alterations, or improvements, on the Leased Land shall be borne and paid for by Tenant.

5.01.07. No Liens. The Leased Land shall at all times be kept free of mechanic's and materialman's liens, as provided in ARTICLE 8, infra.

#### Approval of All Construction

5.02. No building or other improvements, the plans and specifications of which have not first received the written review and approval of Landlord, as required above or which do not comply with such approved plans and specifications, shall be constructed or maintained on the Leased Land. No addition to or alteration of any building or other improvement erected on the Leased Land shall be commenced unless and until plans and specifications covering such additions or alterations shall have first been submitted to reviewed and approved by Landlord. Failure to comply with approved plans and specifications for any building or other improvement to be constructed and maintained on the Leased Land shall constitute a material default of this lease.

### Improvements To Conform To Law

S5.03. Throughout the duration of this lease, Tenant agrees that all buildings, structures, and other improvements that may be erected on the Leased Land by Tenant or any subtenants, including, but not limited to, all elevators, escalators, plumbing, electrical, heating, air conditioning and ventilation equipment and systems, and all other equipment, will be installed, operated, and maintained in accordance with the law and with the regulations and requirements of Landlord, including its Development and Building Standards, and of any and all governmental authorities, agencies, or departments, having jurisdiction thereof, without cost or expense to Landlord.

### Tenant's Ownership of Improvements and Fixtures

S5.04. During the term hereof, any and all of Tenant's improvements, fixtures, machinery, and equipment of whatsoever nature at any time constructed, placed, or maintained upon any part of the Leased Land shall remain the property of Tenant.

S5.04.01. Tenant's Right to Remove Fixtures. Tenant shall have the right at any time during Tenant's occupancy of the Leased Land to remove any and all of Tenant's trade fixtures, machinery and equipment owned or placed by Tenant in, under, or upon the Leased Land, or acquired by Tenant, whether before or during the lease term; provided, Tenant shall, at its sole cost and expense, immediately repair any damage or injury to any building or other improvement on the Leased Land caused by any such removal of trade fixtures, machinery and equipment. This provision shall survive the expiration or termination of this lease.

5.04.02. Landlord's Right to Improvements. As provided in ARTICLE 11, infra, upon expiration or sooner termination of this lease, title of all buildings and other improvements on the Leased Land shall be vested in the Landlord without the payment of any consideration therefor. Landlord, alternatively, at its sole discretion, may require Tenant, at Tenant's sole cost and expense, to remove all buildings and other improvements on the Leased Land and return the Leased Land to the same condition as it was at the time of the commencement of the term thereof. This provision shall survive the expiration or termination of the term of this lease.

## ARTICLE 6

### ENCUMBRANCE OF LEASEHOLD ESTATE

#### Tenant's Right to Encumber With Landlord's Consent

6.01. Tenant shall not encumber by mortgage or other security instrument, by way of assignment, or otherwise, Tenant's interest under this lease and the leasehold estate hereby created for any purpose, without the prior written consent of Landlord, which consent shall not be unreasonably withheld.

## ARTICLE 7

### REPAIRS AND RESTORATION

#### Tenant's Duty to Repair

S7.01. Tenant, at Tenant's own cost and expense, at all times during the term of this lease, agrees to keep and maintain, or cause to be kept and maintained, all buildings and other improvements which may be erected upon the Leased Land in good condition and a good state of appearance and repair, reasonable wear and tear excepted.

#### Damage or Destruction - Repair

S7.02. If the Leased Land, any building or other improvement, or any part thereof are damaged or destroyed by reason of any cause whatsoever, Tenant shall within sixty (60) days, commence and diligently pursue to completion the repair or reconstruction of such buildings and improvements on the Leased Land, and this lease shall remain in full force and effect; provided, that during the last three (3) years of the term of this lease should the buildings and other improvements on the Leased Land be damaged or destroyed to such a substantial extent so as to render the Leased Land with the buildings and improvements thereon commercially unusable by Tenant, then within said sixty (60) day period, Tenant may elect to terminate the lease by delivering or assigning to Landlord all insurance proceeds received or to be received as a result of such damage or destruction and returning the Leased Land, at Tenant's sole cost, to the same condition or better as it was at the time of the commencement of the term hereof.

**ARTICLE 8**  
**MECHANIC'S LIENS**

**Prohibition of Liens on Fee or Leasehold Interest**

S8.01. Tenant shall not suffer or permit any mechanic's liens or other liens to be filed against the fee of the Leased Land nor against its leasehold interest nor any buildings or other improvements on the Leased Land by reason of any work, labor, services, or materials supplied or claimed to have been supplied to Tenant or anyone holding the Leased Land or any part thereof through or under Tenant. In the case of any construction on the Leased Land costing in excess of \$50,000.00, Tenant shall cause its contractor or builder to post performance and payment bonds to be approved in advance by Landlord.

**Removal of Liens By Tenant**

S8.02. If any such mechanic's liens or materialman's lien shall be recorded against the Leased Land, or any improvements thereon, Tenant shall cause the same to be removed or, and in the alternative, if Tenant in good faith desires to contest the same, Tenant shall be privileged to do so but in such case Tenant hereby agrees to indemnify and hold Landlord harmless from all liabilities for damages occasioned thereby and shall, in the event of a judgment of foreclosure upon said mechanic's lien, cause the same to be discharged and removed prior to the execution of such judgment.

## ARTICLE 9

### ASSIGNMENT AND SUBLEASE

#### No Right to Assign and Sublease

S9.01. Tenant shall not sublet or assign the Leased Land or any part or portion thereof without the prior written consent and approval of Landlord, the Governor, and the Legislature to assign or sublease, a change to Exhibit A regarding the lot description, and a change to Exhibit B regarding rental rate. Any unauthorized attempt to sublet or assign shall constitute a material default of this lease and such subletting or assignment shall be deemed null and void.

## ARTICLE 10

### DEFAULT AND REMEDIES

#### Termination by Landlord on Specified Defaults

S10.01. If Tenant shall default in the payment of rent on the date provided for in this lease and such rent default continues for a period of five (5) or more days after written notice of said default from Landlord, or in the event that Tenant shall default or fail in the performance of a covenant or agreement on his part to be performed in this lease other than the payment of rent, and such non-rental default shall not have been cured for a period of thirty (30) days after written notice of said default from Landlord, or if such default cannot, with due diligence, be cured within thirty (30) days, and Tenant shall not have commenced

the remedying thereof within such period or shall not be proceeding with due diligence to remedy it (it being intended in connection with a default not susceptible of being cured by Tenant with due diligence within thirty (30) days that the time within which to remedy same shall be extended for such period as may be necessary to complete the same with due diligence), then, and in such case, it shall and may be lawful for Landlord, at Landlord's option, with or without summary proceedings, or any other appropriate legal action or proceedings, to terminate this lease and to enter upon the Leased Land or any part thereof and expel Tenant, or any person or persons occupying the Leased Land and so to repossess and enjoy the Leased Land.

10.01.01. Other grounds for default. If, after the commencement of the term of this lease, (i) Tenant shall be adjudicated a bankrupt or adjudged to be insolvent; (ii) a receiver or trustee shall be appointed for Tenant's property and affairs; (iii) Tenant shall make an assignment for the benefit of creditors or shall file a petition in bankruptcy for insolvency or for reorganization or shall make application for the appointment of a receiver; or (iv) any execution or attachment shall be issued against Tenant or any of Tenant's property, whereby the Leased Land or any building or buildings or any improvements thereon shall be taken or occupied or attempted to be taken or occupied by someone other than Tenant, except as may herein be permitted, and such adjudication, appointment, assignment, petition, execution, or attachment shall not be set aside, vacated, discharged, or bonded within thirty (30) days after the issuance of the same, then a default hereunder shall be deemed to have occurred so that the provisions of this S10.01 shall become effective and Landlord shall have the rights and remedies provided herein.

10.01.02. Peaceable Surrender. Should the term of this lease at any time be ended under the terms and conditions of this S10.01, or in any other way, Tenant hereby covenants and agrees to surrender and deliver up the Leased Land peaceably to Landlord immediately upon the termination of the term.

10.01.03. Reletting Leased Land. At any time or from time to time after any such default and notice thereof (if required) pursuant to the S10.01 Landlord or its representatives may, without notice, reenter, the Leased Land by force, summary proceedings or otherwise, and remove all persons and contents therefrom, without being liable to prosecution therefor, and Tenant hereby expressly waives the service of any notice in writing of intention to reenter or to institute legal proceedings to that end and Tenant shall pay, at the same time as the rent becomes payable under the terms hereof, a sum equivalent to the rent and additional rent reserved herein, and Landlord may relet the Leased Land or any part or parts thereof in the name of Landlord or otherwise, for a term or terms which may at Landlord's option be less than or exceed the period which would otherwise have constituted the balance of the term of this lease without releasing Tenant from any liability, applying such rent first, to the cost of obtaining possession, second, to restoring the Leased Land to a rentable condition, third, to brokerage fees and the cost to Landlord of reletting the Leased Land, and then to the payment of rent, items or additional rent and all other charges due and to grow due to Landlord, any surplus to be paid to Tenant, who shall remain liable for any deficiency. The failure or refusal of Landlord to relet the Leased Land or any part thereof shall not release or affect Tenant's liability. Any sums due to Landlord shall be paid in monthly installments by Tenant on the rent day

specified in this lease and any suit brought to collect the amount due for any month shall not prejudice in any way the rights of Landlord to collect any sums due for any subsequent month. Landlord at its option, may make alterations, repairs, replacements or painting in the improvements on the Leased Land as Landlord may consider advisable for the purpose of reletting the Leased Land or any part thereof, and the making of such alterations, repairs, replacements or painting shall not operate to be construed to release Tenant from liability hereunder. Any mention in this lease of any particular remedy shall not preclude Landlord from any other remedy in law or in equity. Tenant hereby waives any and all rights of redemption granted by or under this lease. In the event of the termination of this lease pursuant to this S10.01, Landlord shall forthwith, notwithstanding any other provisions of this lease to the contrary, be entitled to recover from Tenant as liquidated damages an amount equal to the difference between the rent reserved in this lease for the unexpired portion of the term leased and the then fair and reasonable rental value of the Leased Land for the same period.

#### Other Remedies

S10.02. Any termination of this lease as herein provided shall not relieve Tenant from the payment of any sum or sums that shall then be due and payable to Landlord thereunder or any claim for damages then or theretofore accruing against Tenant hereunder, and any such termination shall not prevent Landlord from enforcing the payment of any such sum or sums or claim for damages by any remedy provided for by law, or from recovering damages from Tenant for any default thereunder. All rights, options, and

remedies of Landlord contained in this lease shall be construed and held to be cumulative, and no one of them shall be exclusive to the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this lease.

#### Continuation of Lease During Breach

S10.03. At Landlord's option, if Tenant has breached this lease and abandoned the Leased Land, no notice of termination will be given and this lease will continue in effect for so long as Landlord does not terminate Tenant's right to possession. Landlord may in that case enforce all its right and remedies under this lease, including the right to recover rent as it becomes due.

#### No Waiver of Default

S10.04. Landlord's failure to take advantage of any default or breach of covenant on the part of Tenant shall not be, or be construed as a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this lease be construed to waive or to lessen the right of Landlord to insist upon the performance by Tenant any term, covenant, or condition hereof, or to exercise any rights given it on account of any such default. A waiver of a particular breach, or default, shall not be deemed to be a waiver of the same or any other subsequent breach of default. The acceptance of rent hereunder shall not be, or be construed to be, a waiver of any term, or condition of this lease.

### Demand for Rent

S10.05. Except as otherwise expressly provided herein, in the event that Tenant shall be in default in the payment of any rents provided for in this lease, Tenant waives the making by Landlord of any demand for rent prior to the commencement of any action in ejectment or to obtain possession of the Leased Land.

### Late Charge

S10.06. Tenant shall pay Landlord a one and one-half percent (1 1/2%) late charge on every rent payment made five (5) days or more after due date.

## ARTICLE 11

### SURRENDER AND REMOVAL

#### Surrender of Possession

S11.01. Upon the expiration of the term of this lease or any earlier termination thereof, Tenant shall surrender to Landlord possession of the Leased Land and all buildings and improvements thereon.

#### Removal of Personal Property

S11.02. If Tenant shall not then be in default under any of the covenants and conditions hereof, Tenant may remove or cause to be removed all of Tenant's machinery,

equipment and trade fixtures on the Leased Land; provided, Tenant shall, at its sole cost and expense, immediately repair any damage or injury to any building or other improvement on the Leased Land caused by such removal. Any of said machinery, equipment or trade fixtures that are not removed from the Leased Land within thirty (30) days after the date of expiration or any termination of this lease shall belong to Landlord without the payment of any consideration; provided, Landlord, may require Tenant to remove any or all of such machinery, equipment or trade fixtures at Tenant's sole cost and expense. The provisions of this S11.02 shall survive the expiration or termination of this lease.

#### Tenant's Quitclaim

S11.03. Upon the expiration of the lease term, or any sooner termination of this lease, at Landlord's request, Tenant agrees to execute, acknowledge and deliver to Landlord a proper instrument in writing, releasing, and quitclaiming to Landlord all right, title and interest of Tenant in and to the Leased Land and all buildings and other improvements thereon.

### ARTICLE 12

#### LANDLORD'S GENERAL PROTECTIVE PROVISIONS

##### Landlord's Right to Entry and Inspection

S12.01. Tenant shall permit Landlord or Landlord's agents, representatives, or employees to enter upon the Leased Land at reasonable times for the purpose of conducting

an inspection in a reasonable manner to determine whether agreements in this lease are being complied with, or for the purpose of showing the Leased Land to prospective tenants, purchasers or mortgagees.

### **Performance of Tenant's Obligations**

#### **After Notice or Without Notice in Emergency**

S12.02. If Tenant shall default in the performance of any covenant or condition in this lease required to be performed by Tenant, Landlord may, after thirty (30) days' notice to Tenant, or without notice if in Landlord's opinion an emergency exists, perform such covenant or condition for the account and at the expense of Tenant. If Landlord shall incur any expense, including reasonable attorneys' fees, in instituting, prosecuting, or defending any action or proceeding instituted by reason of any default of Tenant, Tenant shall reimburse Landlord for the amount of such expense. Should Tenant, pursuant to this lease, become obligated to reimburse or otherwise pay Landlord any sum of money in addition to the basic rent, the amount thereof shall be deemed additional rent and may, at the option of Landlord, be added to any subsequent installment of the basic rent due and payable under this lease, in which event Landlord shall have the remedies for default in the payment thereof provided by this lease. The provisions of this S12.02 shall survive the termination of this lease.

### Release of Landlord After Sale

S12.03. In the event of a sale or conveyance by Landlord of the Leased Land or any part containing the Leased Land, Landlord shall be released from any future liability upon any of the covenants or conditions, expressed or implied, in favor of Tenant, and in such event, Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this lease.

### Accord and Satisfaction

S12.04. No payment by Tenant or receipt by Landlord of a lesser amount than the rental shall be deemed to be other than on account of the rental, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of the rental or pursue any other remedy provided for in this lease.

### Landlord's Contractual Security Interest

S12.05. Landlord shall have at all times a valid security interest to secure payment of all rent and other sums of money becoming due hereunder from Tenant, and to secure payment of any damages which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all fixtures and personal property of Tenant presently, or which may hereafter be, situated on the Leased Land, and all proceeds therefrom, and such property shall not be removed without the consent of

Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord or to become due to Landlord hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Tenant. Upon the occurrence of an event of default by Tenant. Upon the occurrence of an event of default by Tenant, Landlord may, in addition to any other remedies provided herein, enter upon the Leased Land and take possession of any and all fixtures and personal property of Tenant situated on the Leased Land, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Tenant reasonable notice of the time and place of any public sale or of the time after which any private sale is to be made, at which sale Landlord or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable notice shall be met if such notice is given in the manner prescribed in the lease at least seven (7) days before the time of sale. Any sale made pursuant to the provision of this S12.05 shall be deemed to have been a public sale conducted in a commercially reasonable manner if held on the Leased Land or where the property is located after the time, place, and method of sale and a general description of the types of property to be sold have been advertised in a daily newspaper published in Guam, for five (5) consecutive days before the date of the sale. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorneys' fees and legal expenses), shall be the security interest granted in this S12.05. Any surplus shall be paid to Tenant or as

otherwise required by law; Tenant shall pay any deficiencies forthwith. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Guam Uniform Commercial Code.

#### Landlord's Title

S12.06. Nothing herein contained shall empower Tenant to do any act which can, may or shall cloud or encumber Landlord's fee simple title. This lease does not grant any rights to light and air over property except over public streets, alleys or way kept open by public authority.

#### Reserved Rights

S12.07. Landlord reserves the following rights: (i) To change the street address of the Leased Land without notice of liability of Landlord to Tenant; (ii) to display during the last ninety (90) days of the term without hinderance or molestation by Tenant "For Rent" and similar signs on windows or eisewhere in or on the Leased Land; (iii) during the last ninety (90) days of the term or any part thereof, if during or prior to that time Tenant vacates the Leased Land, or at any time after Tenant abandons the Leased Land, to enter and decorate, remodel, repair, alter or otherwise prepare the Leased Land for reoccupancy; and (iv) to take any and all reasonable measures, including inspections, repairs, alterations, additions and improvements to the Leased Land as may be reasonably necessary or desirable for the safety, protection or preservation of the Leased Land or Landlord's

interest. Landlord may enter upon the Leased Land and may exercise any or all of the foregoing rights hereby reserved without being deemed guilty of any eviction or disturbance of Tenant's use or possession and without being liable in any manner to Tenant.

#### Landlord's Right to Cure Default

S12.08. In the event Tenant shall fail to pay and discharge or caused to be paid and discharged, when due and payable any tax, assessment, or other charge upon or in connection with the Leased Land, or any lien or claim for labor or material employed or used in or any claim for damages arising out of the construction, repair, restoration, replacement, maintenance, and use of the Leased Land and the improvements, or any judgment on any contested lien or claim, or any insurance premium or expense in connection with the Leased Land and improvements, or any other claim, charge, or demand which Tenant has agreed to pay or caused to be paid under the covenants and conditions of this lease, and if Tenant, after ten (10) days written notice from Landlord to do so, shall fail to pay and discharge the same, then Landlord may, at its option, pay any such tax, assessment, insurance expense, lien, claim, charge, or demand, or settle or discharge any action therefor, or judgment thereon, and all costs, expenses, and other sums incurred or paid by Landlord in connection with any of the foregoing shall be paid Tenant to Landlord upon demand, together with interest thereon at the rate of one and one-half percent (1 1/2%) per month from the date incurred or paid, and any default in such payment shall constitute a breach of the covenants and conditions of this lease.

## ARTICLE 13

### GAA ASSURANCES TO FAA AND JOINT USE AGREEMENT

#### Compliance

S13.01. Tenant agrees to observe and obey all applicable rules and regulations promulgated by the Federal Aviation Administration ("FAA") or Landlord governing conduct on and operations at the Guam International Air Terminal and all related facilities owned and operated by Landlord including the GAA Industrial Park (collectively referred to as "ABWGIAT"). Landlord has received federal assistance through several executed Grant Agreements for ABWGIAT development and certain land acquisition transactions. This lease and Tenant's use of the Leased Land and ABWGIAT shall be subject to any and all applicable terms of those certain Sponsor's Assurances that Landlord (as Sponsor herein) has made to FAA as they relate to the application, acceptance and use of federal funds for ABWGIAT development. The Assurances applicable to this lease shall include, but not be limited to, the following specific terms and conditions:

13.01.01. Non-discrimination. (a) Tenant for itself, its successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the Leased Land that in the event facilities are constructed, maintained, or otherwise operated on the Leased Land for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21,

Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended; (b) Tenant for itself, its successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the Leased Land that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under the Leased Land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Tenant shall use the Leased Land in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

13.01.02. Books, Records, Accounts. Upon written request of FAA, Tenant shall provide all information reports required by FAA rules, regulations or directives issued pursuant thereto, and shall permit the examination of its books, records, and its facilities, as may be determined by FAA to be pertinent to ascertain compliance with such rules, regulations, orders and directives.

13.01.03. Service Prices. Tenant shall furnish services and products on a fair, equal, and not unjustly discriminatory basis to all customers and users. Tenant shall charge fair, reasonable and not unjustly discriminatory prices for each unit of service and product.

13.01.04. Compatibility with ABWGIAT Operations and Use. Compatibility with ABWGIAT operations and use is a vital concern for any development on or near ABWGIAT. Safety of nearby aircraft flight and ground operations must be and shall be given primary concern at all times. Thus, the development and use of the GAA Industrial park, including this lease, are subject to and shall not be inconsistent with ABWGIAT operations and use.

S13.02. Joint Use Agreement. The parties hereto are aware that Landlord has right to use the landing area of ABWGIAT under a Joint Use Agreement entered into by the Government of Guam with the United States of America dated July 19, 1974. The rights and obligations under such Joint Use Agreement have been transferred to and assumed by Landlord. It is expressly agreed that this lease is subject and subordinate to the said Joint Use Agreement and all its terms and conditions.

## ARTICLE 14

### GENERAL PROVISIONS

#### Covenant to Execute Additional Instruments

S14.01. Landlord and Tenant agree to execute and deliver any instruments in writing necessary to carry out the agreement, term, condition, or assurance in this lease whenever the occasion shall arise and request for such instruments shall be made by the other party.

### No Waiver of Breach

S14.02. No failure by either Landlord or Tenant to insist upon the strict performance by the other of any covenant, agreement, term, or condition of this lease or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or of such covenant, agreement, term, or condition. No waiver of any breach shall affect or alter this lease, but each and every covenant, condition, agreement, and term of this lease shall continue in full force and effect with respect to any other then existing or subsequent breach.

### Time of Essence

S14.03. Time is of the essence of this lease, and of each provision.

### Successors In Interest

S14.04. Each and all of the covenants, conditions, and restrictions in this lease shall inure to the benefit of and shall be binding upon the successors in interest of Landlord, and subject to the restrictions of ARTICLES 6 and 9, supra, the authorized encumbrancers, assignees, transferees, subtenants, licensees, and other successors in interest of Tenant.

### Entire Agreement

S14.05. This lease contains the entire agreement of the parties with respect to the matters covered by this lease, and no other agreement, statement, or promise made by any party, or to any employee, officer, or agent of any party, which is not contained in this lease shall be binding or valid.

### Waiver of Subrogation

S14.06. All insurance policies carried by Tenant covering the Leased Land and the buildings and other improvements thereon, including but not limited to contents, fire, casualty, and other insurance, shall expressly waive any right of the insurer against Landlord. Tenant agrees that its insurance policies will include such waiver clause or endorsement.

### Partial Invalidity

S14.07. If any terms, condition, or provision of this lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

### Relationship of Parties

S14.08. Nothing contained in this lease shall be deemed or construed by the parties or by any third person to create the relationship of principal and agent or of partnership or of joint venture or of any association between Landlord and Tenant, and neither the provisions contained in this lease nor any acts of the parties shall be deemed to create any relationship between Landlord or Tenant, other than the relationship of Landlord and tenant.

### Interpretation and Definitions

S14.09. The language in all parts of this lease shall in all cases be simply construed according to its fair meaning and not strictly for or against Landlord or Tenant. Unless otherwise provided in this lease, or unless the context otherwise requires, the following definitions and rules of construction shall apply to this lease:

14.09.01. Number and Gender. In this lease the neuter gender includes the feminine and masculine, the singular number includes the plural, and vice versa.

14.09.02. Mandatory and Permissive. "Shall", "will", and "agrees" are mandatory, "may" is permissive.

14.09.03. Captions. Captions of articles, sections, and subsections of the lease and of its table of contents are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this lease.

14.09.04. Term Includes Extensions. All references to the "term" of this lease or the "lease term" shall include any extensions of such term.

14.09.05. Other Definitions. Additionally, the following words and phrases shall have the following meanings:

14.09.05.01. Authorized Representatives: Any officer, agent, employee, or independent contractor retained or employed by either party, acting within authority given him by that party.

14.09.05.02. Damage: Injury, deterioration, or loss to a person or property caused by another person's acts or omissions. Damage includes death.

14.09.05.03. Good Condition: The good physical condition of any improvements on the Leased Land and each portion of such improvements, including, without limitation, signs, windows, appurtenances, and Tenant's personal property as defined here. "In good condition" means first-class, neat, clean and broom-clean, and is equivalent to similar phrases referring to physical adequacy in appearance and for use.

14.09.05.04. Hold Harmless: To defend and indemnify from all liability, losses, penalties, damages as defined here, costs, expenses (including, without limitation, attorneys' fees), causes of action, claims, or judgments arising out of or related to any damage, as defined here, to any person or property.

14.09.05.05. Law: Any judicial decision, statute, constitution, ordinance, resolution, regulation, rule, administrative order, or other requirement of any municipality, territorial, Federal, or other government agency or authority having jurisdiction over the parties or the Leased Land, or both, in effect either at the time of execution of the lease or at any time during the term, including, without limitation, any rule or regulation of Landlord.

14.09.05.06. Lien: A charge imposed on the Leased Land by someone other than Landlord, by which the Leased Land is made security for the performance of an act. Most of the liens referred to in this lease are mechanics' liens.

14.09.05.07. Maintain: Includes repair, replace, repaint, and clean.

14.09.05.08. Person: One or more human beings, or legal entities or other artificial persons, including, without limitation, partnerships, corporations, trusts, estates, associations, and any combination of human beings and legal entities.

14.09.05.09. Repair: The reconstruction, rebuilding and rehabilitation that are necessary to return destroyed portions of any improvements on the Leased Land and other property to substantially the same physical condition as they were in immediately before the destruction.

#### Attorneys' Fees

S14.10. In the event that either party hereto shall commence any legal action or proceeding, including an action for declaratory relief, against the other by reason of the alleged failure of the other to perform or keep any term, covenant, or condition of this lease by it to be performed or kept, the party prevailing in said action or proceeding shall be entitled to recover, in addition to its court costs, reasonable attorneys' fee to be fixed by the court, and such recovery shall include court costs and attorneys' fees on appeal, if any. The court will determine who is the "prevailing party", whether or not the suit proceeds to final judgment; provided, however, that if an action is voluntarily dismissed, or dismissed pursuant to a settlement of the case, neither party will be entitled to recover its attorneys' fees.

#### Interest

S14.11. Any sum accruing to Tenant or Landlord under the provisions of this lease which shall not be paid when due shall bear interest at the rate of one and one-half percent (1 1/2%) per month from the date the rent was due with respect to rent and from the date written notice specifying such nonpayment is given to the defaulting party, with respect to sums due other than rent.

### Modification

S14.12. This lease is not subject to modification except in writing signed by both parties.

### Delivery of Rent and Notices - Method and Time

S14.13. All rents or other sums, notices, demands, or requests from one party to another may be personally delivered or sent by mail, registered, return receipt requested, postage prepaid, to the addresses stated in this S14.13, and shall be deemed to have been given at the time of personal delivery or at the time of mailing.

14.13.01. Payment of Rent. All rents and other sums payable by Tenant to Landlord shall be by check payable to Landlord, delivered in person to the Landlord, or mailed to Landlord at P.O. Box 8770, Tamuning, Guam 96931.

14.13.02. Notices to Landlord. All notices, demands, or requests from Tenant to Landlord shall be given to Landlord by personal delivery or by mailing the same to P.O. Box 8770, Tamuning, Guam 96931.

14.13.03. Notices to Tenant. All notices, demands, or requests from Landlord to Tenant shall be given to Tenant at 150 E. Harmon Industrial Park Road, Tamuning, Guam 96931.

14.13.04. Change of Address. Each party shall have the right, from time to time, to designate a different address by notice given in conformity with this S14.13.

## ARTICLE 15

### CONDEMNATION

#### Consequences of Condemnation

S15.01. In the event during the term of this lease the Leased Land or any part thereof shall be taken or condemned by any authority having the power of eminent domain, then and in every such case the estate and interest of Tenant in any part of the Leased Land so taken or condemned shall at once cease and terminate; and the rental to be paid under this lease shall be reduced for and during the unexpired balance of the term hereof, effective as of the date when Tenant shall by reason of such taking or condemnation lose the right to possession of such part of the Leased Land, in an amount which shall be that proportion of the rental which is equivalent to the reduction in the area of the Leased Land shall refund to Tenant any unearned portion of the rental thereof paid in advance prior to the effective date of such taking or condemnation.

15.01.01. Compensation and Damages. In every such case of taking or condemnation of the Leased Land or any part thereof, all compensation and damages payable for or as a result of such taking or condemnation shall be payable to and be the sole property of Landlord, and Tenant shall have no interest in or claim to such compensation or any part thereof whatsoever; and all compensation and damages payable for or on account of any buildings and other improvements on the Leased Land and any plans and other preparations therefor shall be payable to Landlord and Tenant as their respective interest shall appear, and said respective interest in such compensation and

damages payable for or on account of any such buildings or other improvements shall be fixed and determined, as of the date when Tenant shall by reason taking or condemnation lose the right to possession of such buildings or other improvements so taken or condemned, as follows:

15.01.01.01. Landlord's Interest. The interest of Landlord therein shall be a proportionate amount of such compensation and damages in the ratio which the expired portion of the term of this lease bears to the full term of this lease; and

15.01.01.02. Tenant's Interest. Tenant's interest therein shall be the balance of such compensation and damages after first deducting therefrom the amount of the interest of Landlord therein as hereinbefore defined.

15.01.02. Termination of Lease. In the event only part of the Leased Land shall be so taken or condemned, and either the balance of the Leased Land is unsuitable for the purpose for which leased to Tenant, or all of the buildings on the Leased Land shall be so taken or condemned, thereby rendering the remaining portion of the buildings unsuitable for Tenant's purposes under this lease, and Tenant shall remove all remains of said buildings and any other improvements from the balance of the Leased Land and restore the Leased Land to good and orderly condition under its option as herein provided, then and in every such case Tenant shall have the right at its option, by giving prior written notice thereof to Landlord within sixty (60) days after such event, to terminate this lease. Upon such termination Tenant shall be relieved of all further obligations under this lease, and Landlord shall refund to Tenant any unearned portion of the rental therefor paid in advance prior to the effective date of such termination.

ARTICLE 16

EXECUTION, RECORDING, AND INCORPORATION BY REFERENCE

Recording

S16.01. Tenant shall not record this lease without the written consent of Landlord; provided, however, upon the request of Tenant, the Landlord shall join in the execution of a memorandum of "short form" of this lease for the purpose of recordation. The memorandum or short form shall describe the parties, the Leased Land, the term of this lease, shall incorporate this lease by reference.

Counterparts

S16.02. This lease, consisting of forty-six (46) pages, plus exhibits, may be executed in several counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement, which shall be binding upon all parties hereto notwithstanding that all of the parties are not signatories.

Exhibits

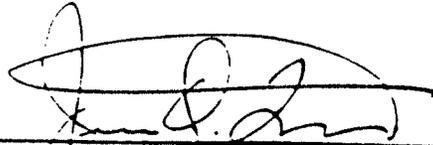
S16.03. All Exhibits attached hereto are made a part of this lease by reference.

Execution

S16.04. This lease has been executed by the parties as of August 15

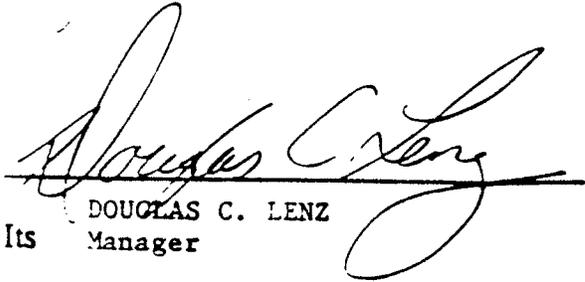
19 91.

GUAM AIRPORT AUTHORITY  
Landlord



JESS Q. TORRES  
Its Executive Manager

ESSO EASTERN, INC.-GUAM  
Tenant



DOUGLAS C. LENZ  
Its Manager

RECORDING OF DEEDS

8/19/91  
21220019

TORRES

TERRITORY OF GUAM

Municipality of Agaña

On this 15th day of August, 1991, before me, a notary public in and for the Territory of Guam, personally appeared Jess O. Torres, the duly authorized representative of GUAM AIRPORT AUTHORITY, known to me to be the person who executed the foregoing GAA Industrial Park Ground Lease, and acknowledged to me that he executed the same on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

SEAL(



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JEAN A. MENO  
NOTARY PUBLIC  
In and for the Territory of Guam  
My Commission Expires: May 30, 1996

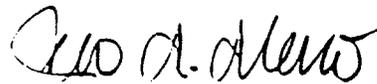
TERRITORY OF GUAM

Municipality of Agana

On this 15th day of August, 1991, before me, a notary public in and for the Territory of Guam, personally appeared Douglas C. Lenz, the duly authorized representative of ESSO EASTERN, INC. - GUAM BRANCH, known to me to be the person who executed the foregoing GAA Industrial Park Ground Lease, and acknowledged to me that he executed the same on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

SEAL



---

J JEAN A. MENO  
NOTARY PUBLIC  
In and for the Territory of Guam  
My Commission Expires: May 30, 1996

EXHIBIT 'A'

Property Description

Lot No. 1, Block No. 2, Tract No. 1427, Guam International Air Terminal Industrial park, Municipalities of Barrigada and Dededo, Guam, containing an area of approximately 5,709 square meters or 61,448 square feet, as shown on Drawing No. DS1-S-88-25 dated April 23, 1990, prepared by registered land surveyor Nestorio C. Ignacio, RLS No. 65.

**Pursuant to Public Law 20-188 requires the legal descriptions of the parcels be based on a map certified and approved by the Territorial Surveyor and Planner and duly recorded at the Department of Land Management. Bull cart trail has been acquired since the time of preparation of initial Exhibit A.**

Property description will need to be modified based on requirements of Public Law 20-188 and acquisition of bull cart trail.

**EXHIBIT "B"**

**S1. Rental Schedule.** For the first five (5) years period commencing February 14, 19 92 the rent shall be \$26.00 per square meter per year for the total area of the **Leased Land**. At the end of fifth (5th) year of the term of this lease, the rental rate for the ensuing five (5) years shall be increased by ten percent (10%) of the prior effective rental rate. Rental shall be paid monthly as specified in Section 3.01.02 of the lease.

**S2. Rental Projections.** Upon commencement of the term of this lease Landlord shall provide Tenant with 30 year rental projections on an annual and monthly basis.

**S3. Rental During Option Periods.** The rental during the extended periods, if extended pursuant to Section 2.02 of the lease, shall be as determined pursuant to Section 3.01.01 of the lease.

EXHIBIT 'C'

**S1. Authorized Uses and Activities:**

- a. Sale of Convenience Items\*
- b. Car Wash Facilities
- c. Automotive and Bus Parking and Servicing

**S2. Authorized and Required Uses and Activities:**

- a. Motor Vehicle Service Station and Lube

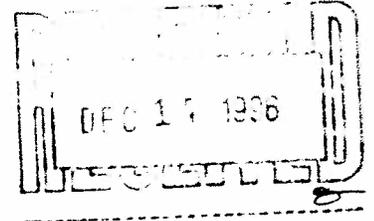
\* Subject to prior review and written approval by Landlord, the Guam Airport Authority.



# GUAM AIRPORT AUTHORITY

(ATURIDAT PUETTON BATKON AIREN QUAHAN)

P.O. BOX 8770/Tamuning, Guam 96911/Telephone: 646-0300, 646-0301, 646-0302  
Telex: 6456 GUMARPT GM  
FAX: (671) 646-8823



March 6, 1991

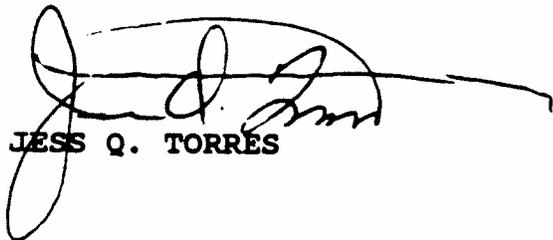
## MEMORANDUM

**TO:** Board of Directors  
**FROM:** Executive Manager  
**SUBJECT:** GIAT Industrial Park: Recent Appraisals

We recently received the results of the two latest appraisals for the fair market value of lots in the GIAT industrial park. While the reports are available in my office for review, I have prepared a summary comparison of the results of the three latest appraisals. This analysis also contrasts the original decision to lease property at \$.60 per square foot per year. As you will see, the comparisons are dramatic.

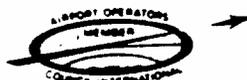
You may also recall that the 20th Legislature mandated through Public Law 20-188 the methodology by which we were to calculate initial rentals. The law specified that 10% of the higher of two fair market value appraisals, current within six months of the signing of a lease, be used. Thus, we are bound to offer the rates derived from the RJ Associates Inc. report.

We will advise the three prospective tenants of the new rental rates and confirm their acceptance or withdrawal.

  
JESS Q. TORRES

cc: Legal Counsel

002095



	<u>WESTCO (05/03/90)</u>	<u>WESTCO (02/24/91)</u>	<u>R.J. &amp; ASSOCIATES (02/15/91)</u>
<b>TENANT: MID-PAC FAR EAST</b>			
Lot Description: Block 1, Lot 1			
Area: 3,192 s.m. or 34,357 s.f.			
Fair Market Value (FMV)	\$113 per square meter (\$360,696)	\$150 per square meter (\$478,800)	\$265 per square meter (\$845,880)
* Fair Rental Value (FRV) FMVx10%			
per square meter per annum	\$11.30	\$15.00	\$26.50
per square foot per annum	1.05	1.39	2.46
per square foot per month	.09	.12	.21
% difference from original rate of .60 per square foot per annum	75%	132%	310%
<b>TENANT: LSG LUFTHANSA SERVICE</b>			
Lot Description: Block 1, Lot 4			
Area: 9,002 s.m. or 96,901 s.f.			
Fair Market Value (FMV)	\$106 per square meter (\$954,212)	\$141 per square meter(\$1,269,282)	\$260 per square meter(\$2,341,820)
* Fair Rental Value (FRV) FMVx10%			
per square meter per annum	\$10.60	\$14.10	\$26.01
per square foot per annum	.98	1.31	2.42
per square foot per month	.08	.11	.20
% difference from original rate of .60 per square feet per annum	63%	118%	303%
<b>TENANT: EXXON</b>			
Lot Description: Block 2			
Area: 5,709 s.m. or 61,448 s.f.			
Fair Market Value (FMV)	\$125 per square meter (\$713,625)	\$166 per square meter (\$947,649)	\$260 per square meter(\$1,484,340)
* Fair Rental Value (FRV) FMVx10%			
per square meter per annum	\$12.50	\$16.60	\$26.00
per square foot per annum	1.16	1.54	2.42
per square foot per month	.10	.13	.20
% difference from original rate of .60 per square feet per annum	93%	157%	303%

 **RJ Associates, Inc.**   
**Pacific Real Estate Advisory Services**

173 Aspinall Avenue, Suite 201 Agana, Guam 96910  
Telephone: (671) 472-8472  
Fax: (671) 477-5873

**APPRAISAL OF**

Guam Airport Authority Industrial Park  
Developed Land located in  
the Municipalities of Dededo and Barrigada,  
Territory of Guam

**PREPARED FOR**

Guam Airport Authority  
P.O. Box 8770  
Tamuning, Guam 96911

**DATE OF VALUATION**

February 15, 1991

 RJ Associates, Inc.   
Pacific Real Estate Advisory Services

173 Aspinall Avenue, Suite 201 Agana, Guam 96910  
Telephone: (671) 472-8472  
Fax: (671) 477-5873

February 28, 1991

Mr. Jess Q. Torres  
Executive Manager  
Guam Airport Authority  
P.O. Box 8770  
Tamuning, Guam 96911

Dear Mr. Torres:

In accordance with your request, we are submitting to you a written appraisal report of the Guam Airport Authority Industrial Park, which is developed land located in the Municipalities of Dededo and Barrigada in the Territory of Guam. The purpose of this appraisal is to estimate the fee simple value of the subject properties. In addition, this report contains calculations used in determining a fair market rental rate for proposed land leases. In addition, a return on the investment is included as part of the lease analysis. Market value, as used herein, is defined in the body of this report. The legal and physical description of the properties appraised are also included in the report.

The methods which have been used as well as all pertinent data gathered have been summarized for inclusion in this report. All information has been obtained from sources believed to be reliable. We certify that we have no present or contemplated future interest in this property beyond the estimates of value.

Your attention is specifically directed to the Limiting Conditions and Assumptions and to the Appraiser's Comments where the parameters of this assignment are outlined in more detail. Our estimate of value and the associated financial estimates are intended solely for your information and may not be used for any purpose other than indicated in the appraisal.

Our report is based on estimates, assumptions and other information developed from our research of the market, knowledge of the industry and meetings during which certain information was provided to us. The sources of information and basis of the estimates and assumptions are stated in the appropriate sections of the report. RJ Associates, Inc. has not, as part of its valuation, performed an audit or review of any of the financial information used and, therefore, does not express an opinion or any other form of assurance with regard to same. Under the terms of this engagement, we have an obligation to update this report and the estimated financial results to reflect events or conditions which occur subsequent

Mr. Jess Q. Torres  
February 28, 1991  
Page Two

to the date of this report for a period of one year. After this period we will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the property.

The accompanying prospective financial analyses are based on estimates and assumptions developed in connection with our market research. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our prospective financial analyses will vary from our estimates and the variations may be material.

Further, we have not been engaged to evaluate the effectiveness of management, and we are not responsible for future marketing efforts and other management actions upon which actual results will depend.

Since our report and the financial analyses are based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

Neither the whole, nor any part of this report or any reference thereto may be included in any document, statement or circular without RJ Associates, Inc.'s prior written approval of the form and context in which it will appear.

As a result of our investigation and analysis, it is our opinion that the market value of the subject property, as of February 15, 1991 as follows: **\$22,218,060** or \$258 per square meter on an individual lot basis and a present value considering the time to lease the properties of **\$20,970,000** or \$244 per square meter.

Respectfully submitted,

*RJ Associates, Inc.*

RJ ASSOCIATES, INC.

*Richard E. Jortberg, Jr.*

Richard E. Jortberg, Jr.  
Principal Appraiser  
REJ/mh

## Statement of Limiting Conditions

1. Title to the property is assumed to be good and marketable.
2. No responsibility for legal matters is assumed, nor are the appraisers required to give testimony or appear in court unless prior arrangements have been made in writing.
3. All information in this report has been obtained from sources deemed to be reliable. The appraiser cannot, however, guarantee or be responsible for the accuracy of information furnished by others.
4. Sketches and reproductions in this report are intended for illustrative purposes only.
5. Possession of this report does not grant the right of reproduction of all or part of the contents of the report without the written consent of the appraisers.
6. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraisers or firm with which they are connected, or any reference to the American Institute of Real Estate Appraisers.
7. The report and data investigated, except that furnished by the client, remains the sole property of our firm.
8. The terms of the agreement between the client and the authors are such that the authors have no obligation to update the report or revise it in any manner because of events or transactions occurring subsequent to the date of such report.
9. Loss or removal of any portion of this report invalidates the entire report.
10. The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. The appraisers do not assume responsibility for such conditions or for engineering which might be required.
11. The report does not take into consideration the possibility of the existence of asbestos, PCP transformers, or other toxic hazardous, or contaminated substances and/or underground storage tanks containing hazardous material. The report does not consider the cost of encapsulation treatment or removal of such material. If the client/property owner has a concern over the existence of such conditions in the subject property, the appraisers consider it imperative to retain the services of a qualified engineer or contractor to determine the existence and extent of such hazardous conditions. Such consultation should include the estimated cost associated with any required treatment or removal of hazardous material.

## APPRAISERS' COMMENTS

The subject property consists of 12 lots in the Guam Airport Authority industrial park. The highest and best use of the subject is industrial warehouse development. The highest and best use is discussed in greater detail in the body of this report, but some of the essential conclusions follow: The property is located approximately 5,000 feet from the tip of the northern runway at the A.B. Won Pat International Airport, thus the property is included within the 7,000 foot Accident Potential Zone II of the Air Installation Compatible Use Zone (AICUZ). U.S. Department of Defense encourages all development in this zone to be of low density. Therefore, a hotel development is not considered the highest and best use of the property, as this would be a high density development.

In real estate appraisal the highest and best use of a property includes the uses that are reasonably probable of all legally permissible uses. By law, the property must be leased to airport related tenants, as part of the Guam Airport Authority Industrial Park. The highest and best use that is most reasonably probable is the planned industrial park.

The lease for the property includes a 30 year term with two ten year optional extensions. The rental rate for the extensions is to be at market rent based on the concurrence of several appraisals. The thirty year period includes rental increases of 10 percent each five years. While this lease structure is similar to most leases on Guam, the escalations average out to be less than 2 percent per year if compounded. This guarantees GAA an increase in rent even if the market value of land drops. If market value increases significantly, these rental increases may not maintain the same relationship with the market value of land, however.

The subject has been appraised based on a review of comparable sales in the Harmon district of Guam. As the subject is a master planned development, the comparison to sales occurring in the Harmon area is necessary in so far as this area is closest and most competitive with the subject.

No area within Harmon is master planned, so major differences exist with respect to the comparative advantages of the subject. A difficulty results because a comparable sales analysis is most effective when sales that occur have similar attributes as the subject. One of the difficult dimensions of this appraisal is the value attributed to the subject's master planned area. Since nothing on the island is comparable to the subject, it is the appraiser's estimate that the master planned aspect does provide additional value over sales occurring in the Harmon area.

In the appraisal of real estate there are three commonly used approaches to value. They are:

The Cost Approach - In this approach, the cost to reproduce or replace the improvements is estimated. A deduction is made for any depreciation, and the result is combined with the estimated value of the underlying land. This approach is applicable when each component is independently measurable, and when the sum of all components is believed to reflect market value. The approach is not applicable to unimproved land or obsolete improvements.

The Sales Comparison Approach - This approach compares the subject property to other properties which have changed hands, preferably fairly recently. This approach is most meaningful when there is adequate market data involving comparable properties.

Reliability of the approach varies directly with the quantity and quality of available market data. The lack of master planned sales in the Harmon area does present the need for some upward value adjustment.

The Income Approach - This approach analyzes the property's capacity to generate income and converts this capacity into an indication of market value. The approach is suitable for properties which have obvious earning power and investment appeal, but inappropriate for properties which have no readily discernible income potential.

The Sales Comparison Approach is the only approach that has been used in this appraisal. As the subject is not income producing real estate, the Income Approach was not performed. Similarly, because the subject is developed land, the cost approach is not applicable.

Additionally, the appraisal assignment included the derivation of market rent calculations. The rate of return has been prepared using the modified internal rate of return (MIRR) and the internal rate of return (IRR). Since the land was acquired through a transfer, rather than an outright purchase, the cost considered integral to the investment analysis is the appraised value of each site, since the sites could be sold today for the approximate appraised value, if the land were not subject to the 50 year lease requirement.

The valuation presents an individual appraisal of each parcel. In addition, the appraisal presents an aggregate value of all sites together. The individual values add up to more than the individual lot values, because a subdivision analysis is required when considering the sell-off of such a large number of properties. Assuming the properties are

leased over an assumed eighteen month period, the present value considerations (discussed in detail later) necessitate converting the future cash flows into today's dollars. Thus, the aggregate value is less than the value of the individual parcels. For negotiation purposes, the individual lot values and lease rent calculations should be used.

The subject has certain property restrictions that are discussed in some detail in this report. The obligation to lease the property is mandated by law, and the impact of this obligation has been considered. Because rent is negotiated at market levels, the lease requirement does not affect the value conclusion. If the properties were leased at a below market rental rate, the leased fee value would be different than the market value. Such is not the case for the GAA industrial park, since the leases are being negotiated at market rental levels.

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## SUMMARY OF SALIENT FACTS AND CONCLUSIONS

### Guam Airport Authority Industrial Park

<b>Location of the Property:</b>	The subject is located at the intersection of Routes 16 and 10-A approximately 2 miles equidistant from the commercial areas of Tamuning and Dededo in the Municipalities of Dededo and Barrigada in the Territory of Guam.						
<b>Description of the Improvements:</b>	The subject is vacant land. Infrastructure suitable for the development of warehouses within the industrial park currently exists.						
<b>Site Description:</b>	The property is level with a crushed coral base. The 12 subject lots have been platted in the G.I.A.T. subdivision. Two right of ways allow access to all areas of the park from Route 10-A. The property consists of 85,977 square meters or 925,439 square feet. The size represents 21.25 acres.						
<b>Zoning:</b>	The site is zoned M-2, which represents Heavy Industrial Zoning in the Territory of Guam.						
<b>Flood Plain Status:</b>	The subject property is not located in a special 100 year flood hazard area as indicated by the Flood Hazard Map number 660001 0075 B for the Territory of Guam.						
<b>Date of Valuation:</b>	February 15, 1991						
<b>Final Estimate of Value:</b>	<table><tr><td>Sales Approach</td><td></td></tr><tr><td>Individual Lot Value</td><td>\$22,218,060</td></tr><tr><td>Present Value of Leased Properties</td><td>\$20,970,000</td></tr></table>	Sales Approach		Individual Lot Value	\$22,218,060	Present Value of Leased Properties	\$20,970,000
Sales Approach							
Individual Lot Value	\$22,218,060						
Present Value of Leased Properties	\$20,970,000						



## Subject Photos



View of a portion of subject (looking south from northwest corner of site) along Route 16.



View of subject looking southwest from northwest corner of property. Area below cliffline to right is Harmon industrial area.  
(Photos Taken 2/22/91 by Rich Jortberg)

## Subject Photos



View of entrance of subject from Route 10-A. View is looking to the northeast. Note subject lots on east and west of the access road are Lots 8 and 7, Block 1.



View looking north into eastern entrance to the park (by Route 16). Light is located on Lot, Block 1.

(Photos Taken 2/22/91 by Rich Jortberg)

Subject Photos

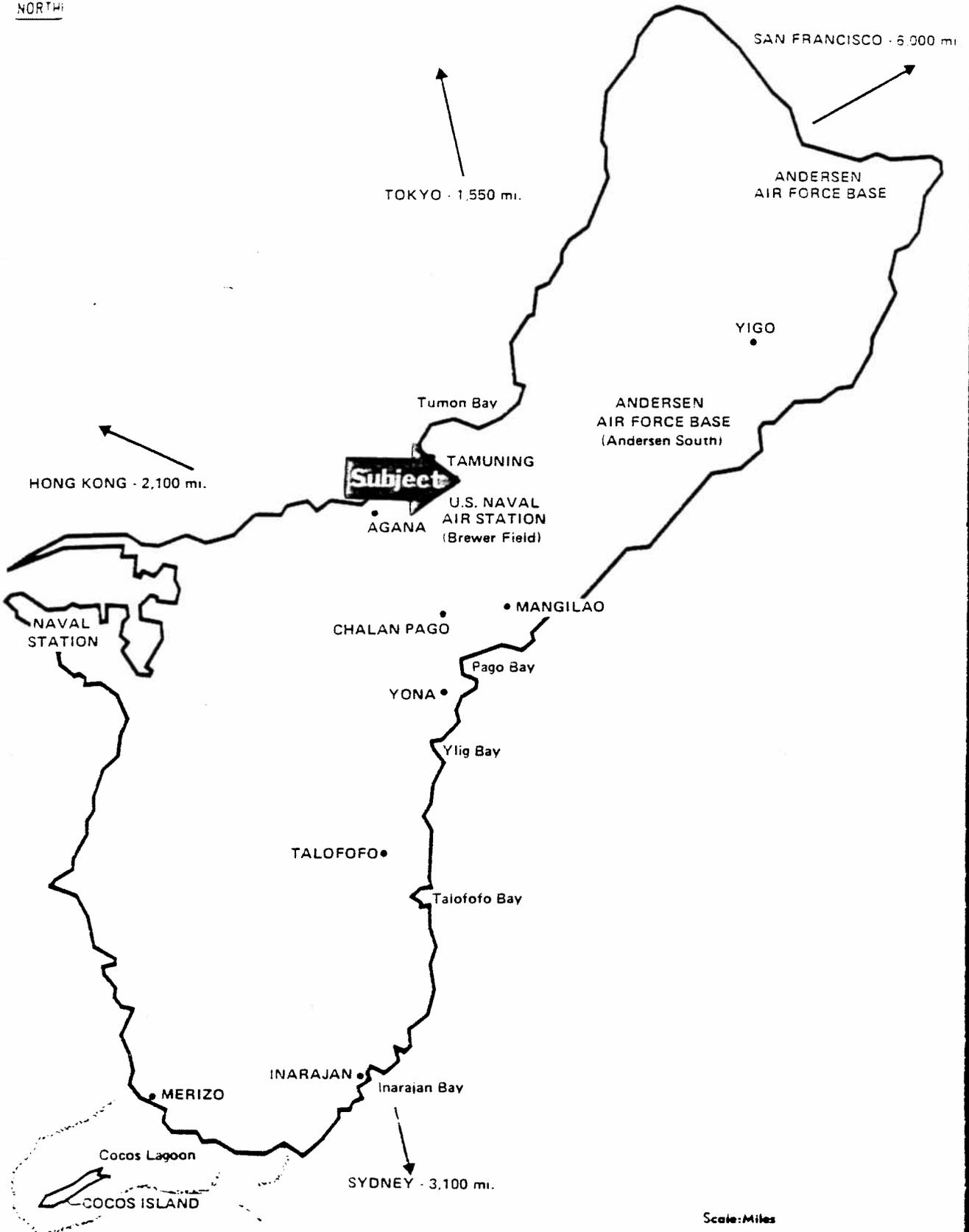


View of a Block 4, Lot 1 with photo taken from Route 10-A looking west.



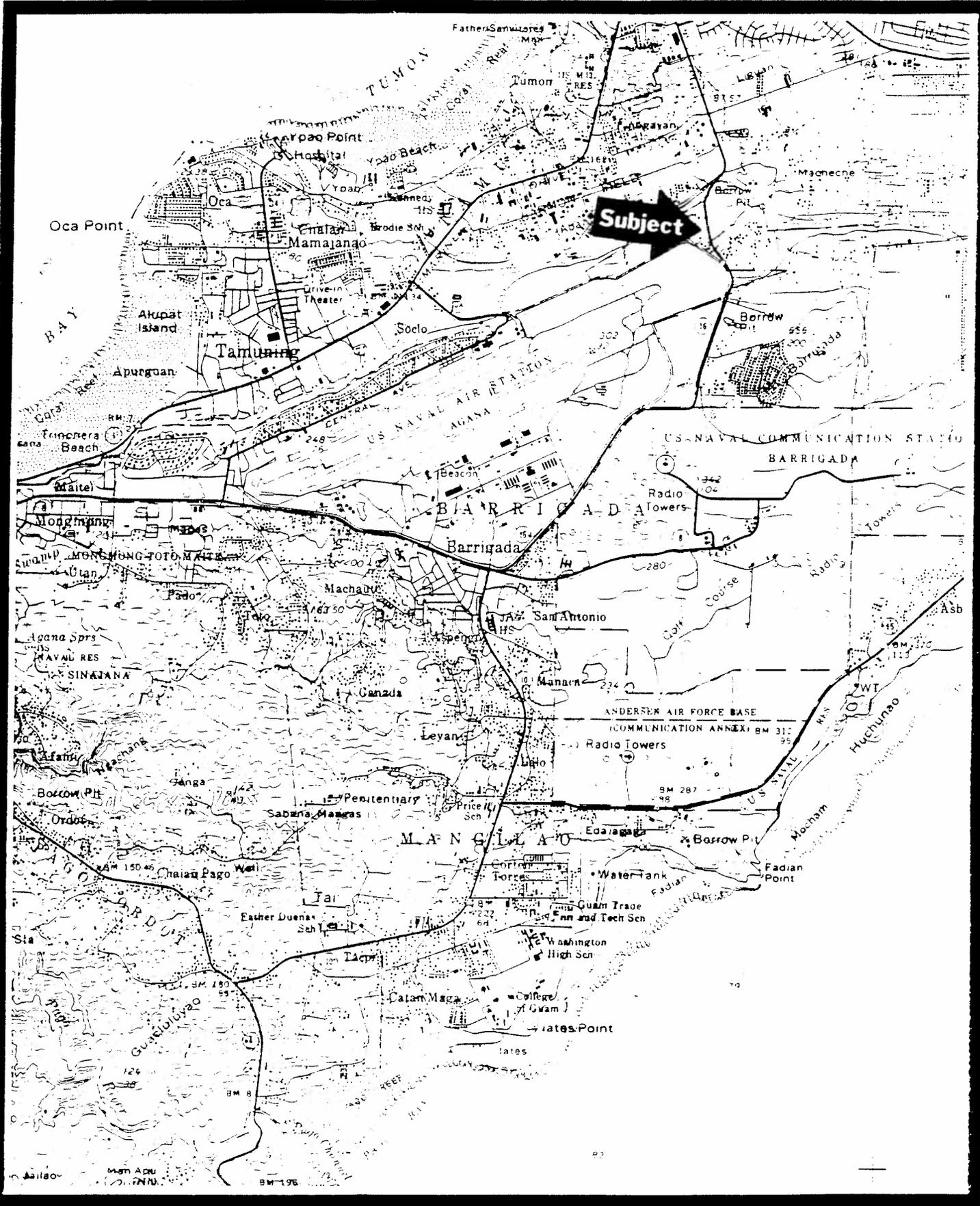
View from northwest corner of property looking at Harmon industrial area.  
(Photos Taken 2/22/91 by Rich Jortberg)

# Territory Of Guam Island Overview



Scale: Miles  
1 2 3 4

# Location Map



## IDENTIFICATION OF THE PROPERTY

The property is known more precisely defined below. The property is commonly known as the Guam International Air Terminal Industrial Park in the Municipalities of Dededo and Barrigada of the Territory of Guam.

Guam Airport Authority Industrial Park		
Parcel Description	Size (SM)	Size (SF)
Block 1, Lot 1	3,192	34,357
Block 1, Lot 2	4,487	48,296
Block 1, Lot 3	3,203	34,480
Block 1, Lot 4	9,007	96,952
Block 1, Lot 5	4,478	48,202
Block 1, Lot 6	3,712	39,956
Block 1, Lot 7	4,091	44,034
Block 1, Lot 8	3,250	34,979
Block 1, Lot 9	2,519	27,109
Block 1, Lot 10	2,302	24,775
Block 2, Lot 1	5,709	61,448
Block 4, Lot 1	40,027	430,851
Total	85,977	925,439

### Legal Descriptions:

Block 1, Lots 1 through 10; Block 2, Lot 1; and Block 4, Lot 1, Tract number 1427, Guam International Air Terminal Industrial Park, Municipalities of Barrigada and Dededo, Guam, containing an area of approximately 85,977 square meters or 925,439 square feet, as shown on Drawing Number DS1-S-88-25 dated March 30, 1989, prepared by registered land surveyor Nestorio C. Ignacio, RLS Number 65. This was recently approved and recorded

with Department of Land Management. The subject was previously part of the following legal description was Lot P14.5 REM which consisted of 186,962 square meters.

**Area of Site:**

The square meter is the common method of measurement used on Guam. One square meter contains 10.764 square feet, or 4,046.85 square meters per acre. The site consists of 12 parcels which are of varying shapes, containing 85,977 square meters or 925,439 square feet. The site contains 21.25 acres.

**PROPERTY RIGHTS APPRAISED**

The property rights appraised are fee simple. The definition of leased fee estate is also included since the leased fee value should equal the fee simple value when rent is at market levels.

Fee Simple is defined as:

*"Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation."*<sup>1</sup>

Leased fee estate is defined as:

*"An ownership interest held by the landlord with the right of use and occupancy conveyed by lease to others; usually consists of the right to receive rent and the right to repossession at the termination of the lease."*<sup>2</sup>

---

<sup>1</sup> This definition is taken from the Dictionary of Real Estate Appraisal.

<sup>2</sup> This definition is taken from the Dictionary of Real Estate Appraisal.

## EFFECTIVE DATE OF VALUE

The date of which this appraisal shall apply is February 15, 1991.

## DEFINITION OF MARKET VALUE

For the purpose of this report, the definition of value shall be that of Market Value, which is defined as follows:

*"The most probable price in cash, terms equivalent to cash, or in other precisely revealed terms, for which the appraised property will sell in competitive market under all conditions requisite to fair sale, with the buyer and seller, each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.*

*Fundamental assumptions and conditions presumed in this definition are:*

1. *Buyer and seller are motivated by self interest.*
2. *Buyer and seller are well informed and are acting prudently.*
3. *The property is exposed for a reasonable time on the open market.*
4. *Payment is made in cash, its equivalent or in specified financing terms.*
5. *Specified financing, if any, may be the financing actually in place or on terms generally available for the property type in its locale on the effective appraisal date.*
6. *The effect, if any, on the amount of market value of atypical financing, services, or fees shall be clearly and precisely revealed in the appraisal report.*<sup>3</sup>

## PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the fee simple value of the subject property described herein. The purpose of this appraisal will also include the determination of an appropriate rental rate for prospective tenants for the industrial park.

---

<sup>3</sup> The Dictionary of Real Estate Appraisal, The American Institute of Real Estate Appraisers, 1984, Page 194.

## BACKGROUND ON THE TERRITORY OF GUAM

As the value of the subject property is influenced by the economic climate on Guam, an overview of the history and specific forces affecting market value is provided for readers not familiar with the Territory of Guam.

Guam was formed through an uplift of undersea volcanoes and is surrounded by coral reefs near the shore. The island is composed of two distinct geologic areas of about equal size. The northern part of the island is a high limestone plateau rising approximately 850 feet above sea level. The southern region is mountainous with elevations of 700 to 1,300 feet. The U.S. military presence is most notable in the northern portion of the island. With land acquisition for the proposed construction of several major hotels, the southern portion of the island is likely to become more developed for tourism, however the north central portion of the island remains most developed.

Geographically, Guam is the southernmost island of the Mariana Islands in the Western Pacific. The island is 6,000 miles from San Francisco, 3,700 miles from Honolulu, and 1,500 miles from Tokyo. The land area of Guam is approximately 212 square miles; the island is approximately 30 miles long and 4 to 9 miles wide. Major cities include Tamuning, Agana and Tumon Bay. With an annual growth rate of 2.1 percent, the population of Guam in 1990 was estimated to be 131,000 - up from 105,979 in 1980.

Archaeological evidence indicates that Guam has been settled since about 2000 B.C. The island was discovered for the western world by the Portuguese explorer Ferdinand Magellan in 1521, and claimed for Spain in 1565. Jesuit missionaries arrived in 1668 to convert the populace to Christianity, and for the next 200 years, Guam remained a Spanish

colony administered from Mexico.

Guam was ceded by Spain to the United States following the Spanish - American War in 1898. From 1898 and until 1950, the island was administered by the United States Navy; since then, the Department of the Interior has been responsible for the territory. During World War II however, Guam was the only U.S. soil to be occupied by Japanese forces. Until 1962, Guam had security clearance restrictions whereby only U.S. military personnel and Guam residents were permitted entry. Consequently, the economy became heavily dependent on the military and the federal government.

As a territory of the United States, Guam is unique in that it has territorial privileges. The island has a non-voting member of the House of Representatives. The official language is English. The currency is the U.S. dollar, and the residents are U.S. citizens. The Superior Court of Guam has jurisdiction over local legal matters with the U.S. District Court (9th Circuit Court of California) having jurisdiction over federal matters as well as constitutional and appellate issues.

Guam is administered under the 1950 Organic Act of Guam. Plans are underway to change the island's status to that of a commonwealth; it is anticipated that this change in the political relationship with the federal government would ease some legal constraints that hamper economic development. The executive branch of government is headed by a governor elected by voters at large for a four-year term. Guam has a unicameral legislature consisting of 21 senators elected for two-year terms. The most recent election for governor and senators was held in 1990.

The District Court of Guam, headed by a judge appointed by the U.S. president for

an eight-year term, has jurisdiction over all cases arising under the Constitution, federal laws and treaties. The Superior Court of Guam handles all other cases arising under the laws of Guam. Appeals may be made to the Ninth Circuit Court of Appeals or to the U.S. Supreme Court.

Guam's tropical climate is warm regardless of the time of year. Temperatures range between 75 and 86 degrees, however the mean annual temperature is 81 degrees. The average yearly precipitation is 90 inches. Guam periodically experiences tropical storms and typhoons. It is anticipated that an average of one storm each ten years causes significant damage. Consequently, building codes on the island require structural augmentation to withstand high winds.

Guam's economy is based on two main sources of revenue: military spending and tourism. Federal expenditures in 1985 amounted to more than \$600 million, of which \$300 million were for salaries, and more than \$100 million were for purchases in the local economy. Retail sales in 1989 were \$963.2 million and tourism (covered in greater detail later) was estimated to account for \$514.1 million in (approximately \$770 per tourist).

Guam has satellite and cable links that provide international telephone, telex, telegram, facsimile and data communication services. Two private companies operate international communications, and the local telephone exchange is operated by the Guam Telephone Authority. Guam is included in the U.S. domestic postal operations, and postal rates are the same as in the U.S.

Guam's tax system is similar to the U.S. Internal Revenue code except for Territorial tax and investment incentives which permit rebates on business income tax. Guam is a

duty-free port and has no sales tax or value added tax, there is a Gross Receipts tax of 4% however. Personal income tax laws are the same as U.S. laws, and are applicable to citizens, residents and non-residents. Wages are subject to withholding at U.S. rates.

Travel requirements for Guam are limited as the island is a U.S. territory. U.S. visitors need only show some form of U.S. citizenship to be allowed entrance. Visitors from other nationalities must comply with entrance requirements imposed on the mainland United States. Certain visitors, however, do not have any visa requirements as a visa waiver program allows citizens from certain approved countries (Japan, Taiwan, New Zealand, Australia, Indonesia, etc.) visitation rights for up to 14 days without needing to obtain a visa.

The indigenous people of Guam are Chamorros, a Micronesian group with a mixture of Spanish, Mexican and Filipino and indigenous blood. Present day Guam is a cosmopolitan community featuring large populations of Filipinos, Japanese, "stateside" Americans, Chinese, Koreans, and islanders from throughout Micronesia, as well as Europeans, Vietnamese and Indians.

Land ownership on the island is estimated to be about 33% private, 34% Government of Guam, and 33% Federal Government. Private land holdings are in the hands of many individuals, unlike private land holdings in Hawaii much of which is held by either families or trust organizations. Military bases constitute the bulk of federal land holdings. The implications of this ownership are important as limited private land is available for real estate development. Particularly limited is land with strong development potential.

An international standard of financial services is offered on Guam by 16 commercial

banks, three savings and loan associations, 12 finance companies and three credit unions. Four foreign bank branches provide deposit facilities for off-island clients for local clients. In general, the financial community has enjoyed limited competition, as Guam is considered too far away for other U.S. based lenders to invest in developing a strong customer base.

As a U.S. territory, Guam does not deal directly with foreign governments. Consular offices on Guam are maintained by Japan, South Korea, Nauru and the Philippines; and the Federated States of Micronesia, Palau and the Commonwealth of the Northern Marianas have liaison offices. The Guam Economic Development Authority has offices in Hong Kong and Taipei; Guam Visitors Bureau has a Tokyo branch, and has marketing representatives in New York, Toronto, Frankfurt, Seoul and Taipei.

Eleven local and international carriers link Guam with Hawaii and the U.S. mainland, with Japan, Taiwan and Korea and other Asian destinations, and with Australia, Bali, Papua New Guinea, the Philippines and other major destinations in the Pacific. At present, these routes are serviced by Continental/Air Micronesia, Northwest Airlines, Philippine Air, Japan Air Lines, Korean Airlines, All Nippon Airlines and Hawaiian Airlines. Continental/Air Micronesia flies to Saipan and throughout the rest of Micronesia, and small inter-island carriers operate service to the Northern Marianas. Air Thailand is initiating travel to Guam in the near future.

## TOURISM IN GUAM

In 1962, after the security restrictions were removed and free travel was allowed, tourism became an important component of the Guam economy. The impact was minimal initially, however direct tourism revenues (i.e. room tax revenues, arrival taxes etc.) currently contribute 18 percent of all Government of Guam revenues.

While never considered a primary destination resort area for United States residents, the island has been perceived in Asian circles as a nearby, yet foreign, vacation area. An analogous situation for U.S. residents is the number of vacation packages available for travel to many of the Caribbean islands or Mexican resorts. These trips are relatively inexpensive and nearby in terms of air travel. As Tokyo is a three hour flight, Guam has become popular for these short vacations.

In the early 1970's Guam became a popular destination island for Japanese honeymooners and businessmen. Because of relatively inexpensive tour packages, Guam has become a popular destination for many Japanese honeymooners trips as well as company paid group holidays, conference or golf trips. Guam has recently matured so that many of the visitors to Guam are on their third or fourth trip to the island.

While Japan has been the most significant source of tourists, other areas have emerged to compliment this growth. Australia, Taiwan, Korea, and Hong Kong have emerged as new, strong growth markets for Guam's tourism. The Australian growth is due in part to regulated airfares allowing less expensive travel to Guam than within Australia. As Korea and Taiwan have become more wealthy, residents are just beginning to travel abroad. In essence, Korea and Taiwan today are figuratively where Japan was years ago.

## AREA ECONOMIC ANALYSIS

The subject property is located in the central portion of the Territory of Guam in close proximity to the Harmon industrial area and approximately two miles from Tamuning and Dededo in the Municipalities of Dededo and Barrigada. The market value, present demand and future prospects of the subject are influenced by the general economic climate of the Territory of Guam as well as the overall economic conditions of the Tamuning-Dededo-Harmon areas.

The Territory of Guam's economic growth has been inconsistent since 1970. Because of its reliance on oil, Guam was hard hit economically in part due to decreasing tourist visits in the oil embargo years. With the strong military reputation and the lengthy distance from the mainland U.S., economic growth from U.S. based sectors has been limited at best. Since 1984, however, Guam's economy has experienced rapid growth, principally in tourism and construction related Standard Industry Classifications (S.I.C. Codes). The table on the following page provides an overview of some of Guam's leading economic indicators.

Growth in tourist visits has jumped from 300,800 in 1980 to 780,209 in 1990, and this growth will likely jump to new levels as additional hotel rooms are opened in the near future. After growing 21% from 1987 to 1988, the growth in the number of visitors arriving on Guam slowed to an estimated 14% from 1988 to 1989 and 17% from 1989 to 1990. With a minimum of approximately 1,700 hotel rooms opening in 1990-1991, the economic impact on Guam is anticipated to be far reaching. Tourist visits have not increased at the same rate since many of the quality hotel rooms remain nearly 100% occupied.

**Leading Economic Indicators  
Territory of Guam  
1980-1989**

	1980	1985	1986	1987	1988	1989	C.A.A.G.R. 1980-1989	C.A.A.G.R. (1) 1985-1989
Population	105,979	118,338	120,977	123,675	126,434	129,216	2.0%	1.8%
Personal Income (millions)	\$446	\$647	N/A	N/A	N/A	N/A		
Private Sector Employment	19,700	21,600	24,620	27,530	31,360	35,530	6.1%	10.5%
Unemployment Rate	9.9	8.0	6.4	4.4	4.2	3.4	-10.1%	-17.3%
Inflation Rate	23.9	3.2	0.8	5.9	8.7	9.4	-8.9%	24.1%
Gross Business Receipts (millions)	\$1,114	\$1,416	\$1,731	\$2,168	\$2,553	\$2,800	9.7%	14.6%
Total Deposits (millions)	\$450	\$690	\$760	\$890	\$950	\$1,071	9.1%	9.2%
Total Loans (millions)	\$380	\$570	\$610	\$660	\$827	\$892	8.9%	9.4%
Construction: Permits Issued (millions)	\$34	\$134	\$91	\$181	\$228	\$364	26.8%	22.1%
Military Spending (millions)	\$284	\$435	\$442	\$417	\$445	\$489	5.6%	2.4%
Tourist Visits	300,800	378,146	407,070	483,958	585,799	668,748	8.3%	12.1%
Imports (Thousands)	\$544,179							
Exports (Thousands)	\$61,023							
Air Cargo (Thousand Pounds)	21,947	19,783	21,611	33,262	46,846	109,948	17.5%	40.9%

Source: RJ Associates, Inc. and various public and private Government of Guam and federal agencies.

Note 1: Compound Average Annual Growth Rate

Population growth has lagged behind the strong tourism growth. With limited population growth, the unemployment rate has correspondingly dropped as increased tourist visits have increased service sector demand. The unemployment rate in 1980 was 9.9% and dropped to 3.4% in 1989, which was the lowest of any U.S. statistical measurement area. To increase the labor pool on Guam, employers have begun scouting other islands in the Marianas for potential employees.

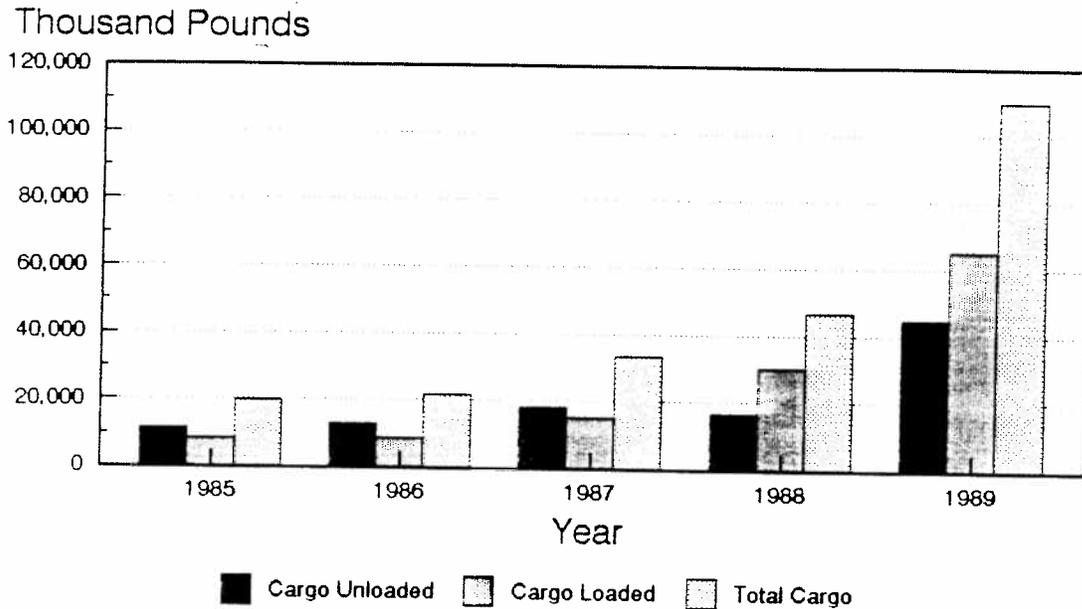
Gross Business Receipt collections have increased approximately 9.7% per year from 1980 to 1989. This increase also indicates the rapid growth of the retail and service sectors of Guam's economy. The value of new construction increased from \$34,000,000 to \$364,000,000 during the same time frame. This increase primarily consists of several hotel and condominium projects in the Tumon and Tamuning areas.

In addition to the strong tourism base, the Territory of Guam's economy relies on military expenditures as a cornerstone. Military expenditures have increased approximately 700% since 1980, due in large part to the Reagan-era military buildup. Military expenditures increased 10% from \$444.8 million in fiscal 1988 to an estimated \$490 million in 1989. Military expenditures are anticipated to decline in 1990, however, because of the congressional decision to eliminate the B-52G squadron at Anderson Air Force Base. With unrest in the Philippines, long term military spending will likely remain a significant component of Guam's economy, however.

Guam's economic makeup is driven more by imports than by exports. In 1980, exports totaled \$61,023,487 while the imports were \$544,178,747. In addition, the amount of air cargo loaded and unloaded on Guam has increased significantly since 1980. In 1980

a total of 21,947,000 pounds were loaded and unloaded and in 1989 this figure grew to 109,948,000 pounds. These figures would indicate that the need for industrial/storage space on Guam has increased significantly over the past 10 years.

## Air Cargo Overview Guam Airport Authority 1985-1989



Source: GAA & RJ Associates, Inc.

In summary, while tourism conditions on Guam have historically been inconsistent, the recent economic growth and the concurrent increased investment should cause greater economic stability in the future. A diversified economic base remains desirable, however, and efforts to broaden other non-tourism related developments should be encouraged. The Guam Airport Authority Industrial park is well timed to meet much of the pent-up demand for additional storage/industrial space.

The effect of the Iraqi invasion with the commencement of the war in the Persian

Gulf has slowed the pace of investment throughout the world. Most investors are taking a wait and see attitude before committing to large international developments. Land values have not dropped because of the crisis, but the pace of investment has slowed somewhat. It is anticipated that land values on Guam will remain stable or increase in the future, with increases tied to the conclusion of the war. Japanese financial market instability has also affected the investment climate on Guam.

### **HISTORY OF THE PROPERTY**

The subject was formerly known as a part of Lot P14.5 REM in the Municipality of Dededo. Through a Deed of Conveyance (document number 297,569) signed on October 20, 1978, the Government of Guam granted title to this land to the Guam Airport Authority. No additional transfers are recorded, and the Guam Airport Authority is the fee simple owner of the land. The property has been developed with sufficient infrastructure to support the Guam Airport Authority industrial park. To support this development, the legislature created an act (included in the appendix) which obligates the Guam Airport Authority to certain conditions regarding the use of the property. These conditions are discussed in greater detail under the property restrictions.

### **PROPERTY RESTRICTIONS**

Certain restrictions apply to the use and development of the Guam Airport Authority Industrial Park. Rather than having the ability to sell the property on an outright basis, GAA is obligated by law to lease the land based on the GAA Industrial Park Ground Lease.

The term of this lease is 30 years with two ten year optional renewal periods at market rent. The rental rate for the initial 30 years is adjusted upwards from the first year rental rate by an amount of 10% at the commencement of each following five year period. While this lease structure is similar to most leases on Guam, the escalations average out to be less than 2 percent per year if compounded. This guarantees GAA an increase in rent even if the market value of land drops. If market value increases significantly, these rental increases may not maintain the same relationship with the market value of land, however.

With leases negotiated at market rents with escalations, the necessity of leasing versus selling the property has no discernable affect on value. If the leases, by law, had to be negotiated at below market or above market rent, the lease requirement would affect the value of the property. Such is not the case, since the rental rate is at market level, and no positive or negative affect on value is observed.

The tenant is obligated to pay a pro-rata share of the Common Area Expense (CAM) of the industrial park. This provision, while relatively new on Guam, is standard for most master-planned developments. Typically in Guam, leases are negotiated with all expenses paid directly by the tenant. With the CAM system, the costs are passed through to the tenant, but the tenant does not have the right to exclude what may be considered normal operating expenses. The tenant does, however, have the right to challenge the reasonableness of such expenses.

From the standpoint of the valuation, the CAM system, though an excellent tool to insure the proper upkeep of the industrial park, may be considered a liability by tenants who would rather have direct control of their expenses. This thinking may be represented in the

market place, as the Harmon Industrial Park is not a well-maintained area.

In contrast to this potential perceived disadvantage is the benefit of not having to pay property taxes. Since the land is government owned, property taxes do not have to be paid. These advantages and disadvantages are considered to be offsetting from the standpoint of the valuation.

Another restriction to the use of the property is the requirement of aviation-related uses as a prerequisite to tenancy. Page two of the law (provided in the appendix) states that "the lessee's use of the leased premises must be for airport or airport related businesses, including warehousing and light industry having a direct or indirect relationship with support and supply to airport lessees."

In appraisal methodology, the test of the acceptability of an encumbrance is the affect that such an encumbrance would have on a potential purchaser. If the property were encumbered in such a way that a potential buyer would be adversely impacted, as evidenced by a below market purchase price, the value of the encumbrance could be determined.

In the case of the subject, by law the property can only be leased, so the answer to the impact of this airport-related use requirement can only be estimated. Based on the wording of the law, the tenants must have a direct or indirect relationship to support airport lessees. This is perceived as a marginal limitation in the spectrum of potential tenants, as indirect relationships can likely be construed if necessary. In addition, many business on Guam are vertically integrated, i.e. All Nippon Airways and Japan Air Lines, so that hotel and resort businesses as well as other businesses are indirectly related to the direct business of airline travel. Thus, the airport-related use requirement is expected to have no

detrimental affect on the valuation of the subject.

The property appears to be located in the Air Installation Compatible Use Zone (AICUZ) surrounding the airport. There are two general zones that are important with respect to the subject: the Noise Zone and the Accident Potential Zones. The Noise Zone indicates that noise from takeoffs and landings may affect the sites. Proper design considerations will minimize this impact, however, so this restriction is not considered onerous.

The Accident Potential Zone (APZ) is broken into three zones: a Clear Zone, immediately at the end of the runway, where no development is allowed. The Accident Potential Zone I is 3,000 feet wide and 5,000 feet long. Development in this zone is normally unacceptable. Accident Potential Zone II is from 5,000 to 7,000 feet long by 3,000 feet wide, and development in this zone is encouraged by the Department of Defense to be of very low density. The subject is approximately 5,000 feet from the northern tip of the northern/western runway.

The proximity to the runway would place the subject in the Accident Potential Zone II category, and the requirement of low density development would be consistent with the planned industrial park. Based on this inclusion, an airport hotel, which some consider an acceptable use for the site, would be discouraged.

In summary, the subject has certain property restrictions that direct the use and upkeep of the industrial park. Since many interested tenants have contacted the Guam Airport Authority as to inquire about the possibility of leasing space, these restrictions do not appear to be onerous. Because of the subject's good layout and access, the subject will

likely lease quickly.

## TAX ASSESSMENT INFORMATION

The assessed value is established by the Department of Revenue and Taxation, Government of Guam at 35% of the market value as determined by the latest revaluation conducted. Real estate taxes are currently computed as 1/2% of assessed value on land, and 1% of assessed value on improvements.

It is important to note that assessed values in Guam rarely reflect 35% of market value. With such rapid increases in land prices, the Department of Revenue and Taxation have found market values difficult to track, so true market values exceed the Revenue and Taxation market value estimates.

The subject property is Guam Airport Authority / Government of Guam land, and based on the laws governing the Territory, taxes are not paid for Government of Guam land. Thus, property taxes are not payable for the Guam Airport Authority Industrial Park. Prospective tenants will benefit by not having property tax obligations. If, however, the legislature determines that government land, specifically that land used for public/private partnerships, should be taxed, the GAA lease passes through such taxes to the tenant.

## PROPERTY LOCATION DATA AND VICINITY ANALYSIS

The subject is located on Route 10-A, also known as Airport Road, in close proximity to the A. B. Won Pat Guam International Air Terminal. Route 16 borders the property to the north. These two 100 foot right-of-way thoroughfares lead to Route 1 (Marine Drive) to the north and Routes 8 and 10 to the south. The transportation system provides excellent access to all areas of Guam. The subject is located in the Municipalities of Dededo and Barrigada. Dededo is home to the Harmon area, while Barrigada is primarily a residential municipality.

The subject is most influenced by the Harmon area, as the social and economic forces affecting Harmon area will equally impact the subject. The subject is a master planned industrial park, so the deficiencies of the Harmon industrial area will increase the appeal of the subject. The subject is located on the cliffline overlooking the Harmon industrial area.

The Harmon industrial area, once a World War II airfield and later a drag strip, is a mixed-use area that is bounded by Marine Drive to the west and northwest, Route 16 to the northeast, and Route 10-A (the Airport Road) to the south. The Harmon area is known primarily as an industrial area, however some office, commercial and residential development is located within these boundaries.

The Harmon area is well known as the home for the 500 acre Harmon Field Industrial Park. In addition, a weekly flea market operates in an area in the northeastern corner of Harmon. These uses, combined with the limited number of roads providing access throughout the Harmon area, have lead to a crowded, haphazardly developed area. (Please

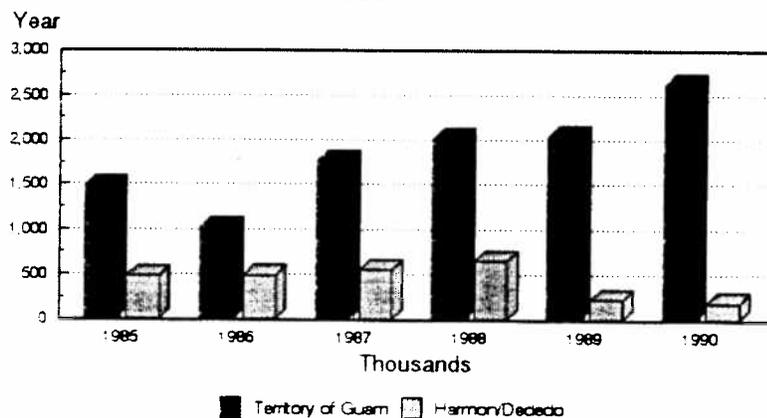
see the April 16, 1990 article summarizing the Harmon area in the appendix).

Nevertheless, the limited amount of industrial space on Guam combined with the rapid, recent economic growth, have acted to increase both land values and rental rates throughout the Harmon area. Power, water, telephone and sewer lines are available throughout most of the Harmon area.

Industrially zoned land in the Harmon area ranges in sales to offerings from approximately \$175-\$275 per square meter. Land values have increased dramatically in the past several years, and rental rates have increased commensurately. Industrial space now rents from approximately \$.80-.95 per square foot per month, but the rental rate for equivalent space one year ago was approximately \$.60 per square foot per month. These rents are triple net, with the tenant paying all expenses.

Growth in the development of the Harmon area is evidenced by the earlier increase in the number of building permits for the Harmon/Dededo area. Lately, the number has declined as limited land is available for development in the Harmon area. The chart below illustrates the shift in the number of building permits for the Harmon/Dededo area in comparison with the island of Guam.

**Number of Construction Permits**  
Territory of Guam; Harmon/Dededo  
1985-1990



Source: Department of Public Works and  
Department of Commerce.

Since these building permits reflect limited new development in the Municipality of Dededo (of which Harmon is part), the demand for industrial space in the Harmon and subject area is expected to continue to increase. With many new hotel rooms nearing completion, additional tourists will likely visit Guam, especially after the cessation of the Gulf War, and these new tourists will generate additional industrial demand. Almost no industrial space is available for rent. It is our opinion that demand for industrial space will continue to grow, since Guam's economy continues to grow rapidly.

The subject is separate from the Harmon area, and its geographical distance will act to increase the popularity of the subject. The Harmon area is crowded, and the subject offers the advantage of being well-located on major roadways, nearby the airport, and master-planned. The development of the subject will help alleviate some of the pent-up industrial demand. Guam Airport Authority officials have indicated that the demand for the individual sites is high, and they have resorted to listing all of the potential tenants to reserve space.

## **UTILITIES**

Based on conversations with PUAG and Guam Power Authority officials, water, sewage and power are available to the site.

## **ACCESS AND EASEMENTS**

The subject lots have access to and in some cases frontage on Route 10-A. Route 10-A is also known as the Airport Road, as it provides access to the airport from the

residential area of Barrigada and the commercial areas of Tamuning and Agana. Route 10-A intersects with Route 16 immediately north of the subject via a 3 way stop light. To the southwest, Route 10-A leads to Route 1, or Marine Drive, which is the most heavily travelled road on Guam. The subject has very good access to Routes 1 and 16, and thus no problems are recognized with respect to access to the subject.

Block 4, Lot 1 has two easements on the eastern edge of its boundary. Lots 5 and 6 are respectively utility and aviation gas easements. Since these easements are outside of the Block 4, Lot 1 property line, no adverse conditions exist with respect to the marketability of this site. Two additional easements are noted on the survey. Lots E and F are easements that provide access to Route 10-A from all lots in Block 1. These easements are necessary for access into the property.

## ZONING

Guam's Zoning Law establishes regulations in order to: encourage the most appropriate uses of land; provide adequate open spaces around buildings; prevent undue concentration of population; assure adequate provisions for schools, parks, recreation and other infrastructure; and control the types of development which would create a nuisance and/or a health and safety hazard.

Private properties on Guam are divided into eight zones:

- "A" - Rural Zone
- "R1" - One-Family Dwelling Zone
- "R2" - Multiple-Family Dwelling Zone
- "C" - Commercial Zone
- "P" - Automobile Parking Zone
- "M1" - Light Industrial Zone
- "M2" - Heavy Industrial Zone
- "H" - Resort Hotel Zone

These zones are depicted on Official Zoning Maps, available at the Planning Division of the Department of Land Management. Each zone has permitted uses and conditional uses as well as height limitations and yard setback restrictions. If a proposed development is a permitted use and complied with the zone's regulations, Government review and approval is not necessary by either the SDRC (Subdivision and Development Review Committee) or the TLUC (Territorial Land Use Commission).

The subject property is zoned "M-2" Heavy Industrial Zone, the uses for which are as follows:

M2 Heavy Industrial Zone:

(a) Use Permitted

1. Any uses permitted in the "M1" zone, excepting residential use.
2. Junk Yards. Under the special provisions set forth in Chapter X of this Title.
3. Any other uses not specifically prohibited by law, including those which are or may be objectionable, obnoxious, or offensive by reason of odor, dust smoke, noise, gas fumes, cinders, vibrations, or water carried waste.
4. Uses customarily accessory to any of the uses herein permitted, and accessory buildings and structures.

(b) Conditional Uses

1. All Residential Uses.
2. Accessory uses and structures for the above.

M1 Light Industrial Zone:

(a) Uses Permitted

1. Any use permitted with or without condition in the commercial zone.
2. The manufacturing, compounding, processing or treating of such products as drugs, cosmetics, and food products ( not including fish and meat products nor the rendering of fats and oils).
3. The manufacturing, compounding, assembling or treating of articles or merchandise from previously prepared materials.
4. Automobile repair shops including painting, body and fender work and rebuilding; truck and tractor repairing; and tire retreading.
5. Bottling and packaging plants.
6. Ceramic products manufacturing.
7. Laundries and cleaning and dyeing establishments.
8. Machine shops and sheet metal shops.
9. Warehouse and cold storage plants.
10. Lumber yards, building material sales yards, contractor's equipment storage yards, and the like.
11. Other uses which in the judgement of the Commissions, as evidenced by a resolution in writing, are similar to those listed herein.
12. Uses customarily accessory to any of the above listed uses, and accessory buildings.

(b) Conditional Uses

1. Other industrial uses not objectionable, obnoxious, or offensive by reason of odor, dust smoke, noise, gas fumes, cinders, vibrations, flashing lights or water carried waste.
2. Utilities and public facilities.
3. Accessory uses and buildings for the above.

C Commercial zoning:

(a) Use Permitted

1. One-Family dwellings.
2. Duplexes.
3. Wholesale and retail stores, shops and businesses.
4. Amusement enterprises.
5. Automobile service station, including minor repair.
6. Bakeries.
7. Mortuaries.
8. Offices, business or professional, and banks.
9. Personal service shops, including barber shops, beauty parlors, laundromats, etc.
10. Repair shops and service shops, including shoe repair shops, plumbing shops, dressmaking shops, etc., but not including automobile repair shops for major work.
11. Restaurants and cafes.
12. Studios
13. Other uses which in the judgement of the Commission, as evidenced by resolution in writing, are similar to those listed herein.
14. Uses customarily accessory to any of the above listed uses, including only those accessory to manufacturing, storage, compounding, or processing activities which are necessary for the ordinary conduct of said listed uses and which are an integral part thereof.
15. Accessory structures for the above.

(b) Conditional Use

1. Hospital and Clinics.
2. Public utility and other public buildings.
3. Shopping center.
4. Recreation, including cockpits, marinas, amusement centers, drive-in theaters.
5. Multi-family
6. Hotels, motels, tourist accommodations.
7. Air, bus, taxi, auto-rental terminals.

8. Auto sales and car wash.
9. Parking garage and lots.
10. Service vehicle storage.
11. Laundries and cleaning and dyeing establishments.
12. Schools and churches.
13. Parks, playgrounds, community centers.
14. Utilities and public facilities.
15. Accessory uses and structures for the above.

Yard and lot area requirements for M2, Heavy Industrial zoning follow:

Front Yard Depth	25 feet
Rear Yard Depth	25 feet
Side Yard Depth	15 feet
Lot Width	120 feet
Lot Area	40,000 sf

## SITE DESCRIPTION

The 12 subject lots are level, somewhat irregular in shape, but this irregularity is not significant from the standpoint of the marketability of the sites. The subject has been master planned and is well laid out with respect to the maximum development potential of the property.

The area is improved with power water and sewer to each lot. In addition, lights have been located throughout the park. A Common Area Management (CAM) mechanism has been created in the lease agreement signed by individual tenants. The CAM system provides a means whereby individual tenants are charged a pro-rata share of the management and operational expenses tied to the industrial park. The CAM system is widely used in master planned developments as a means of insuring continuity in the quality of the development.

Following is additional detailed information regarding the subject's physical characteristics.

## SOILS

A map in the appendix illustrates the soil types within the subject property. The predominant soils types in the subject are known as Soils 25, 26, and 28, as identified in the U.S.D.A. Soil Survey of the Territory of Guam. Soils 25 and 26 are known as Guam cobbly clay loam, 3 to 7 percent slopes and 7 to 15 percent slopes. Soil 28 is known as Guam-Urban land complex with 0-3 percent slopes. More detailed information is presented below.

Soil 25 is a very shallow, well drained soil and is found on limestone plateaus.

Typically 5 to 10 percent of the soil is covered with gravel cobbles. Permeability of this soils is moderately rapid. Runoff is slow, and the hazard of water erosion is slight. This soil is used for commercial and subsistence farming, homesite and recreational development. The soil is poorly suited for subsistence farming and moderately suited for homesite development. The main limitation is the depth to bedrock, which makes excavation difficult and expensive. Septic tank absorption fields will not filter effluent properly.

Soil 26 is also found on limestone plateaus. The soil is very shallow and well drained. Permeability is moderately rapid, and available water capacity is very low. This soil is equal to Soil 25, so the depth to limestone or bedrock is equal.

In general, Soil 28 is found on limestone plateaus, and is about 55 percent Guam cobbly clay loam and 45 percent Urban land. The Guam cobbly clay loam is very shallow and well drained. Typically, the subsoil is dusky red cobbly clay loam about 15 centimeters thick over porous coralline limestone. Depth to limestone is 5 to 25 centimeters; however, because of cutting, filling, and levelling, limestone is at surface in some places. The soil is neutral to mildly alkaline. Permeability of this soil is moderately rapid. Available water capacity is very low. Runoff is slow, and the hazard of water erosion is slight. The main limitation to development on this soil is the very shallow depth to limestone or coral, as excavation would be very expensive. Before planting trees and shrubs, the bedrock should be excavated to a depth of at least 50 centimeters and the area back filled.

The subject has been graded and site work has been completed. The issues raised in the above discussion will be particularly important if excavations are desired, since crushed coral exists as the surface level of the soil.

## **FLOOD PLANE STATUS**

A map of the subject's flooding potential is presented in the appendix. The property is not located within a special flood hazard area as is noted by FEMA map 66-00075B.

## **WETLANDS OVERVIEW**

A map of the national wetland map is presented in the appendix. There are no significant wetland areas located within the site.

## HIGHEST AND BEST USE AS IF VACANT

In making a determination of the highest and best use of the subject property, the following factors have been considered: the uses that are physically possible, legally permissible, financially feasible and maximally productive.

For purposes of this appraisal report, highest and best use is defined as follows:

1. *The reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the date of the appraisal.*
2. *The reasonably probable and legal use of land or sites as though vacant, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value.*
3. *The most profitable use.*

*Implied in these definitions is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. Hence, in certain situations the highest and best use of land may be for parks, greenbelts, preservation, conservation, wildlife habitats, and the like.<sup>4</sup>*

### Physically Possible

The site is well suited for development. No physical constraints would decrease the developability of the site.

### Legally Permissible

As previously mentioned, the subject is zoned M-2 through the Government of Guam. The subject is developed with sufficient infrastructure for the proposed industrial park. While other uses might be suitable for the development of the site (i.e., office or airport hotel) GAA approached the Government of Guam to change the zoning from A -

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<sup>4</sup> This definition is taken from The Dictionary of Real Estate Appraisal published in 1984 by the American Institute of Real Estate Appraisers.

Agricultural to M-2 for purposes of the industrial development. The fact that the property is located in the Air Installation Compatible Use Zone (AICUZ) would make high density development variances difficult to obtain.

Thus, with GAA/government participation, the legally permissible and reasonably probable uses have been narrowed to those uses within the M-2 zoning category. Based on the development of the infrastructure to prepare the site for the industrial park as well as the GAA/government led initiative to obtain the M-2 zoning, it is the appraiser's opinion that the reasonably probable use for the land is the industrial park.

#### Financially feasible

Since only industrial development is considered reasonably probable for the site, the financial feasibility discussion will be limited to industrial development. Industrial vacancy rates are very low on Guam, and little industrial space is available for sale or rent. Rental rates and industrially zoned land prices have risen in the past year. With the addition of approximately 1,700 new hotel rooms from 1990-1991, the demand for ancillary industrial demand is anticipated to increase. The additional hotel rooms will be occupied by an expanding tourism base, and new tourists will necessitate additional industrial space for incremental storage needs.

Currently, industrial developments on Guam are renting for \$.60 - \$.95 per square foot per month (\$7.20-\$11.40 per year) with the tenant paying all expenses related to the operation of the buildings. Land cost are estimated at \$175-\$275 per square meter (\$16.26-\$25.55 per square foot). Building costs are not estimated to exceed \$50 per square foot

inclusive of shell, overhead, exterior, landscaping and design costs. Thus an industrial project would not likely exceed \$66.26 to \$75.55 per square foot in finished costs. With rental rates ranging from \$7.20 to \$11.40, a capitalized value (based on a 10 percent capitalization rate) of the buildings would range from \$72-\$114 per square foot, and profits would minimally range from 9 to 51 percent. Thus, the projects would be financially feasible.

#### Maximally Productive

An industrial development as discussed above is considered the most productive use of the land given the high probability that the property will be leased as currently developed.

#### Conclusion of Highest and Best Use As if Vacant

Based on a review of the subject and development trends on the island, the Highest and Best Use for the subject property is industrial development.

#### **HIGHEST AND BEST USE AS IF IMPROVED**

The maximally productive use of the property would be an industrial park. As the property is vacant land, albeit developed with infrastructure, no additional analysis is required.

## APPRAISAL METHODOLOGY

The valuation process is a systematic procedure conducted to arrive at an estimated value conclusion. The three recognized approaches to valuation are the Income Capitalization Approach, the Cost Approach and the Sales Comparison Approach.

### INCOME CAPITALIZATION APPROACH

The first step in the Income Approach is to estimate the market rental rate for the property by comparing the subject to other comparable retail projects in the general area. Next, the operating expenses and the resultant net income are estimated. The anticipated net income from the property is then processed into an estimate of value through the use of a capitalization rate or a Discounted Cash Flow analysis. Because the subject property is not currently income producing, the Income Capitalization Approach has not been used in this appraisal assignment.

## COST APPROACH

The Cost Approach is based primarily upon the principal of substitution, which states that a prudent purchaser would pay no more for a property than the cost to produce another property with the same utility. The steps under the Cost Approach are as follows:

1. Estimating the value of the land as if vacant by comparison with other properties.
2. Estimating the reproduction or replacement cost new of the improvements.
3. Deducting any depreciation which may be physical, functional or economic in nature.
4. Adding the value of other depreciated on-site improvements to obtain the total depreciated value of the improvements.
5. Adding the land value derived from the Market Approach to the total depreciated value, arriving at the estimated property value under the Cost Approach.

Because the property is undeveloped land, the Cost Approach is not considered relevant to this analysis.

## SALES COMPARISON APPROACH

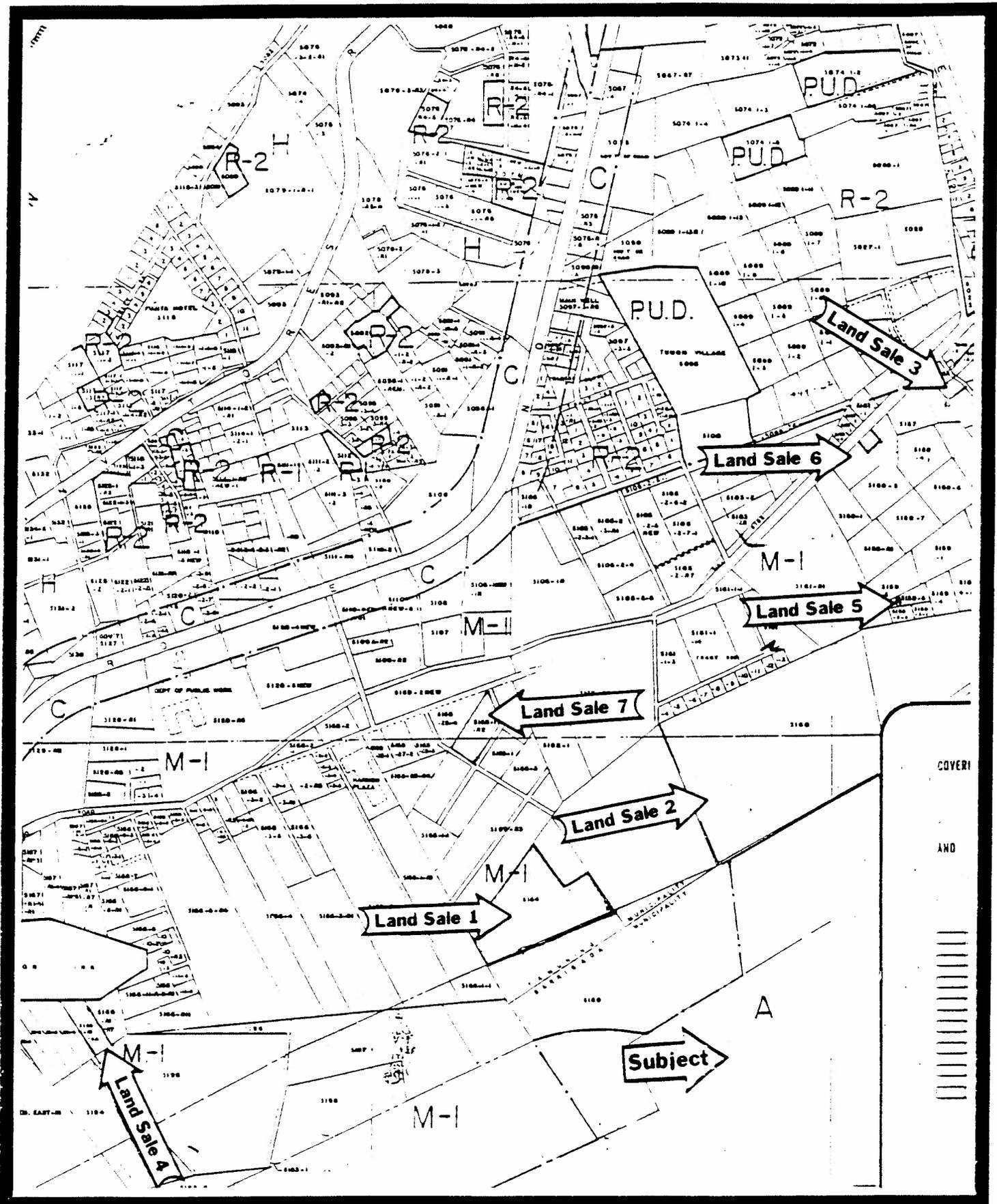
The Sales Comparison Approach provides a value indication based on an analysis of recent sales of comparable properties. The Sales Comparison Approach provides a value indication based on the analysis of recent sales of comparable properties. Differences between the comparable sales and the subject property are adjusted from the comparables to the subject. In essence, if a sale has a feature which is superior to the subject, a downward adjustment is made for this feature. If the subject property is superior in some respect when compared to the comparable sale, an upward adjustment is required. The steps in applying the Sales Comparison Approach include the following:

1. A study of the market is undertaken to select sales of properties which are considered the most comparable to the property being appraised.
2. Collection and verification of data regarding these properties as to sales price, date of sale, physical and locational characteristics, and any special conditions.
3. An analysis of each comparable property to the property being appraised as to time of sale, location, physical characteristics and conditions of sale.
4. Adjustments are made to each comparable property for dissimilarities between it and the property being appraised.
5. Reconciliation of the adjusted prices of the comparable properties into an indicated market value of the appraised property.
6. In the case of a longer term sell-out, future cash flows should be discounted to present value.

For properties similar to the subject, sales are most frequently analyzed on the basis of the sales price per square meter. Therefore, only the price per square meter has been used in this analysis. Both a map and details of comparable properties are presented on the

following pages. An adjustment grid for the valuation of each lot is presented following these sales comparables.

# Comparable Sales



## Comparable Land Sale 1-A

Legal Description: Lot 5164-R4 and 1/2 undivided interest in Lot 5164-R3 R/W

Location: Interior location in Harmon off of Guerrero Road by SPE Guam and the Pacco warehouse.

Document: Warranty Deed Document Number 442,970

Date of Sale: October 12, 1990

Sales Price: \$8,574,000

Sales Price per Unit: \$260.96 per square meter (exclusive of right of way)

Site Area:

- 32,664 Square Meters
- 351,595 Square Feet
- 8.07 Acres
- 9,780 Tsubo

Financing Conditions: All cash to seller

Grantor: Rodney Tengan

Grantee: Fujiken Guam c/o Shoji Wakabayashi

Zoning: M-1

Current Use: Vacant land

Physical Characteristics:

- Topography: Sloping
- Shape: Irregular, north and east border with square remainder.
- Utilities: Power and water are available within 100 feet of site.
- Access: Right of Way to interior Harmon roadways.

Verified By: Mr. Wakabayashi of Fujiken Guam by Rich Jortberg.

Comments:

Mr. Wakabayashi would not disclose or verify the exact amount of the purchase price in this transaction. This sale is closely tied with Sale 1-B, as the lot size of Sale 1-B is 10,000 square meters larger than Sale 1-A. It is the appraiser's estimation

that the following scenario resulted in this transaction: Rodney Tengan acquired Lot 5164-R3 (42,664 square meters, exclusive of the right of way) from 33 grantors through Sale 2-B at a price of approximately \$206.80 per square meter on August 16, 1990.

On July 9, however, Mr. Tengan entered into an agreement with Fujiken to sell 32,664 square meters. This sale to Fujiken is sale 1-A, and the purchase from the 32 grantors is Sale 2-B. For providing the land to Fujiken, Tengan received Lot 5164-4 (10,000 square meters) of the original parcel. In addition, Tengan provided Fujiken a mortgage of \$300,000 (Document 442,972) secured by Lot 5164-4. Thus, Tengan may have received \$300,000 (which he must pay back) and the 10,000 square meters to organize the transaction. The mortgage represents the difference between the sale price in Sale 1-B and Sale 1-A. Tengan may have received only partial ownership of the 10,000 square meters, but no other owners are on public record.

A Joint Use Agreement (Document 442,971) gives Rodney Tengan and Fujiken Guam, Inc. joint use to the evenly divided 2,580 square meter Lot 5164-R3 R/W.

From the standpoint of the valuation, the purchase price for Sale 1-A is \$260.96, while the purchase price for sale 1-B is \$206.80 per square meter. Nobody is willing to comment about the true sales price, as is frequently the case when such large sales occur on Guam. Because of the uncertainty involved in the sales price, we have concluded that a sales range from \$225-\$250 per square meter might more closely resemble the actual sales price.

While the buyer may have been willing to pay \$260.96 per square meter, the seller might have accepted and may in fact have received a lesser amount based on the complexity of this transaction. A requirement of market value is a true meeting of the minds, and it appears that some uncertainty remains regarding the awareness of both parties regarding the transaction. Based on the limited number of transactions, however, it is important to consider all sales that have occurred in the area.

It is likely that the funds from this sale went directly to the 33 grantors, each of whom received a minimum of \$275,000. Tengan received either the entire or a portion of the 10,000 square meters, and the proceeds were likely distributed to the grantors in Sale 1-B.

## Comparable Land Sale 1-B

Legal Description: Lot 5164-R3

Location: Interior location in Harmon off of Guerrero Road by SPE Guam and the Pacco warehouse.

Document: Warranty Deed Document Number 440,164

Date of Sale: August 20, 1990

Sales Price: \$8,823,000

Sales Price per Unit: \$206.80 per square meter (exclusive of right of way)

Site Area:

- 42,664 Square Meters
- 459,235 Square Feet
- 10.54 Acres
- 12,774 Tsubo

Financing Conditions: All cash to seller

Grantor: Conception C. Flores, Rosita M. Tedtaotao, Rafael P. Mesa, Rufo C. Taitano, Rosa L.G. Salas and 28 other grantors.

Grantee: Rodney Tengan

Zoning: M-1

Current Use: Vacant land

Physical Characteristics:

- Topography: Sloping
- Shape: Irregular north and east border with square remainder.
- Utilities: Power and water are available within 100 feet of site.
- Access: Right of Way to interior Harmon roadways.

Verified By: Public records by Rich Jortberg. Rufo Taitano (who had power of attorney for some of the grantors) was contacted and mentioned that Victor Perez was the broker in this transaction. Mr. Perez confirmed most of the details of the sale.

Comments:

A quitclaim deed was recorded in May 1989 from Marianas Pacific Inc. (Mike Flaherty - V.P.) which may have been to clear up title to the property. The document fee of the quitclaim deed does not indicate a price. A portion of this lot was later sold to Fujiken for approximately \$261 per square meter (Sale 1-A).

Mr. Perez mentioned that the purchase price occurred at \$195 per square meter, and he mentioned that the lot size was 45,244 square meters. Since the right of way consists of approximately 2,580 square meters, the effective lot size is 42,664 square meters. The result is a sales price of \$206.80 per square meter.

## Comparable Land Sale 2-A

Legal Description: Lot 5160-6, 5160-R7NEW-1, 5160-R7NEW-2, 5161-1-12R/W

Location: Black construction parcel in interior location of Harmon.

Document: Limited Warranty Deed Document Number 441,354

Date of Sale: September 4, 1990

Sales Price: \$18,300,000 mortgage amount. Remainder unknown.

Sales Price per Unit: \$153.49 per square meter (w/o right of way and encroachment)

Site Area:

- 119,229 Square Meters (w/o 677 s.m. encroachment)
- 1,283,381 Square Feet
- 29.46 Acres
- 35,699 Tsubo

Financing Conditions: All cash to seller

Grantor: Black Construction Pacific Corporation

Grantee: Kawashima (Guam) Co., Ltd. (Y.I. Kgame)

Zoning: M-1

Current Use: Vacant land

Physical Characteristics:

- Topography: Sloping
- Shape: Irregular north border with square remainder.
- Utilities: Power and water are available to site.
- Access: Right of Way to interior Harmon roadways.

Verified By: Public records and Mr. Hamamoto of Kawashima Guam by Rich Jortberg.

Comments: Mr. Hamamoto indicated that the recorded amount was an amount consisting of the debt borrowed to finance the purchase of the property. He was unwilling to disclose the equity amount paid in addition to the proceeds from third party financing. Typically, lenders require a loan to value ratio of 70-80 percent prior to financing. Therefore, the purchase price might have ranged from \$192 to \$219 per square meter. For

the sake of the analysis, we have chosen an approximate value of \$200 per square meter, but less reliance has been placed on this sale. This sale is related to Sale 2-B.

Property Area:

Lot	Size (SM)
5160-6	55,897
5160-R7NEW-1	38,942 (w/o 677 sm encroachment)
5160-R7NEW-2	<u>24,390</u>
Total	119,229
	119,906 with encroachment

A neighboring property (Lot 5516-1-15 has encroached approximately 677 square meters onto Lot 5160-R7NEW-1. Since this amount is in dispute, the size has been left out of the lot size.

## Comparable Land Sale 2-B

Legal Description: Lot 5160-R7NEW-2

Location: Black construction parcel in interior location of Harmon.

Document: Limited Warranty Deed Document Number 447,096

Date of Sale: December 27, 1990

Sales Price: \$4,878,000

Sales Price per Unit: \$200.00

Site Area:

- 24,390 Square Meters
- 262,534 Square Feet
- 6.03 Acres
- 7,303 Tsubo

Financing Conditions: All cash to seller

Grantor: Kawashima Guam Co. Ltd. Mr. H. Hamamoto

Grantee: Guam Harmon Partnership: Tomen Development Inc., Hamamoto Corporation Ltd.

Zoning: M-1

Current Use: Vacant land

Physical Characteristics:

- Topography: Sloping
- Shape: Irregular boundaries.
- Utilities: Power and water are available to site.
- Access: Right of Way to interior Harmon roadways.

Verified By: Public records and Mr. Hamamoto of Hamamoto Corporation Ltd by Rich Jortberg.

### Comments:

This property was transferred by Mr. Hamamoto, the purchaser of Sale 2-A to one of his own business groups. He mentioned that the \$200 per square meter figure was below market value, perhaps to minimize the payment of recording fees. This sale is given no weight in this analysis.

**Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 1  
As of February 15, 1991**

AREA: 3,192 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time Adj. Price	Location	Phys. Charac.	Total Adj. Price	Weight Component
1A	Lots 5164 R4, etc. Harmon	WD Oct-90	\$8,524,000 (See notes)	32,664	\$225.00	8% \$241.88	10%	15%	25% \$302.34	0.10 \$30.23
1B	Lot 5164 R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11% \$228.52	10%	15%	25% \$285.65	0.10 \$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8% \$216.50	10%	15%	25% \$270.63	0.05 \$13.53
2B	Lot 5160 R7NEW-2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2% \$204.50	10%	10%	20% \$245.40	0.00 \$0.00
3	Lot 5156-1 Harmon	WD w/JT Dec-90	\$293,000	1,465	\$200.00	3% \$206.00	10%	5%	15% \$236.90	0.15 \$35.54
4	Lots 5167-R1-SA, R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5% \$195.31	10%	30%	40% \$273.43	0.10 \$27.34
5	Lot 5159-5-3 Harmon	WD Sep 90	\$160,000	842	\$190.07	8% \$204.32	10%	5%	15% \$234.97	0.15 \$35.25
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	11% \$222.50	10%	5%	15% \$255.88	0.15 \$38.38
7	Lot 5165-1 R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17% \$244.54	10%	0%	10% \$269.00	0.20 \$53.80

TOTAL: 1.00 \$262.63

Summary of Adjusted Unit Value	
Unit Value Range:	\$234.97 to \$302.34 per square meter
Arithmetic Mean:	\$263.80 per square meter
Weighted Average:	\$262.63 per square meter
Conclusion:	\$265.00 per square meter
Valuation	3,192 sq. meters @ \$265.00 = \$845,880

Source: RJ Associates, Agaña, Guam

Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 1  
As of February 15, 1991

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	P, W, S	Und, Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Hannon Strip Rd	Cash	P, W, S	Tarmac	0%
Subject Source: RJ Associates, Agana, Guam	3,192	Slight Irr	Level	M-2	Airport Road		P, W, S	Developed	

Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 2  
As of February 15, 1991

AREA: 4,487 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time Adj. Time	Time Adj. Price	Location	Phys. Charac.	Total Adj.	Adj. Price	Weight	Weighted Component
1A	Lots 5164-R4, etc. Harmon	WD Oct 90	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	15%	25%	\$302.34	0.10	\$30.23
1B	Lot 5164-R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	15%	25%	\$285.65	0.10	\$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50	10%	15%	25%	\$270.63	0.05	\$13.53
2B	Lot 5160 R7NEW 2 Harmon	Limited WD Oct 90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	10%	20%	\$245.40	0.00	\$0.00
3	Lot 5156-1 Harmon	WD w/JT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	5%	15%	\$236.90	0.15	\$35.54
4	Lots 5167-R1-5A, -R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	30%	40%	\$273.43	0.10	\$27.34
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	8%	\$204.32	10%	5%	15%	\$234.97	0.15	\$35.25
6	Lot 5158-2-4 Harmon	WD Jun 90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	5%	15%	\$255.88	0.15	\$38.38
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	0%	10%	\$269.00	0.20	\$53.80

TOTAL: 1.00 \$262.63

**Summary of Adjusted Unit Value**

Unit Value Range: \$234.97 to \$302.34 per square meter

Arithmetic Mean: \$263.80 per square meter

Weighted Average: \$262.63 per square meter

Conclusion: \$260.00 per square meter

**Valuation**

4,487 sq. meters @ \$260.00 = \$1,166,620

Source: RJ Associates, Agana, Guam

Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 2  
As of February 15, 1991

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	P, W, S	Und. Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Harmon Strip Rd	Cash	P, W, S	Tarmac	0%
Subject Source: RJ Associates, Agana, Guam	4,487	Slight Irr	Level	M-2	Airport Road		P, W, S	Developed	

Guam Airport Authority  
 Land Valuation Analysis  
 Block 1, Lot 3  
 As of February 15, 1991

AREA: 3,203 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time	Time Adj. Price	Location	Phys. Charac.	Total Adj. Price	Adj. Price	Weight Component	
1A	Lots 5164-R4, etc. Harmon	WD Oct-90	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	15%	25%	\$302.34	0.10	\$30.23
1B	Lot 5164-R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	15%	25%	\$285.65	0.10	\$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50	10%	15%	25%	\$270.63	0.05	\$13.53
2B	Lot 5160-R7NEW-2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	10%	20%	\$245.40	0.00	\$0.00
3	Lot 5156-1 Harmon	WD w/IT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	5%	15%	\$236.90	0.15	\$35.54
4	Lots 5167-R1-5A, -R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	30%	40%	\$273.43	0.10	\$27.34
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	8%	\$204.32	10%	5%	15%	\$234.97	0.15	\$35.25
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	5%	15%	\$255.88	0.15	\$38.38
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	0%	10%	\$269.00	0.20	\$53.80

TOTAL: 1.00 \$262.63

Summary of Adjusted Unit Value	
Unit Value Range:	\$234.97 to \$302.34 per square meter
Arithmetic Mean:	\$263.80 per square meter
Weighted Average:	\$262.63 per square meter
Conclusion:	\$260.00 per square meter
Valuation	3,203 sq. meters @ \$260.00 = \$832,780

Source: RJ Associates, Agaña, Guam

Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 3  
As of February 15, 1991

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	P, W, S	Und, Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Harmon Strip Rd	Cash	P, W, S	Tarmac	0%
Subject	3,203	Slight Irr	Level	M-2	Airport Road		P, W, S	Developed	

Source: RJ Associates, Agana, Guam

Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 4  
As of February 15, 1991

AREA: 9,007 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time Adj. Time	Time Adj. Price	Location	Phys. Charac.	Total Adj.	Adj. Price	Weight	Weighted Component
1A	Lots 5164-R4, etc. Harmon	WD (Oct-90)	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	15%	25%	\$302.34	0.10	\$30.23
1B	Lot 5164-R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	15%	25%	\$285.65	0.10	\$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50	10%	15%	25%	\$270.63	0.05	\$13.53
2B	Lot 5160 R7NEW 2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	10%	20%	\$245.40	0.00	\$0.00
3	Lot 5156-1 Harmon	WD w/JT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	5%	15%	\$236.90	0.15	\$35.54
4	Lots 5167-R1-5A, -R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	30%	40%	\$273.43	0.10	\$27.34
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	8%	\$204.32	10%	5%	15%	\$234.97	0.15	\$35.25
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	5%	15%	\$255.88	0.15	\$38.38
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	0%	10%	\$269.00	0.20	\$53.80

TOTAL: 1.00 \$262.63

**Summary of Adjusted Unit Value**

Unit Value Range: \$234.97 to \$302.34 per square meter

Arithmetic Mean: \$263.80 per square meter

Weighted Average: \$262.63 per square meter

Conclusion: \$260.00 per square meter

**Valuation**

9,007 sq. meters @ \$260.00 = \$2,341,820

Source: RJ Associates, Agana, Guam

**Guam Airport Authority  
Land Valuation Analysis  
Block I, Lot 4  
As of February 15, 1991**

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lm Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	P, W, S	Und, Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Harmon Strip Rd	Cash	P, W, S	Tarmac	0%
Subject	9,007	Slight Irr	Level	M-2	Airport Road		P, W, S	Developed	
Source: RJ Associates, Agana, Guam									

**Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 5  
As of February 15, 1991**

AREA: 4,478 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time	Time Adj. Price	Location	Phys. Charac.	Total Adj. Price	Weight	Weighted Component
1A	Lots 5164-R4, etc. Harmon	WD Oct 90	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	15%	\$302.34	0.10	\$30.23
1B	Lot 5164-R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	15%	\$285.65	0.10	\$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50	10%	15%	\$270.63	0.05	\$13.53
2B	Lot 5160-R7NEW 2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	10%	\$245.40	0.00	\$0.00
3	Lot 5156-1 Harmon	WD w/JT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	5%	\$236.90	0.15	\$35.54
4	Lots 5167-R1-5A, R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	30%	\$273.43	0.10	\$27.34
5	Lot 5159-5-3 Harmon	WD Sep 90	\$160,000	842	\$190.07	8%	\$204.32	10%	5%	\$234.97	0.15	\$35.25
6	Lot 5158-2-4 Harmon	WD Jun 90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	5%	\$255.88	0.15	\$38.38
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	0%	\$269.00	0.20	\$53.80

TOTAL: 1.00 \$262.63

Summary of Adjusted Unit Value	
Unit Value Range:	\$234.97 to \$302.34 per square meter
Arithmetic Mean:	\$263.80 per square meter
Weighted Average:	\$262.63 per square meter
Conclusion:	\$260.00 per square meter
Valuation	4,478 sq. meters @ \$260.00 = \$1,164,280

Source: RJ Associates, Agaña, Guam

**Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 5  
As of February 15, 1991**

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agana-Dea Rd.	Cash	P, W, S	Und; Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agana-Dea Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Harmon Strip Rd	Cash	P, W, S	Tarmac	0%
Subject	4,478	Slight Irr	Level	M-2	Airport Road		P, W, S	Developed	

Source: RJ Associates, Agana, Guam

**Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 6  
As of February 15, 1991**

AREA: 3,712 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time Adj. Price	Location	Phys. Charac.	Total Adj. Price	Weight Component
1A	Lots 5164-R4, etc. Harmon	WD Oct-90	\$8,524,000 (See notes)	32,664	\$225.00	\$241.88	10%	15%	\$302.34	0.10
1B	Lot 5164 R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	\$228.52	10%	15%	\$285.65	0.10
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	\$216.50	10%	15%	\$270.63	0.05
2B	Lot 5160 R7NEW-2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	\$204.50	10%	10%	\$245.40	0.00
3	Lot 5156-1 Harmon	WD w/JT Dec-90	\$293,000	1,465	\$200.00	\$206.00	10%	5%	\$236.90	0.15
4	Lots 5167-R1-5A, R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	\$195.31	10%	30%	\$273.43	0.10
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	\$204.32	10%	5%	\$234.97	0.15
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	\$222.50	10%	5%	\$255.88	0.15
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	\$244.54	10%	0%	\$269.00	0.20

**TOTAL: 1.00 \$262.63**

Summary of Adjusted Unit Value	
Unit Value Range:	\$234.97 to \$302.34 per square meter
Arithmetic Mean:	\$263.80 per square meter
Weighted Average:	\$262.63 per square meter
Conclusion:	\$260.00 per square meter
Valuation	3,712 sq. meters @ \$260.00 = \$965,120

Source: RJ Associates, Agaña, Guam

Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 6  
As of February 15, 1991

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agaña Ded Rd.	Cash	P, W, S	Und, Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agaña Ded Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Harmon Strip Rd	Cash	P, W, S	Tarmac	0%
Subject Source: RJ Associates, Agaña, Guam	3,712	Slight Irr	Level	M-2	Airport Road		P, W, S	Developed	

Guam Airport Authority  
 Land Valuation Analysis  
 Block 1, Lot 7  
 As of February 15, 1991

AREA: 4,091 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time	Time Adj. Price	Location	Phys. Charac.	Total Adj. Price	Weight	Weighted Component
1A	Lots 5164 R4, etc. Harmon	WD Oct-90	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	15%	\$302.34	0.10	\$30.23
1B	Lot 5164-R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	15%	\$285.65	0.10	\$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50	10%	15%	\$270.63	0.05	\$13.53
2B	Lot 5160 R7NEW-2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	10%	\$245.40	0.00	\$0.00
3	Lot 5156-1 Harmon	WD w/IT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	5%	\$236.90	0.15	\$35.54
4	Lots 5167-R1-SA-R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	30%	\$273.43	0.10	\$27.34
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	8%	\$204.32	10%	5%	\$234.97	0.15	\$35.25
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	5%	\$255.88	0.15	\$38.38
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	0%	\$269.00	0.20	\$53.80
<b>TOTAL: 1.00</b>											<b>\$262.63</b>	

Summary of Adjusted Unit Value	
Unit Value Range:	\$234.97 to \$302.34 per square meter
Arithmetic Mean:	\$263.80 per square meter
Weighted Average:	\$262.63 per square meter
Conclusion:	\$265.00 per square meter
Valuation	4,091 sq. meters @ \$265.00 = \$1,084,115

Source: RJ Associates, Agaña, Guam

Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 7  
As of February 15, 1991

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agana Ded Rd	Cash	P, W, S	Und, Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agana Ded Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Harmon Strip Rd	Cash	P, W, S	Tarmac	0%
Subject	4,091	Slight Irr	Level	M-2	Airport Road		P, W, S	Developed	

Source: RJ Associates, Agana, Guam

**Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 8  
As of February 15, 1991**

AREA: 3,250 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time	Time Adj. Price	Location	Phys. Charac.	Total Adj.	Adj. Price	Weight	Weighted Component
1A	Lots 5164-R4, etc. Harmon	WD Oct-90	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	15%	25%	\$302.34	0.10	\$30.23
1B	Lot 5164-R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	15%	25%	\$285.65	0.10	\$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50	10%	15%	25%	\$270.63	0.05	\$13.53
2B	Lot 5160 R7NEW-2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	10%	20%	\$245.40	0.00	\$0.00
3	Lot 5156-1 Harmon	WD w/IT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	5%	15%	\$236.90	0.15	\$35.54
4	Lots 5167-R1-5A, R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	30%	40%	\$273.43	0.10	\$27.34
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	8%	\$204.32	10%	5%	15%	\$234.97	0.15	\$35.25
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	5%	15%	\$255.88	0.15	\$38.38
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	0%	10%	\$269.00	0.20	\$53.80

TOTAL: 1.00 \$262.63

**Summary of Adjusted Unit Value**

Unit Value Range: \$234.97 to \$302.34 per square meter  
 Arithmetic Mean: \$263.80 per square meter  
 Weighted Average: \$262.63 per square meter  
 Conclusion: \$265.00 per square meter  
 Valuation  
 3,250 sq. meters @ \$265.00 = \$861,250

Source: RJ Associates, Agana, Guam

**Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 8  
As of February 15, 1991**

AREA: 3,250 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time	Tune Adj. Price	Location	Phys. Charac.	Total Adj.	Adj. Price	Weight	Weighted Component
1A	Lots 5164-R4, etc. Harmon	WD Oct-90	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	15%	25%	\$302.34	0.10	\$30.23
1B	Lot 5164-R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	15%	25%	\$285.65	0.10	\$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50	10%	15%	25%	\$270.63	0.05	\$13.53
2B	Lot 5160 R7NEW-2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	10%	20%	\$245.40	0.00	\$0.00
3	Lot 5156-1 Harmon	WD w/IT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	5%	15%	\$236.90	0.15	\$35.54
4	Lots 5167-R1-5A, R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	30%	40%	\$273.43	0.10	\$27.34
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	8%	\$204.32	10%	5%	15%	\$234.97	0.15	\$35.25
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	5%	15%	\$255.88	0.15	\$38.38
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	0%	10%	\$269.00	0.20	\$53.80

TOTAL: 1.00 \$262.63

**Summary of Adjusted Unit Value**

Unit Value Range: \$234.97 to \$302.34 per square meter

Arithmetic Mean: \$263.80 per square meter

Weighted Average: \$262.63 per square meter

Conclusion: \$265.00 per square meter

**Valuation**

3,250 sq. meters @ \$265.00 = \$861,250

Source: RJ Associates, Agana, Guam

Guam Airport Authority  
 Land Valuation Analysis  
 Block 1, Lot 8  
 As of February 15, 1991

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	P, W, S	Und; Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Harmon Strip Rd	Cash	P, W, S	Tarmac	0%
Subject	3,250	Slight Irr	Level	M-2	Airport Road		P, W, S	Developed	

Source: RJ Associates, Agana, Guam

**Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 9  
As of February 15, 1991**

AREA: 2,519 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time	Time Adj. Price	Location	Phys. Charac.	Total Adj. Price	Weight Component		
1A	Lots 5164-R4, etc. Harmon	WD (Oct-90)	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	15%	25%	0.10	\$302.34	\$30.23
1B	Lot 5164-R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	15%	25%	0.10	\$285.65	\$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50	10%	15%	25%	0.05	\$270.63	\$13.53
2B	Lot 5160-R7NEW-2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	10%	20%	0.00	\$245.40	\$0.00
3	Lot 5156-1 Harmon	WD w/TT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	5%	15%	0.15	\$236.90	\$35.54
4	Lots 5167-R1-5A, R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	30%	40%	0.10	\$273.43	\$27.34
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	8%	\$204.32	10%	5%	15%	0.15	\$234.97	\$35.25
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	5%	15%	0.15	\$255.88	\$38.38
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	0%	10%	0.20	\$269.00	\$53.80

**TOTAL: 1.00 \$262.63**

Summary of Adjusted Unit Value	
Unit Value Range:	\$234.97 to \$302.34 per square meter
Arithmetic Mean:	\$263.80 per square meter
Weighted Average:	\$262.63 per square meter
Conclusion:	\$260.00 per square meter
Valuation	2,519 sq. meters @ \$260.00 = \$654,940

Source: RJ Associates, Agana, Guam

Guam Airport Authority  
Land Valuation Analysis  
Block 1, Lot 9  
As of February 15, 1991

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	P, W, S	Und, Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Harmon Strip Rd	Cash	P, W, S	Tarmac	0%
Subject	2,519	Slight Irr	Level	M-2	Airport Road		P, W, S	Developed	

Source: RJ Associates, Agana, Guam

Guam Airport Authority  
 Land Valuation Analysis  
 Block 1, Lot 10  
 As of February 15, 1991

AREA: 2,302 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time	Time Adj. Price	Location	Phys. Charac.	Total Adj. Price	Weight	Weighted Component
1A	Lots 5164-R4, etc. Harmon	WD Oct-90	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	15%	\$302.34	0.10	\$30.23
1B	Lot 5164 R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	15%	\$285.65	0.10	\$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50	10%	15%	\$270.63	0.05	\$13.53
2B	Lot 5160-R7NEW-2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	10%	\$245.40	0.00	\$0.00
3	Lot 5156-1 Harmon	WD w/JT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	5%	\$236.90	0.15	\$35.54
4	Lots 5167 R1-5A, R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	30%	\$273.43	0.10	\$27.34
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	8%	\$204.32	10%	5%	\$234.97	0.15	\$15.25
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	5%	\$255.88	0.15	\$38.38
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	0%	\$269.00	0.20	\$53.80

TOTAL: 1.00 \$262.63

Summary of Adjusted Unit Value	
Unit Value Range:	\$234.97 to \$302.34 per square meter
Arithmetic Mean:	\$263.80 per square meter
Weighted Average:	\$262.63 per square meter
Conclusion:	\$265.00 per square meter
Valuation	2,302 sq. meters @ \$265.00 = \$610,030

Source: RJ Associates, Agaña, Guam

Guam Airport Authority  
 Land Valuation Analysis  
 Block 1, Lot 10  
 As of February 15, 1991

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	P, W, S	Und. Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Harmon Ship Rd	Cash	P, W, S	Tarmac	0%
Subject Source: RJ Associates, Agana, Guam	2,302	Slight Irr	Level	M 2	Airport Road		P, W, S	Developed	

**Guam Airport Authority  
Land Valuation Analysis  
Block 2, Lot 1  
As of February 15, 1991**

AREA: 5,709 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time	Time Adj. Price	Location	Phys. Charac.	Total Adj.	Adj. Price	Weight	Weighted Component
1A	Lots 5164-R4, etc. Harmon	WD Oct-90	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	15%	25%	\$302.34	0.10	\$30.23
1B	Lot 5164 R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	15%	25%	\$285.65	0.10	\$28.56
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50		15%		\$270.63	0.05	\$13.53
2B	Lot 5160-R7/NEW-2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	10%	20%	\$245.40	0.00	\$0.00
3	Lot 5156-1 Harmon	WD w/IT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	5%	15%	\$236.90	0.15	\$35.54
4	Lots 5167-R1-5A, R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	30%	40%	\$273.43	0.10	\$27.34
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	8%	\$204.32	10%	5%	15%	\$234.97	0.15	\$35.25
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	5%	15%	\$255.88	0.15	\$38.38
7	Lot 5165-1-R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	0%	10%	\$269.00	0.20	\$53.80
											<b>TOTAL:</b>	<b>1.00</b>	<b>\$262.63</b>

Summary of Adjusted Unit Value	
Unit Value Range:	\$234.97 to \$302.34 per square meter
Arithmetic Mean:	\$263.80 per square meter
Weighted Average:	\$262.63 per square meter
Conclusion:	\$260.00 per square meter
Valuation	5,709 sq. meters @ \$260.00 = \$1,484,340

Source: RJ Associates, Agana, Guam

Guam Airport Authority  
Land Valuation Analysis  
Block 2, Lot 1  
As of February 15, 1991

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
1B % Adj.	42,664 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Undev 5%	15%
2A % Adj.	119,415 10%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	15%
2B % Adj.	24,390 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P, W, S	Varied	10%
3 % Adj.	1,465	Slight Irr	Level	M-1	Old Agaña-Ded Rd.	Cash	P, W, S	Und. Clay 5%	5%
4 % Adj.	9,975	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	30%
5 % Adj.	842	Slight Irr	Level	M-1	Interior 5%	Cash	P, W, S	Tarmac	5%
6 % Adj.	850	Slight Irr	Level	M-1	Old Agaña-Ded Rd.	Cash	Unknown 5%	Tarmac	5%
7 % Adj.	7,813	Slight Irr	Level	M-1	Harmon Strip Rd	Cash	P, W, S	Tarmac	0%
Subject	5,709	Irregular	Level	M-2	Airport Road		P, W, S	Developed	

Source: RJ Associates, Agaña, Guam

**Guam Airport Authority  
Land Valuation Analysis  
Block 4, Lot 1  
As of February 15, 1991**

AREA: 40,027 square meters

Sale No.	Ident. Lot Number	Instrument Date of Sale	Adj Cash Equ Price	Land Area Sq. Mtr.	Price Per Sq. Mtr.	Time Price	Time Adj. Price	Location	Phys. Charac.	Total Adj.	Adj. Price	Weight	Weighted Component
1A	Lots 5164-R4, etc. Harmon	WD Oct-90	\$8,524,000 (See notes)	32,664	\$225.00	8%	\$241.88	10%	10%	20%	\$290.25	0.10	\$29.03
1B	Lot 5164-R3 Harmon	WD Aug-90	\$8,823,000	42,664	\$206.80	11%	\$228.52	10%	10%	20%	\$274.22	0.10	\$27.42
2A	Lot 5160-6, etc. Harmon	Limited WD Sep-90	\$18,104,000 (see notes)	119,415	\$200.00	8%	\$216.50	10%	10%	20%	\$259.80	0.05	\$12.99
2B	Lot 5160-R7NEW 2 Harmon	Limited WD Oct-90	\$4,878,000	24,390	\$200.00	2%	\$204.50	10%	5%	15%	\$235.18	0.00	\$0.00
3	Lot 5156-1 Harmon	WD w/JT Dec-90	\$293,000	1,465	\$200.00	3%	\$206.00	10%	0%	10%	\$226.60	0.15	\$33.99
4	Lots 5167 R1-5A, R7 Harmon	WD Nov-90	\$1,851,000	9,975	\$185.56	5%	\$195.31	10%	25%	35%	\$263.66	0.10	\$26.37
5	Lot 5159-5-3 Harmon	WD Sep-90	\$160,000	842	\$190.07	8%	\$204.32	10%	0%	10%	\$224.76	0.15	\$33.71
6	Lot 5158-2-4 Harmon	WD Jun-90	\$170,000 (see notes)	850	\$200.00	11%	\$222.50	10%	0%	10%	\$244.75	0.15	\$36.71
7	Lot 5165-1 R6 Harmon	WD Mar-90	\$1,640,000	7,813	\$209.91	17%	\$244.54	10%	-5%	5%	\$256.77	0.20	\$51.35

**TOTAL: 1.00 \$251.57**

Summary of Adjusted Unit Value	
Unit Value Range:	\$224.76 to \$290.25 per square meter
Arithmetic Mean:	\$252.89 per square meter
Weighted Average:	\$251.57 per square meter
Conclusion:	\$255.00 per square meter
Valuation	40,027 sq. meters @ \$255.00 = \$10,206,885

Source: RJ Associates, Agana, Guam

Guam Airport Authority  
 Land Valuation Analysis  
 Block 4, Lot 1  
 As of February 15, 1991

Sale No.	Size	Shape	Topo	Zone	Access	Cond. of Sale	Utilities	Lot Finish	TOTAL ADJUST
1A % Adj.	32,664	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P,W,S	Undev 5%	10%
1B % Adj.	42,664	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P,W,S	Undev 5%	10%
2A % Adj.	119,415 5%	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P,W,S	Varied	10%
2B % Adj.	24,390	Slight Irr	Slight Slope	M-1	Interior 5%	Cash	P,W,S	Varied	5%
3 % Adj.	1,465 -5%	Slight Irr	Level	M-1	Old Agana Ded Rd.	Cash	P,W,S	Und;Clay 5%	0%
4 % Adj.	9,975 -5%	Narrow 5%	Sloping 5%	M-1	Interior 10%	Cash	Unknown 5%	Undev 5%	25%
5 % Adj.	842 -5%	Slight Irr	Level	M-1	Interior 5%	Cash	P,W,S	Tarmac	0%
6 % Adj.	850 -5%	Slight Irr	Level	M-1	Old Agana-Ded Rd.	Cash	Unknown 5%	Tarmac	0%
7 % Adj.	7,813 -5%	Slight Irr	Level	M-1	Harmon Strip Ru	Cash	P,W,S	Tarmac	-5%
Subject Source: RJ Associates, Agana, Guam	40,027	Irregular	Level	M-2	Airport Road		P,W,S	Developed	

## Comparable Analysis

As part of the appraisal process, adjustments are made to comparable sales to adjust a comparable sale to the subject. The following overview will discuss the areas of adjustment in this appraisal.

Adjustments are made to account for the time of the sale. Sales prices in Guam have risen rapidly in the last three years, with some prices doubling in several days. We estimate that a rate of increase of 1.5 percent per month conservatively reflects the increase in land values on Guam today. An exhibit below indicates the recent growth of land prices on a monthly basis.

### Time Adjustment Analysis Guam Airport Authority

Sale	Date of Sale	Sales Price Per SM	Percent Change	Time Change	Monthly Appreciation
Comparable Sale 5	9/12/90	\$190	5.22%	3.00 Months	1.74%
Comparable Sale 3	12/12/90	\$200			

Source: RJ Associates, Agana Guam

The sales have been adjusted upward to account for this increase in value as of the appraisal date. Yet it is important to note that the increases in value have come at such a quick rate that the real estate values in Guam do not appear to be at equilibrium.

Adjustments have been considered for the location of the comparable sales. We consider the Harmon area to be inferior to the area of the subject. A ten percent upward

adjustment has been selected to account for the inferiority of the Harmon area. The upward adjustment accounts for the subject's master planning and its overall finish.

An adjustment has been made for the size of the comparable property. Generally, the price per square meter decreases as the size of a comparable increases. Thus, properties considerably larger than the subject lot are adjusted upward to account for the subject's smaller size. In the case of Block 4, Lot 1 the size of smaller comparables require an downward adjustment.

Adjustments are also made for the properties shape and topography. Since all of the comparables are somewhat irregular, but the only significantly poorer lot shape is that of Comparable 4. The long narrow shape would likely constrain the layout of the site. Other properties differences in dimensions are considered to be of minor importance.

An adjustment has been made for access to a major road. Main roads in the area are Route 16, Harmon Strip, and the old Dededo-Agana road. The easier access provided by being located on a major roadway is considered a benefit. The subject's contiguity to Route 10-A and Route 16 with traffic controlled by a stoplight are positive factors with respect to leasing the lots. Sale 4 necessitates a 10 percent upward adjustment, because access to the property is in dispute. The Harmon Sink, a large drainage basin, must be used for access.

Since all of the comparable sales are all cash transactions, adjustments are not necessary to account for cash equivalency. The zoning of each of the parcels has been considered. Though the subject is M-2 zoned and the comparables are M-1 zoned, the additional M-2 permitted uses are unlikely to be considered for the property. M-2 zoning

allows more noxious uses than M-1 zoning, but such uses (i.e., a concrete production facility, slaughter facility, etc.) are inconsistent with the size and characteristics of the subject. Therefore, little additional value is generated by the M-2 zoning.

Adjustments have been considered for the finish of the sales in comparison to the subject. The tarmac air runway surface is considered comparable to the subject as little site work is required prior to constructing a warehouse. Raw ground necessitates an upward adjustment because of additional site preparation costs.

These sales are weighted for comparability to the subject. The weighing is based on the total number of adjustments required to bring a comparable to the level of the subject. Those sales with the fewer number of absolute adjustments are given greater weight.

Based on this analysis, the adjusted values of the subject range from \$235 to \$302 per square meter. The concluded value of each individual lot is summarized on the following page. Lots with frontage on Route 10-A are considered superior to interior lots, and these lots are valued at \$265 per square meter. Lots with interior locations are valued at \$260 per square meter. Block 4, Lot 1 is valued at \$255 per square meter because of its larger size and interior location.

It is anticipated that the property will be leased out over the next 18 months due to unavoidable delays based on negotiations, etc. Therefore it is necessary to consider the effect of the 18 month period on the value of the property. This is discussed in greater detail in the subdivision analysis.

Guam Airport Authority  
Industrial Park Valuation  
As of February 15, 1991

Parcel Description	Size (SM)	Value Per SM	Lot Valuation
Block 1, Lot 1	3,192	\$265	\$845,880
Block 1, Lot 2	4,487	260	1,166,620
Block 1, Lot 3	3,203	260	832,780
Block 1, Lot 4	9,007	260	2,341,820
Block 1, Lot 5	4,478	260	1,164,280
Block 1, Lot 6	3,712	260	965,120
Block 1, Lot 7	4,091	265	1,084,115
Block 1, Lot 8	3,250	265	861,250
Block 1, Lot 9	2,519	260	654,940
Block 1, Lot 10	2,302	265	610,030
Block 2, Lot 1	5,709	260	1,484,340
Block 4, Lot 1	40,027	255	10,206,885
<b>Total</b>	<b>85,977</b>	<b>\$258.42</b>	<b>\$22,218,060</b>

- Notes:
- 1 These values represent lot values and should be used for negotiations with prospective tenants.
  - 2 The aggregate value, presented on a following page, reflects the time required to lease the subject.
  - 3 These comments and assumptions contained in the report are an integral part of these conclusions.

Source: RJ Associates, Inc. Agana, Guam

## **SUBDIVISION ANALYSIS**

Because the subject will not likely be leased immediately due to time involved in lease negotiations, the value must reflect the time that will likely pass before the entire property is leased. While the property may go up in value in the near future, the concern in an appraisal is to reflect the value of the land as of the appraisal date. It is therefore necessary to consider the present value of the future income stream from the lease of the subjects. This is done by means of discounting future cash flows through the use of a discount factor calculated based on a discount rate.

### **Discount Rate**

As the annual cash flows are estimated to occur through eighteen months, it is necessary to discount these values into a present value estimate. The present value is today's cash lump sum which represents the current value of the property.

The discount rate used must reflect a sufficient rate of return for a developer or owner of property over the holding period. This rate must take into consideration the time value of money and charges for holding costs. The rate must also reflect an adequate rate of return for the risk involved when compared to other types of investments.

When analyzing discount rates, it is important to realize that all investments are in competition with each other for the investment dollar. The investor has a choice of (1) bank rate securities such as government bonds, industrial or municipal bonds, debentures, (2) stocks and other securities, (3) selected enterprises or other real estate investments at varying rates of return. The acceptable rate of return to the investor is affected by

considerations of risk, burden of management, degree of liquidity and other factors (including personal preference). The analysis quite often follows the historical summation of these factors, known as a "built-up" rate.

As an example, an adjustment for risk is added to a safe or minimum risk rate as an increment to compensate for the extent of risk believed to be involved in the use of the capital sum. An additional upward adjustment is made to the rate to account for the need for management of the investment. Another adjustment is usually made for non-liquidity due to the time required to re-lease or sale of the property. The re-lease period may vary with the general marketability of the type of property and the amount of the cash investment required.

The principle of discounting money to be received in the future is based upon the fact that today's dollar can be invested to earn a return, while the expected future dollar not yet generated, cannot. The discount rate must reflect what is called the opportunity cost of capital. Thus, the investor is compensated by the discount rate for the current lost opportunity in investing in alternative assets.

In order to determine the appropriate rate, we have reviewed current money rates listed below:

Current Money Rates  
As of February 18, 1991

No.	Type of Rate	Interest/ Yield Rate
1	Prime Rate	9.00%
2	U.S. 30 Year Bonds	8.00%
3	U.S. 10 Year Bonds	7.75%
4	Equiv U.S. 30 Year Bonds (before tax)	10.60%
5	Corporate Bonds (A)	10.50%
6	Guam Mortgage Rates	12-15%
7	Guam Investors	8-15%

Source: The Wall Street Journal, Merrill Lynch, Guam Banks

Guam is unique in that U.S. government bonds are non-taxable, so the safe rate of investment is much higher through buying U.S. bonds. The yields from these investments are after-tax, so an imputed before-tax rate is approximately 32 percent higher than the "after-tax" or quoted yield. This safe alternative effectively raises the minimum yield for riskier investments.

Given the alternative investments available, and taking into account the risks associated with real estate development in Guam, we believe a 12.0% discount rate for the subject is appropriate. This return is considered equivalent to investments with comparable risks available today for the same time period.

On the following page is the subdivision analysis. This analysis assumes that all of the lots are leased by September 30, 1992. The 12 percent discount rate is used on a quarterly basis.

**Guam Airport Authority  
Industrial Park Valuation  
Subdivision Analysis  
As of February 15, 1991**

	31-Mar-91	30-Jun-91	30-Sep-91	31-Dec-91	31-Mar-92	30-Jun-92	30-Sep-92	Total
Leased Area (SM)	12,210	12,157	40,027			12,162	9,421	85,977
Value Per SM (inflated at 5% after 12/91)	\$258.42	\$258.42	\$258.42	\$258	\$271	\$271	\$271	
Anticipated Value	\$3,155,292	\$3,141,595	\$10,343,723	\$0	\$0	\$3,294,686	\$2,552,149	\$22,487,445
Discount Factor @ 12%	0.990610398	0.9720654	0.944911183	0.9185155	0.892857	0.86791555	0.843670699	
Present Value of Cashflow	\$3,125,633	\$3,053,836	\$9,773,900	\$0	\$0	\$2,859,509	\$2,153,173	\$20,966,052
Total PV of Cashflows	\$20,966,052							
Present Value per SM:	\$244							

Notes: Present value calculations are necessary to reflect the negotiation period anticipated to lease subject. Property is anticipated to increase in value a minimal rate of 5 percent by March 31, 1992. After 12 months a new appraisal must be commissioned, and the higher value is anticipated.

Source: RJ Associates, Inc., Agaña, Guam

The subdivision analysis assumes that approximately 12,282 square meters are leased quarterly over a 7 quarter period. The land value is kept fixed for a period of 4 quarters, as GAA will use its current appraised values for its negotiations for a period of one year. After this period, new appraisals will be commissioned, and a value of \$271 per square meter is conservatively estimated. This value is used from the time period of March 31, 1992 to September 30, 1992.

Based on this analysis, the concluded present value is \$20,966,052, which is rounded to \$20,970,000.

## RECONCILIATION

The purpose of the reconciliation section is to evaluate the separate value indications developed by the approaches to value in order to derive a final estimate of value. This requires a re-examination of specific data, procedures, and techniques within the framework of the approaches used to derive the preliminary estimates. The analysis requires consideration of the quantity and quality of the data available under each approach and the relevancy of each approach to the subject property and the appraisal problem. The value indications for the subject lots individually are presented below:

<b>INCOME APPROACH</b>	N/A
<b>SALES COMPARISON APPROACH</b>	
(Aggregate Value of individual lots)	\$22,218,060
(Present Value considering lease negotiations)	\$20,970,000
<b>COST APPROACH</b>	N/A

In the Income Approach future income is discounted or capitalized to reflect the present value of the property. Typically, the higher the earning potential of a property, the higher its current market value. As in the Sales Comparison and Cost Approaches, the Income Approach requires extensive market research.

Market rent is first established by searching the subject neighborhood for similar properties with comparable utility that are either currently leased, or are being offered for lease. Adjustments are made to these comparable rentals to account for differences in relation to the subject property, in much the same way as in the Sales Comparison Approach. This approach was not used as the subject is not currently income producing.

The Sales Comparison Approach is a reliable valuation technique when several similar properties have recently sold or are currently offered for sale. Three comparable sales were documented in this approach. These sales were confirmed with the public records and with parties knowledgeable of the respective transactions when possible.

The price paid per square meter was used as a unit of comparison in adjusting the comparable sales for differences in terms, date of sale, location, topography, view, access, flood plane, and presence of utilities. When adjustments were applied to the comparable sales, they produced a value range for the subject from \$235 to \$302 per square meter. Most weight was given to the comparable sales with the fewest number of adjustments to arrive at the indication of market value by this approach. This approach was given total weight in the final conclusion of market value.

The Cost Approach is based upon the premise that the value of a property can be estimated by adding the market value of the land to the current cost new of the improvements and then subtracting the amount of accrued depreciation from all sources. This approach was not considered relevant as the subject is currently undeveloped land.

#### Conclusion

Therefore, as a result of our investigation and analyses, our final estimate of the market value of the fee simple and leasehold interest of the subject property, as of February 15, 1991 is: **\$22,218,060** on an individual lot basis and **\$20,970,000**

considering the time to lease the properties. The individual values are presented below.

Guam Airport Authority Industrial Park Valuation As of February 15, 1991			
Parcel Description	Size (SM)	Value Per SM	Lot Valuation
Block 1, Lot 1	3,192	\$265	\$845,880
Block 1, Lot 2	4,487	260	1,166,620
Block 1, Lot 3	3,203	260	832,780
Block 1, Lot 4	9,007	260	2,341,820
Block 1, Lot 5	4,478	260	1,164,280
Block 1, Lot 6	3,712	260	965,120
Block 1, Lot 7	4,091	265	1,084,115
Block 1, Lot 8	3,250	265	861,250
Block 1, Lot 9	2,519	260	654,940
Block 1, Lot 10	2,302	265	610,030
Block 2, Lot 1	5,709	260	1,484,340
Block 4, Lot 1	40,027	255	10,206,885
<b>Total</b>	<b>85,977</b>	<b>\$258.42</b>	<b>\$22,218,060</b>
Present Value of Property:			\$20,966,052
Rounded:			\$20,970,000
Per SM			\$244

Notes: 1. Aggregate value of subject is reduced to reflect the estimated time required to lease all properties.  
2. The comments and assumptions contained in the report are an integral part of these conclusions.

Source: RJ Associates, Inc. Agana, Guam

## CERTIFICATE

We certify that, to the best of our knowledge and belief, ...

- Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- We have no present or prospective interest in the property that is the subject of this report and we have no personal interest or bias with respect to the parties involved.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the American Institute of Real Estate Appraisers.
- The use of this report is subject to the requirements of the American Institute of Real Estate Appraisers relating to review by its duly authorized representatives.
- The statements of fact contained in this appraisal report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal unbiased professional analyses, opinions and conclusions.
- We have made a personal inspection of the property that is the subject of this report.
- It is our opinion that the fee simple market value of the subject property as of February 15, 1991 is as follows: \$22,218,060 on an individual lot basis and \$20,970,000 considering the present value of the time to lease the properties.

Richard E. Jortberg, Jr.  
Managing Appraiser

## LEASE RENTAL RATE CALCULATIONS

The value of the individual lots have been determined in the previous analysis. As part of this valuation, the Guam Airport Authority has requested rental rate calculations for individual lots. Based on GAA's interpretation of Public Law 20-188 and Substitute Bill 974, the first year rental rate should be 10 percent of the land value. This rate is used as a basis for the rental rate calculations provided on following pages.

Based on a review of lease rates of comparable properties, the ratio of lease payments to land value ranges from below 5 percent to over 20 percent. No central tendency has been observed, however 10 percent has been widely used as a ratio for first year rent calculations throughout Guam. Therefore, 10 percent is considered representative of market participants on Guam.

It is the appraiser's opinion, however, that a higher rate could be negotiated, as U.S. treasury bonds yield over 10 percent on a before-tax basis on Guam. No risk is associated with this type of investment, while rental collections are considerably riskier, which should necessitate a higher yield. Finally, from the standpoint of a tenant, the alternative to leasing is to acquire land with debt and the rate of borrowing should act as a maximum for a lease payment. The alternative of purchasing a substitute site would be more attractive when a lease payment is higher than the debt service payment of the alternative site. In this scenario, a rate higher than 10 percent would be justifiable from the investment standpoint.

Rental calculations are presented on following pages. The rent has not been calculated for the two remaining ten year terms because the rent is calculated at market

levels at that time. In these calculations, the fee simple value is presented from the earlier calculations. The escalations are based on the lease agreement.

Guam Airport Authority  
 Rent Calculation  
 Block 1, Lot 1  
 As of February 15, 1991

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent
1991	1	\$845,880	10.00%		\$84,588	\$7,049
1992	2				\$84,588	\$7,049
1993	3				\$84,588	\$7,049
1994	4				\$84,588	\$7,049
1995	5				\$84,588	\$7,049
1996	6			10.00%	\$93,047	\$7,754
1997	7				\$93,047	\$7,754
1998	8				\$93,047	\$7,754
1999	9				\$93,047	\$7,754
2000	10				\$93,047	\$7,754
2001	11			10.00%	\$102,351	\$8,529
2002	12				\$102,351	\$8,529
2003	13				\$102,351	\$8,529
2004	14				\$102,351	\$8,529
2005	15				\$102,351	\$8,529
2006	16			10.00%	\$112,587	\$9,382
2007	17				\$112,587	\$9,382
2008	18				\$112,587	\$9,382
2009	19				\$112,587	\$9,382
2010	20				\$112,587	\$9,382
2011	21			10.00%	\$123,845	\$10,320
2012	22				\$123,845	\$10,320
2013	23				\$123,845	\$10,320
2014	24				\$123,845	\$10,320
2015	25				\$123,845	\$10,320
2016	26			10.00%	\$136,230	\$11,352
2017	27				\$136,230	\$11,352
2018	28				\$136,230	\$11,352
2019	29				\$136,230	\$11,352
2020	30				\$136,230	\$11,352

Two 10 yr. optional extensions are negotiated at market rent.  
 Source: RJ Associates, Inc. Agana, Guam

**Guam Airport Authority  
Rent Calculation  
Block 1, Lot 2  
As of February 15, 1991**

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent		
1991	1	\$1,166,620	10.00%		\$116,662	\$9,722		
1992	2					\$116,662	\$9,722	
1993	3					\$116,662	\$9,722	
1994	4					\$116,662	\$9,722	
1995	5					\$116,662	\$9,722	
1996	6					10.00%	\$128,328	\$10,694
1997	7						\$128,328	\$10,694
1998	8						\$128,328	\$10,694
1999	9						\$128,328	\$10,694
2000	10						\$128,328	\$10,694
2001	11					10.00%	\$141,161	\$11,763
2002	12						\$141,161	\$11,763
2003	13						\$141,161	\$11,763
2004	14						\$141,161	\$11,763
2005	15						\$141,161	\$11,763
2006	16					10.00%	\$155,277	\$12,940
2007	17						\$155,277	\$12,940
2008	18						\$155,277	\$12,940
2009	19						\$155,277	\$12,940
2010	20						\$155,277	\$12,940
2011	21					10.00%	\$170,805	\$14,234
2012	22						\$170,805	\$14,234
2013	23						\$170,805	\$14,234
2014	24						\$170,805	\$14,234
2015	25						\$170,805	\$14,234
2016	26					10.00%	\$187,885	\$15,657
2017	27						\$187,885	\$15,657
2018	28						\$187,885	\$15,657
2019	29						\$187,885	\$15,657
2020	30						\$187,885	\$15,657

Two 10 yr. optional extensions are negotiated at market rent.  
Source: RJ Associates, Inc. Agana, Guam

Guam Airport Authority  
 Rent Calculation  
 Block 1, Lot 3  
 As of February 15, 1991

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent
1991	1	\$832,780	10.00%		\$83,278	\$6,940
1992	2				\$83,278	\$6,940
1993	3				\$83,278	\$6,940
1994	4				\$83,278	\$6,940
1995	5				\$83,278	\$6,940
1996	6			10.00%	\$91,606	\$7,634
1997	7				\$91,606	\$7,634
1998	8				\$91,606	\$7,634
1999	9				\$91,606	\$7,634
2000	10				\$91,606	\$7,634
2001	11			10.00%	\$100,766	\$8,397
2002	12				\$100,766	\$8,397
2003	13				\$100,766	\$8,397
2004	14				\$100,766	\$8,397
2005	15				\$100,766	\$8,397
2006	16			10.00%	\$110,843	\$9,237
2007	17				\$110,843	\$9,237
2008	18				\$110,843	\$9,237
2009	19				\$110,843	\$9,237
2010	20				\$110,843	\$9,237
2011	21			10.00%	\$121,927	\$10,161
2012	22				\$121,927	\$10,161
2013	23				\$121,927	\$10,161
2014	24				\$121,927	\$10,161
2015	25				\$121,927	\$10,161
2016	26			10.00%	\$134,120	\$11,177
2017	27				\$134,120	\$11,177
2018	28				\$134,120	\$11,177
2019	29				\$134,120	\$11,177
2020	30				\$134,120	\$11,177

Two 10 yr. optional extensions are negotiated at market rent.  
 Source: RJ Associates, Inc. Agana, Guam

**Guam Airport Authority  
Rent Calculation  
Block 1, Lot 4  
As of February 15, 1991**

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent
1991	1	\$2,341,820	10.00%		\$234,182	\$19,515
1992	2				\$234,182	\$19,515
1993	3				\$234,182	\$19,515
1994	4				\$234,182	\$19,515
1995	5				\$234,182	\$19,515
1996	6			10.00%	\$257,600	\$21,467
1997	7				\$257,600	\$21,467
1998	8				\$257,600	\$21,467
1999	9				\$257,600	\$21,467
2000	10				\$257,600	\$21,467
2001	11			10.00%	\$283,360	\$23,613
2002	12				\$283,360	\$23,613
2003	13				\$283,360	\$23,613
2004	14				\$283,360	\$23,613
2005	15				\$283,360	\$23,613
2006	16			10.00%	\$311,696	\$25,975
2007	17				\$311,696	\$25,975
2008	18				\$311,696	\$25,975
2009	19				\$311,696	\$25,975
2010	20				\$311,696	\$25,975
2011	21			10.00%	\$342,866	\$28,572
2012	22				\$342,866	\$28,572
2013	23				\$342,866	\$28,572
2014	24				\$342,866	\$28,572
2015	25				\$342,866	\$28,572
2016	26			10.00%	\$377,152	\$31,429
2017	27				\$377,152	\$31,429
2018	28				\$377,152	\$31,429
2019	29				\$377,152	\$31,429
2020	30				\$377,152	\$31,429

Two 10 yr. optional extensions are negotiated at market rent.  
Source: RJ Associates, Inc. Agana, Guam

Guam Airport Authority  
 Rent Calculation  
 Block 1, Lot 5  
 As of February 15, 1991

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent
1991	1	\$1,164,280	10.00%		\$116,428	\$9,702
1992	2				\$116,428	\$9,702
1993	3				\$116,428	\$9,702
1994	4				\$116,428	\$9,702
1995	5				\$116,428	\$9,702
1996	6			10.00%	\$128,071	\$10,673
1997	7				\$128,071	\$10,673
1998	8				\$128,071	\$10,673
1999	9				\$128,071	\$10,673
2000	10				\$128,071	\$10,673
2001	11			10.00%	\$140,878	\$11,740
2002	12				\$140,878	\$11,740
2003	13				\$140,878	\$11,740
2004	14				\$140,878	\$11,740
2005	15				\$140,878	\$11,740
2006	16			10.00%	\$154,966	\$12,914
2007	17				\$154,966	\$12,914
2008	18				\$154,966	\$12,914
2009	19				\$154,966	\$12,914
2010	20				\$154,966	\$12,914
2011	21			10.00%	\$170,462	\$14,205
2012	22				\$170,462	\$14,205
2013	23				\$170,462	\$14,205
2014	24				\$170,462	\$14,205
2015	25				\$170,462	\$14,205
2016	26			10.00%	\$187,508	\$15,626
2017	27				\$187,508	\$15,626
2018	28				\$187,508	\$15,626
2019	29				\$187,508	\$15,626
2020	30				\$187,508	\$15,626

Two 10 yr. optional extensions are negotiated at market rent.  
 Source: RJ Associates, Inc. Agana, Guam

**Guam Airport Authority  
Rent Calculation  
Block 1, Lot 6  
As of February 15, 1991**

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent
1991	1	\$965,120	10.00%		\$96,512	\$8,043
1992	2				\$96,512	\$8,043
1993	3				\$96,512	\$8,043
1994	4				\$96,512	\$8,043
1995	5				\$96,512	\$8,043
1996	6			10.00%	\$106,163	\$8,847
1997	7				\$106,163	\$8,847
1998	8				\$106,163	\$8,847
1999	9				\$106,163	\$8,847
2000	10				\$106,163	\$8,847
2001	11			10.00%	\$116,780	\$9,732
2002	12				\$116,780	\$9,732
2003	13				\$116,780	\$9,732
2004	14				\$116,780	\$9,732
2005	15				\$116,780	\$9,732
2006	16			10.00%	\$128,457	\$10,705
2007	17				\$128,457	\$10,705
2008	18				\$128,457	\$10,705
2009	19				\$128,457	\$10,705
2010	20				\$128,457	\$10,705
2011	21			10.00%	\$141,303	\$11,775
2012	22				\$141,303	\$11,775
2013	23				\$141,303	\$11,775
2014	24				\$141,303	\$11,775
2015	25				\$141,303	\$11,775
2016	26			10.00%	\$155,434	\$12,953
2017	27				\$155,434	\$12,953
2018	28				\$155,434	\$12,953
2019	29				\$155,434	\$12,953
2020	30				\$155,434	\$12,953

Two 10 yr. optional extensions are negotiated at market rent.  
Source: RJ Associates, Inc. Agana, Guam

**Guam Airport Authority  
Rent Calculation  
Block 1, Lot 7  
As of February 15, 1991**

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent	
1991	1	\$1,084,115	10.00%		\$108,412	\$9,034	
1992	2				\$108,412	\$9,034	
1993	3				\$108,412	\$9,034	
1994	4				\$108,412	\$9,034	
1995	5				\$108,412	\$9,034	
1996	6				10.00%	\$119,253	\$9,938
1997	7					\$119,253	\$9,938
1998	8					\$119,253	\$9,938
1999	9					\$119,253	\$9,938
2000	10					\$119,253	\$9,938
2001	11				10.00%	\$131,178	\$10,931
2002	12					\$131,178	\$10,931
2003	13					\$131,178	\$10,931
2004	14					\$131,178	\$10,931
2005	15					\$131,178	\$10,931
2006	16				10.00%	\$144,296	\$12,025
2007	17					\$144,296	\$12,025
2008	18					\$144,296	\$12,025
2009	19					\$144,296	\$12,025
2010	20					\$144,296	\$12,025
2011	21		10.00%	\$158,725	\$13,227		
2012	22			\$158,725	\$13,227		
2013	23			\$158,725	\$13,227		
2014	24			\$158,725	\$13,227		
2015	25			\$158,725	\$13,227		
2016	26		10.00%	\$174,598	\$14,550		
2017	27			\$174,598	\$14,550		
2018	28			\$174,598	\$14,550		
2019	29			\$174,598	\$14,550		
2020	30			\$174,598	\$14,550		

Two 10 yr. optional extensions are negotiated at market rent.  
Source: RJ Associates, Inc. Agana, Guam

**Guam Airport Authority  
Rent Calculation  
Block 1, Lot 8  
As of February 15, 1991**

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent
1991	1	\$861,250	10.00%		\$86,125	\$7,177
1992	2				\$86,125	\$7,177
1993	3				\$86,125	\$7,177
1994	4				\$86,125	\$7,177
1995	5				\$86,125	\$7,177
1996	6			10.00%	\$94,738	\$7,895
1997	7				\$94,738	\$7,895
1998	8				\$94,738	\$7,895
1999	9				\$94,738	\$7,895
2000	10				\$94,738	\$7,895
2001	11			10.00%	\$104,211	\$8,684
2002	12				\$104,211	\$8,684
2003	13				\$104,211	\$8,684
2004	14				\$104,211	\$8,684
2005	15				\$104,211	\$8,684
2006	16			10.00%	\$114,632	\$9,553
2007	17				\$114,632	\$9,553
2008	18				\$114,632	\$9,553
2009	19				\$114,632	\$9,553
2010	20				\$114,632	\$9,553
2011	21			10.00%	\$126,096	\$10,508
2012	22				\$126,096	\$10,508
2013	23				\$126,096	\$10,508
2014	24				\$126,096	\$10,508
2015	25				\$126,096	\$10,508
2016	26			10.00%	\$138,705	\$11,559
2017	27				\$138,705	\$11,559
2018	28				\$138,705	\$11,559
2019	29				\$138,705	\$11,559
2020	30				\$138,705	\$11,559

Two 10 yr. optional extensions are negotiated at market rent.  
Source: RJ Associates, Inc. Agana, Guam

Guam Airport Authority  
 Rent Calculation  
 Block 1, Lot 9  
 As of February 15, 1991

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent
1991	1	\$654,940	10.00%		\$65,494	\$5,458
1992	2				\$65,494	\$5,458
1993	3				\$65,494	\$5,458
1994	4				\$65,494	\$5,458
1995	5				\$65,494	\$5,458
1996	6			10.00%	\$72,043	\$6,004
1997	7				\$72,043	\$6,004
1998	8				\$72,043	\$6,004
1999	9				\$72,043	\$6,004
2000	10				\$72,043	\$6,004
2001	11			10.00%	\$79,248	\$6,604
2002	12				\$79,248	\$6,604
2003	13				\$79,248	\$6,604
2004	14				\$79,248	\$6,604
2005	15				\$79,248	\$6,604
2006	16			10.00%	\$87,173	\$7,264
2007	17				\$87,173	\$7,264
2008	18				\$87,173	\$7,264
2009	19				\$87,173	\$7,264
2010	20				\$87,173	\$7,264
2011	21			10.00%	\$95,890	\$7,991
2012	22				\$95,890	\$7,991
2013	23				\$95,890	\$7,991
2014	24				\$95,890	\$7,991
2015	25				\$95,890	\$7,991
2016	26			10.00%	\$105,479	\$8,790
2017	27				\$105,479	\$8,790
2018	28				\$105,479	\$8,790
2019	29				\$105,479	\$8,790
2020	30				\$105,479	\$8,790

Two 10 yr. optional extensions are negotiated at market rent.  
 Source: RJ Associates, Inc. Agana, Guam

**Guam Airport Authority  
Rent Calculation  
Block 1, Lot 10  
As of February 15, 1991**

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent
1991	1	\$610,030	10.00%		\$61,003	\$5,084
1992	2				\$61,003	\$5,084
1993	3				\$61,003	\$5,084
1994	4				\$61,003	\$5,084
1995	5				\$61,003	\$5,084
1996	6			10.00%	\$67,103	\$5,592
1997	7				\$67,103	\$5,592
1998	8				\$67,103	\$5,592
1999	9				\$67,103	\$5,592
2000	10				\$67,103	\$5,592
2001	11			10.00%	\$73,814	\$6,151
2002	12				\$73,814	\$6,151
2003	13				\$73,814	\$6,151
2004	14				\$73,814	\$6,151
2005	15				\$73,814	\$6,151
2006	16			10.00%	\$81,195	\$6,766
2007	17				\$81,195	\$6,766
2008	18				\$81,195	\$6,766
2009	19				\$81,195	\$6,766
2010	20				\$81,195	\$6,766
2011	21			10.00%	\$89,314	\$7,443
2012	22				\$89,314	\$7,443
2013	23				\$89,314	\$7,443
2014	24				\$89,314	\$7,443
2015	25				\$89,314	\$7,443
2016	26			10.00%	\$98,246	\$8,187
2017	27				\$98,246	\$8,187
2018	28				\$98,246	\$8,187
2019	29				\$98,246	\$8,187
2020	30				\$98,246	\$8,187

Two 10 yr. optional extensions are negotiated at market rent.  
Source: RJ Associates, Inc. Agana, Guam

**Guam Airport Authority  
Rent Calculation  
Block 2, Lot 1  
As of February 15, 1991**

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent
1991	1	\$1,484,340	10.00%		\$148,434	\$12,370
1992	2				\$148,434	\$12,370
1993	3				\$148,434	\$12,370
1994	4				\$148,434	\$12,370
1995	5				\$148,434	\$12,370
1996	6			10.00%	\$163,277	\$13,606
1997	7				\$163,277	\$13,606
1998	8				\$163,277	\$13,606
1999	9				\$163,277	\$13,606
2000	10				\$163,277	\$13,606
2001	11			10.00%	\$179,605	\$14,967
2002	12				\$179,605	\$14,967
2003	13				\$179,605	\$14,967
2004	14				\$179,605	\$14,967
2005	15				\$179,605	\$14,967
2006	16			10.00%	\$197,566	\$16,464
2007	17				\$197,566	\$16,464
2008	18				\$197,566	\$16,464
2009	19				\$197,566	\$16,464
2010	20				\$197,566	\$16,464
2011	21			10.00%	\$217,322	\$18,110
2012	22				\$217,322	\$18,110
2013	23				\$217,322	\$18,110
2014	24				\$217,322	\$18,110
2015	25				\$217,322	\$18,110
2016	26			10.00%	\$239,054	\$19,921
2017	27				\$239,054	\$19,921
2018	28				\$239,054	\$19,921
2019	29				\$239,054	\$19,921
2020	30				\$239,054	\$19,921

Two 10 yr. optional extensions are negotiated at market rent.  
Source: RJ Associates, Inc. Agana, Guam

**Guam Airport Authority  
Rent Calculation  
Block 4, Lot 1  
As of February 15, 1991**

Full Year	Lease Year	Fee Simple Value	Rental Rate	Escalation	Annual Rent	Monthly Rent
1991	1	\$10,206,885	10.00%		\$1,020,689	\$85,057
1992	2				\$1,020,689	\$85,057
1993	3				\$1,020,689	\$85,057
1994	4				\$1,020,689	\$85,057
1995	5				\$1,020,689	\$85,057
1996	6			10.00%	\$1,122,757	\$93,563
1997	7				\$1,122,757	\$93,563
1998	8				\$1,122,757	\$93,563
1999	9				\$1,122,757	\$93,563
2000	10				\$1,122,757	\$93,563
2001	11			10.00%	\$1,235,033	\$102,919
2002	12				\$1,235,033	\$102,919
2003	13				\$1,235,033	\$102,919
2004	14				\$1,235,033	\$102,919
2005	15				\$1,235,033	\$102,919
2006	16			10.00%	\$1,358,536	\$113,211
2007	17				\$1,358,536	\$113,211
2008	18				\$1,358,536	\$113,211
2009	19				\$1,358,536	\$113,211
2010	20				\$1,358,536	\$113,211
2011	21			10.00%	\$1,494,390	\$124,533
2012	22				\$1,494,390	\$124,533
2013	23				\$1,494,390	\$124,533
2014	24				\$1,494,390	\$124,533
2015	25				\$1,494,390	\$124,533
2016	26			10.00%	\$1,643,829	\$136,986
2017	27				\$1,643,829	\$136,986
2018	28				\$1,643,829	\$136,986
2019	29				\$1,643,829	\$136,986
2020	30				\$1,643,829	\$136,986

Two 10 yr. optional extensions are negotiated at market rent.  
Source: RJ Associates, Inc. Agana, Guam

## INVESTMENT RATE OF RETURN ANALYSIS

Before discussing the methodology for determining the rate of return for the subject, some definitions are applicable.

Internal rate of return and modified internal rate of return, as defined by the American Institute of Real Estate Appraisers in the Dictionary of Real Estate Appraisal, are presented below:

*Internal Rate of Return: The annualized rate of return on capital that is generated or capable of being generated within an investment or portfolio over the period of ownership; similar to the equity yield rate; often used to measure profitability after taxes, i.e., the after-tax equity yield rate; the rate of discount that makes the net present value of an investment equal to zero; discounts all returns from an investment, including returns from its termination, to equal the original investment.*

*Modified Internal Rate of Return: A type of internal rate of return analysis in which all negative cash flows up to the first positive cash flow are treated as part of investment capital. In addition, this procedure uses a reinvestment rate that is chosen by the investor. The internal rate of return, in contrast, uses the internal rate of return rate for reinvesting cash flows.*

The calculation of these rates has been performed for the development. Since each lot by law will be leased for terms presented in the GAA lease, the lease term and escalations are predetermined. These terms pertain equally to all of the lots, and the assumptions regarding the lease yield rate are also equal for all lots. Thus, the investment rates of return for the lease of one lot will be equal to all of the other lots because no assumptions will have been changed.

Because the land was transferred from the government of Guam to GAA, the acquisition or purchase price does not exist. Typically, in calculating an investment rate of return, the first consideration is the cost of the investment. In the case of the subject, the costs to date are the development costs to prepare the ground for construction. These costs

alone are not sufficient for an investment analysis, as GAA was not required to purchase the ground. The rate of return would be artificially high with this basis because the total costs are the development costs excluding the acquisition costs. The best method to calculate the investment rate of return is to use the market value as the acquisition cost, as the amount received upon selling the property is the opportunity cost of receiving rents and the property in 50 years.

The rate of return calculations for one of the properties is presented on the following page. The Internal Rate of Return is 11.96 percent, and the Modified Internal Rate of Return is 10.51 percent. The rates of return for the other properties are equal to these rates.



**Investment Analysis  
Guam Airport Authority  
Agana, Guam**

Investment Analysis  
Guam Airport Authority Industrial Park  
Page 2

2030-2041	Mar-30 Feb-31	Mar-31 Feb-32	Mar-32 Feb-33	Mar-33 Feb-34	Mar-34 Feb-35	Mar-35 Feb-36	Mar-36 Feb-37	Mar-37 Feb-38	Mar-38 Feb-39	Mar-39 Feb-40	Mar-40 Feb-41
Land Value per SM Inflated at 4.00%	\$1,223	\$1,272	\$1,323	\$1,376	\$1,431	\$1,488	\$1,548	\$1,610	\$1,674	\$1,741	\$1,811
Assumed Ratio: Rental Rate/Land Value	10.00%										
Contract Revenue	\$301,788	\$406,109	\$406,109	\$406,109	\$406,109	\$406,109	\$446,720	\$446,720	\$446,720	\$446,720	\$446,720

Second Extension

Internal Rate Of Return (Assumes Reinvestment at IRR rate)	11.96%
Modified IRR (Assumes Reinvestment at 10%)	10.51%

Note: These rates of return are calculated with an assumed investment to be the market value of the property as of the appraisal date. Since the land was transferred to, not purchased by, GAA, the only costs are for the development of the park. The market value of the property at the time of the appraisal is most appropriate.

Source: RJ Associates, Inc. Agana, Guam

**APPENDICES**

## Real Estate Appraisal and Consulting Experience

Richard E. Jortberg, Jr.

### Education:

BSBA 1981 Marquette University  
MS 1986 University of Wisconsin, Madison  
Real Estate Appraisal and Investment Analysis

Laventhol & Horwath Principles of Management Consulting  
(Won Best Consulting Team award in 1987)

American Institute of Real Estate Appraisers:

Real Estate Principles  
Basic Valuation Principles  
Capitalization Theory and Techniques, Part A  
Capitalization Theory and Techniques, Part B  
Case Studies in Commercial Real Estate Appraisal  
Commercial Appraisal Report Writing  
Accrued Depreciation  
Standards of Professional Practice  
Four of five years approved experience as an advanced candidate  
for MAI designation.

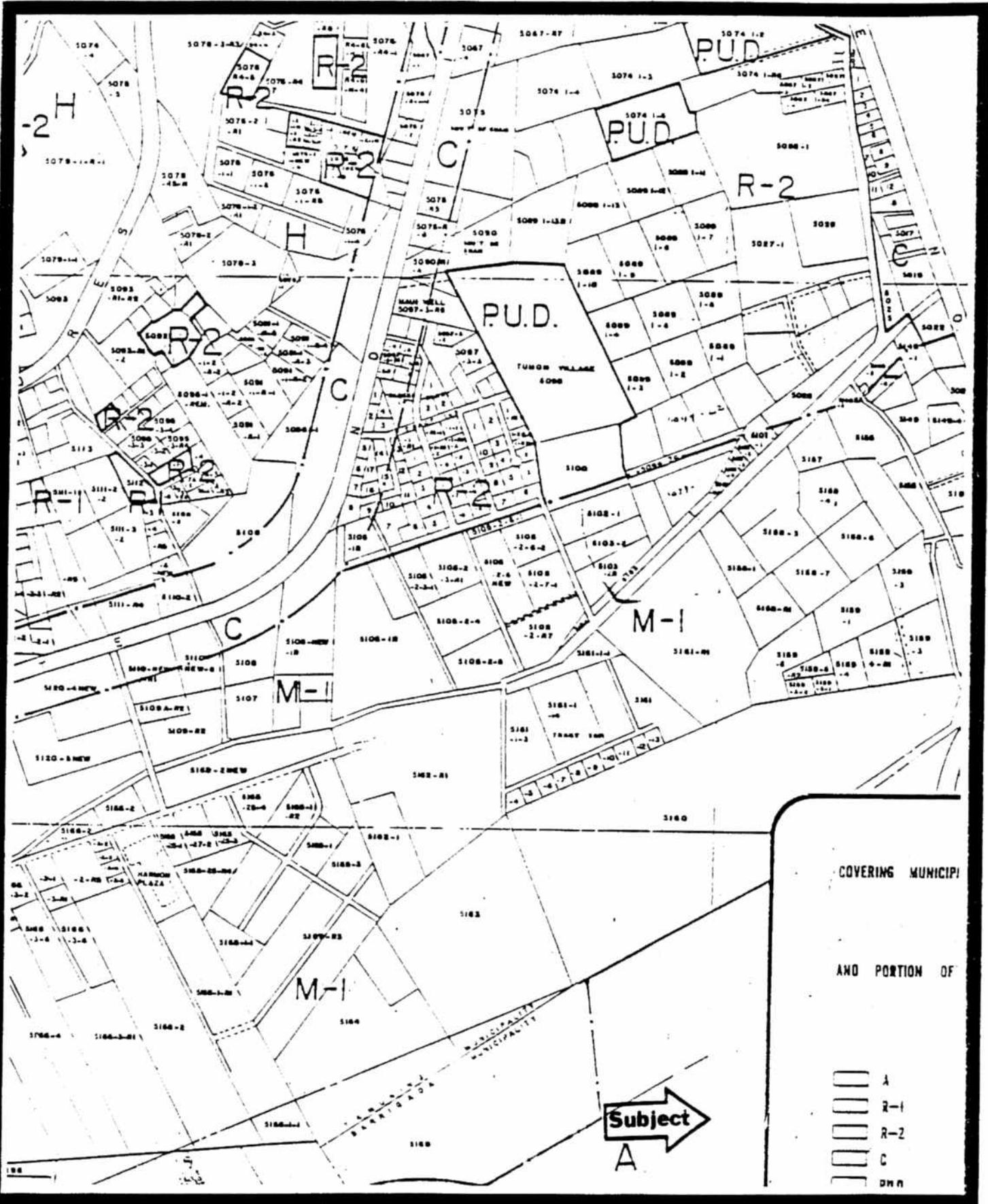
### Employment Experience:

RJ Associates, Inc. Agana, Guam  
Director of this real estate consulting and appraisal firm.  
Focus of firm is throughout the rapidly growing Pacific Rim.

Bramalea USA Development, Denver, Colorado  
Bramalea is a Canadian development firm with an asset base in excess  
of \$4 billion. Responsibilities with Bramalea included reviewing the  
financial feasibility of potential acquisitions and development. In this  
capacity commercial properties valued in excess of \$2 billion have been  
reviewed.

Laventhol & Horwath, Denver, Colorado  
Senior Consultant, Real Estate Advisory and Appraisal Services.  
L&H was known as the largest and most prominent real estate  
appraisal and consulting firm in the U.S. Reviewed properties  
throughout the United States for economic performance. Experience  
included valuation, feasibility analysis, as well as work out strategies for  
distressed properties.

# Zoning Map



COVERING MUNICIPI

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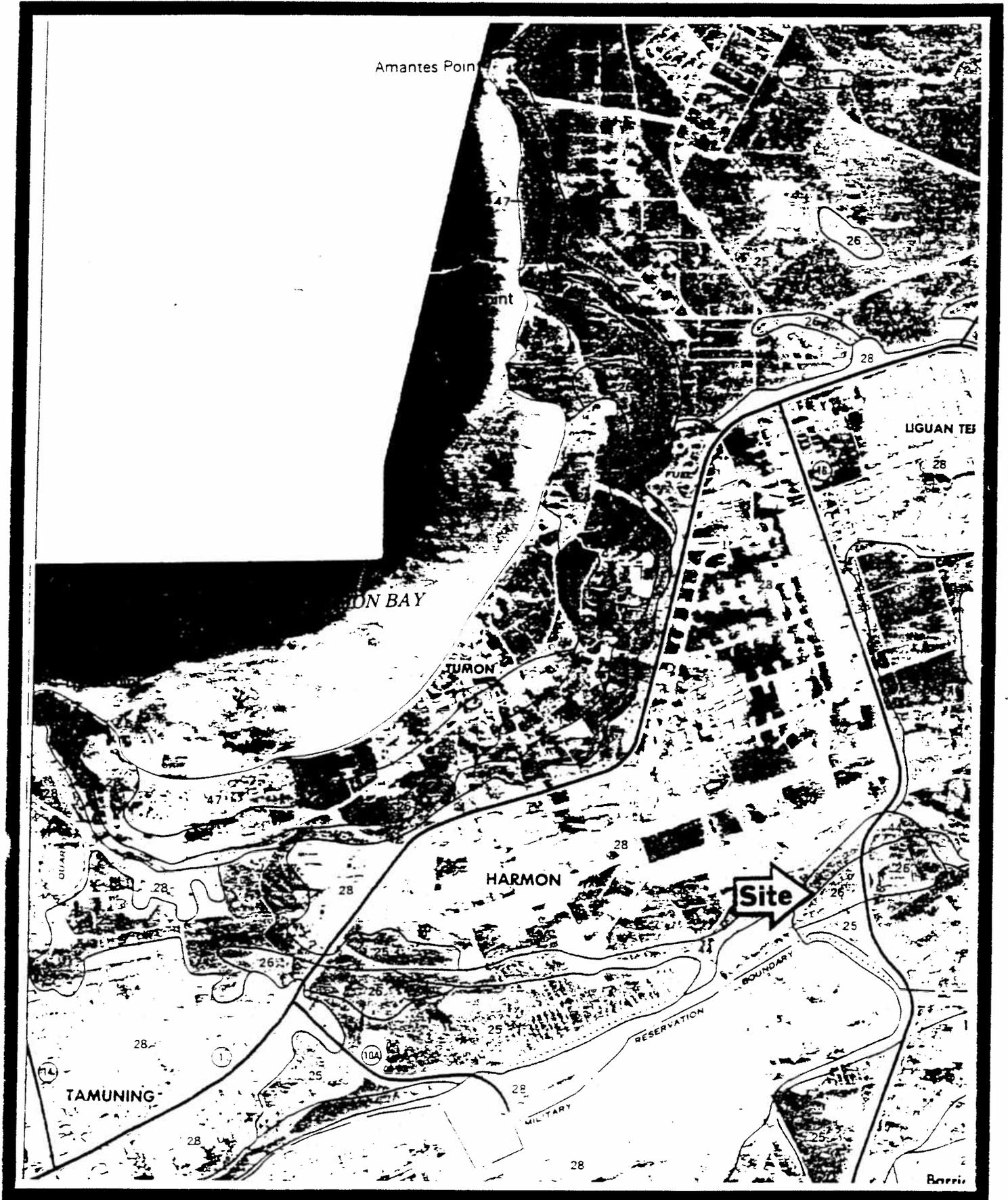
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**Subject** 





# SOILS MAP



# Harmon big grotesque, jumbled mess

Every time I drive through Harmon I find myself uttering to myself, cursing softly under my breath, wondering why we have done so little to solve the myriad problems in that grotesque area.

Don't these businesses pay taxes? Aren't they entitled to government services? Is Harmon such a disaster simply because few people live there, and thus there are no votes for the politicians to curry favor for?

We're talking about a clearly defined area, between Airline Drive and the airport cliffline, bordered by Route 16 on the north.

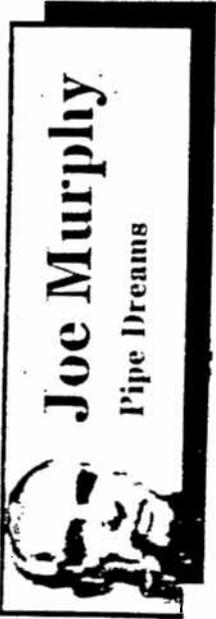
It is a jumbled mess, the worst possible urban planning. They have a flea market, warehouses, government offices, commercial businesses, even shops, condos, and seemingly dozens of auto repair shops, along with furniture stores and restaurants, all jumbled together in what can only be described as a dogpodge.

I'm not even sure how Harmon got that way. I do know that it is an abandoned airfield, and I do remember, 24 years ago racing down that strip at 70 mph to clean out my car's fuel system. You can't do it any more.

There are no sidewalks, the roads are rutted and riddled, and the main road is cut off each weekend as private citizens collect tolls. There is no attempt at sanitation, or even clean up. Junk cars, pushed out the auto repair shops, are everywhere. The whole place is a total eyesore and an embarrassment to Guam.

At the same time it is a vital place, filled with the heart of Guam's business community. A little surprisingly it is also the home of the Guam Environmental Protection Agency, a group that must be more than a little disturbed at what has happened in that location.

Complaining about the appearance of Harmon isn't enough. We should come up with a solution. One might try to make this whole area into some kind of special tract, with its own leaders and rules. Another might be the formation of a Harmon association, to form a political clout to begin applying pressure on the legislature and the governor.



**Joe Murphy**

Pipe Dreams

First things first. Gov. Guam should start by resolving that long standing dispute with Pete Hemlant over his apparent ownership of part of the main egress road. Buy it from him. Condemn it. Do something. It's been 10 years or more that we've allowed this intolerable situation to exist.

Then let's start fixing the roads, putting in sidewalks, and some green belts and parks. An industrial area doesn't have to look like the Ordot dump. It's time to make an effort to upgrade this key part of the island.

**TWENTIETH GUAM LEGISLATURE  
1990 REGULAR SESSION**

Bill No. \_\_\_\_\_

INTRODUCED BY: Senator John P. Aguon

**AN ACT TO AUTHORIZE  
THE GUAM AIRPORT AUTHORITY  
TO LEASE LOTS WITHIN THE  
GUAM AIRPORT AUTHORITY INDUSTRIAL PARK  
FOR AIRPORT OR AIRPORT RELATED USES**

**BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:**

**Section 1.**      Lease of Guam Airport Authority Industrial Park Property.      Notwithstanding any other provision of law, and without further legislative approval or action, the Guam Airport Authority, in accordance with the provisions of this Act, is authorized and empowered to enter into leases of all or portions of that certain real property owned by the Guam Airport Authority located at Tract 1427, Municipalities of Barrigada and Dededo, Guam, and known as the Guam Airport Authority Industrial Park.

**Section 2.**      Lessees and Lessees' Uses.      Prospective lessees must be creditworthy and have the financial ability and experience to undertake the lease and perform the site improvement to develop the leased premises. The lessees' use of the leased premises must be for airport or airport related

businesses, including warehousing and light industry having a direct or indirect relationship with support and supply to airport lessees. Preferences shall be given to prospective lessees who will create jobs and provide training for the Guam workforce.

**Section 3.** Lease Provisions. All lease agreements entered into by the Guam Airport Authority and the lessees shall be in substantially the same form and content as the Ground Lease form attached to and incorporated into this Act.

**Section 4.** Lease Rents. All lease rents shall commence at the fair market rental rate for the leased premises at the time the lease is entered into, as determined by the Guam Airport Authority, provided that in no event, shall the lease rents be less than the greater of two appraisals prepared by two (2) independent Guam licensed appraisers within three (3) months prior to the date of the lease execution.

**Section 5.** Binding Effect of Leases. Any lease of Guam Airport Authority Industrial Park land as described above and under the terms and conditions set forth above, between the Guam Airport Authority as lessor and a third party lessee, shall be binding and authorized under law without further legislative approval.

**Section 6.** Effective Date. Effective date of this Act will take effect upon approval by the Governor or upon its becoming law without such approval.

GAA INDUSTRIAL PARK GROUND LEASE

Preamble

THIS LEASE made and entered into by and between the GUAM AIRPORT AUTHORITY, a public corporation and autonomous instrumentality of the Government of Guam ("Landlord"), and

---

R E C I T A L S :

Landlord has undertaken a construction program for the development of vacant land consistent with the approved Master Plan for development of the Guam International Air Terminal, including land leased lots for commercial/industrial use, known as the Guam Airport Authority Industrial Park ("GAA Industrial Park").

Tenant has applied to Landlord to lease and occupy land within the GAA Industrial Park.

Landlord is willing to lease land to Tenant within the GAA Industrial Park upon the terms, conditions and covenants set forth below.

Agreement

In consideration of the premises and the mutual covenants and agreements herein contained, Landlord and Tenant agree as follows:

ARTICLE 1.

DEMISE OF LEASE LAND

Leased Land

§1.01. Landlord for and in consideration of the rents, covenants, and conditions herein contained to be kept, performed, and observed by Tenant, does LEASE and DEMISE to Tenant, and Tenant does RENT and ACCEPT from Landlord, the real property, referred to as the "Leased Land", as particularly described and shown on the attached Exhibit "A".

ARTICLE 2.

LEASE TERM

Term

§2.01. The term of this lease shall be for a period of thirty (30) years, to begin on \_\_\_\_\_, 19\_\_ and end on midnight, \_\_\_\_\_, \_\_\_\_\_.

Options to Extend

§2.02. If this lease shall then be in full force and effect and Tenant shall have fully performed all of its obligations, terms and conditions hereunder, Tenant shall have the option to extend the term of this lease, upon the same terms and condition, for the following two (2) successive ten (10) year periods:

1. First Extended Period: \_\_\_\_\_, 19\_\_ through \_\_\_\_\_.
2. Second Extended Period: \_\_\_\_\_ through \_\_\_\_\_.

Tenant shall not have the right to extend the term of this lease beyond the second extended term.

2.02.01. Exercise of Options. Tenant shall exercise its option to extend the term for each ten (10) year period by giving written notice to Landlord, at least one hundred twenty (120) days before the expiration of the initial term or first extended term (as the case may be), of its intention to extend the term of this lease as provided herein. Failure of Tenant to give the required written notice of its exercise of the option to extend or any termination of this lease shall terminate all rights to extend the term.

Holding Over

§2.03. If Tenant shall remain in possession of the Leased Land after the expiration or termination of this lease, such possession shall be on a month-to-month tenancy upon the same terms and conditions of this lease as existed immediately prior to the expiration or termination of the term, except, however, the duration of the lease shall be on a month-to-month basis with no option to extend.

ARTICLE 3.

RENT, COMMON AREA EXPENSE, TAXES AND UTILITIES

Monthly Rent

§3.01. During the term of this lease, as may be extended, Tenant shall pay Landlord monthly rent as set forth on the Rental Schedule attached hereto as Exhibit "B".

3.01.01. Escalation - Initial Term. At the end of each fifth (5th) year of the term hereof, the rental rate for the next ensuing five (5) years shall be increased by ten percent (10%) of the prior effective rental rate.

3.01.02. Escalation - Extended Term. The rental to be paid by Tenant to Landlord during the extended periods, if extended, shall be such rental as mutually agreed upon by the parties. Should the parties fail to mutually agree on the rental to be paid during each extended period, if extended, by ninety (90) days prior to the commencement thereof, then the rental to be paid by Tenant to Landlord thereunder shall be the "fair rental value" of the Leased Land (exclusive of all buildings and improvements constructed thereon by Tenant) determined as hereinafter provided, or the then existing rental increased by ten percent (10%), whichever amount is greater. In the latter case, that is, if the existing rental increased by ten percent (10%) is greater than the "fair rental value" of the Leased Land, then the rental to be paid during the extended period shall automatically increase by ten percent (10%) after the fifth year of the extended period. As used herein, the term "fair rental value" shall mean ten percent (10%) per annum of the "fair market value" of the Leased Land exclusive of all buildings and improvements constructed thereon by Tenant. To determine such fair market value of the Leased Land the parties shall each select and

appoint a qualified real estate appraiser licensed to do business in the Territory of Guam, and the two appraisers so appointed shall select and appoint a third appraiser, and in the event the two appraisers so appointed shall fail to appoint the third appraiser within ten (10) days after the second appraiser has been named, the third appraiser shall be selected and appointed by the Presiding Judge of the Superior Court of Guam, and the three appraisers so appointed shall thereupon proceed to determine the fair market value of the Leased Land. Should either party fail to select and appoint an appraiser pursuant hereto within five (5) days of written notice of the other party's selection and appointment of an appraiser then the first appointed appraiser shall determine such fair market value of the Leased Land. The determination of fair market value shall be made not less than thirty (30) days prior to the commencement of the extended period. The decision of any two of the three appointed appraisers, or of the single appointed appraiser, as the case may be, as to the fair market value of the Leased Land shall be final, conclusive and binding upon all parties. Landlord and Tenant shall pay the expenses of their own appraiser, and all other expenses, including that of the third appraiser, shall be divided equally between Landlord and Tenant. At the end of each fifth (5th) year of any extended term of this lease, the rental rate for the next

ensuing five (5) years shall be increased by 10% of the prior effective rental rate.

3.01.03. Payments. Rental payments shall be paid to Landlord monthly in advance, on the first (1st) day of each month for that month's rental, without offset or deduction of any kind whatsoever, at Landlord's address listed hereinbelow or at such other address as may be from time to time designated in writing by Landlord; provided the first rental payment hereunder shall be due upon notice from Landlord to Tenant that the Leased Land is ready for possession or upon Tenant's possession of the Leased Land, whichever occurs first.

Common Area Expense

§3.02. Upon thirty (30) days prior notice from Landlord, Tenant shall commence paying to Landlord, on the same date the rent is due, a monthly common area expense based upon Tenant's monthly share of the projected common area expenses for the GAA Industrial Park for ensuing year, as reasonably determined from time to time by Landlord. From time to time, upon further thirty (30) days prior notice from Landlord to Tenant, the common area expense to be paid by Tenant to Landlord may be reasonably increased or decreased by Landlord to reflect Tenant's share of the total common area expense in the GAA Industrial Park. Common area expenses may include, without limitation, costs and expenses for security,

maintenance, landscaping, street lights, road repair, and utilities within or related to the GAA Industrial Park.

Tenant to Pay Taxes

§3.03. Tenant agrees to pay direct to the taxing authorities all real property taxes, special taxes, charges or assessments, including street improvement liens, if any, and all property taxes on personal property located on the Leased Land, levied or assessed upon or against the Leased Land during the term of this Lease.

3.03.01. Contesting Taxes. Nothing herein contained shall prevent Tenant from contesting in good faith, by any appropriate proceedings commenced before the same becomes delinquent, the validity or amount of any such tax, assessment or charge, nor require the payment thereof until the final determination of such contest adversely to Tenant; provided, however, that Tenant will pay all such taxes, assessments or charges, together with all interest, penalties, fines and costs accrued thereon or imposed in connection therewith, forthwith upon the commencement of proceedings to foreclose any lien which may attach to the Leased Land or any interest or part thereof; and provided, further, that if Tenant shall fail to pay any such taxes, assessments or other charges as herein provided, Landlord may at any time thereafter pay the same, together with any interest, penalties, fines and costs accrued thereon or imposed in connection therewith, and Tenant

will repay to Landlord upon demand therefor the full amount so paid by Landlord, together with interest thereon at the rate of one and one-half percent (1 1/2%) per month.

Tenant to Pay Utility Charges

§3.04. Tenant shall pay or cause to be paid all charges for water, gas, electricity, sewer, telephone and any and all other utilities used upon the Leased Land throughout the term of this lease, including any connection fees.

ARTICLE 4.

USE OF PREMISES, INSURANCE AND INDEMNITY

Use

§4.01. Tenant shall use the Leased Land specifically for the purpose of constructing, maintaining and operating thereon facilities limited to the airport and airport related purposes and activities specifically set forth on the attached Exhibit "C". Tenant shall not use, or permit the Leased Land, or any part thereof, to be used for any purpose or activity other than the purposes and activities set forth on Exhibit "C" hereto. Use of the Leased Land for any other purpose or activity without the express prior written consent of Landlord shall constitute a material breach of this lease. Tenant shall indemnify and hold harmless Landlord from any and all claims, demands, expenses (including attorneys' fees and court costs), damages and losses Landlord may suffer or incur as a result of Tenant's breach of this §4.01. Failure to use

the Leased Land for any of the required purposes and activities set forth in Exhibit "C" for a period of one hundred twenty (120) days or more without the express prior written permission of Landlord shall also constitute a material breach of this lease.

Compliance with Laws

§4.02. Tenant covenants and agrees that during the term of this lease, Tenant shall promptly comply with all present and future laws, ordinances, orders, rules, regulations, and requirements of the Federal, territorial and municipal governments or any of their agencies (including Landlord) departments, bureaus, boards, commissions and officials thereof with respect to the Leased Land, the buildings and improvements erected thereon, or the use or occupancy thereof, whether said compliance shall be ordered or directed to or against Landlord or Tenant or both. This lease is subject to all consents, approvals and permits required by law or governmental rule or regulation. It shall be Tenant's duty and responsibility to obtain any such required consents, approvals and permits. Landlord shall cooperate with and assist Tenant in obtaining any such required consents, approvals or permits.

Tenant Not To Commit Waste; Nuisance

§4.03. Tenant shall not use the Leased Land in any manner that will constitute waste, nuisance, or unreasonable

annoyance (including, without limitation, the use of a loud speakers or sound or light apparatus that can be heard or seen outside of the Leased Land) to other tenants of Landlord in property adjoining the Leased Land within the GAA Industrial Park.

Liability Insurance

§4.04. Tenant covenants and agrees, at its sole cost and expense, throughout the duration of this lease, to obtain, keep, and maintain in full force and effect for the mutual benefit of Landlord and Tenant the following types of insurance:

4.04.01. Liability. Comprehensive liability insurance against claims for damage to persons or property arising out of the use and occupancy of the Leased Land or any part or parts thereof in limits of not less than Five Hundred Thousand Dollars (\$500,000.00) in respect to bodily injury to or death of any one (1) person in any one (1) accident, and in limits of not less than One Million Dollars (\$1,000,000.00) in respect to bodily injury or death to more than one (1) person in any one (1) accident, and property damage in all instances in an amount not less than One Hundred Thousand Dollars (\$100,000.00).

4.04.01.01. Deductible. Such public liability policy or policies may provide for a deductible not in excess of One Thousand Dollars (\$1,000.00) or such other

amount as Landlord may determine irrespective of the number of persons, parties or entities involved.

4.01.01.02. Adjustment of Coverage. In the event that Landlord shall at any time and from time to time deem the limits of liability insurance as hereinabove provided to be insufficient, upon notice to Tenant the parties shall promptly endeavor to agree on reasonable limits for such insurance coverage then to be carried, and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to this Section. Should the parties be unable to agree upon the proper and reasonable limits for such liability insurance within five (5) days of notice from Landlord to Tenant, then Landlord may select any insurance company licensed to and engaged in business on the Territory of Guam (excluding the insurance company then carrying the liability insurance hereunder) to determine the proper limits of liability insurance to be provided and maintained by Tenant hereunder. Said insurance company's determination on the proper and reasonable limits of liability insurance shall be binding upon both parties until such limits shall again be changed pursuant to this Section.

4.04.02. Casualty Insurance. A policy of fire and typhoon insurance with standard form extended coverage endorsement, to the extent of the full insurable value, covering all buildings and improvements which may from time to

time be located on the Leased Land. The proceeds from any such policy shall be used for the repair or replacement of such improvements and buildings except as otherwise provided herein.

4.04.03. Certificates. Copies or duplicate originals, certificates, or binders of such insurance policies shall be furnished to Landlord at the commencement of the term of this lease and each renewal certificate of such policies shall be furnished to Landlord at least thirty (30) days prior to the expiration of the policy it renews. Each such policy of insurance shall contain an agreement by the insurer that such policy shall not be cancelled without thirty (30) days prior written notice to Landlord.

4.04.04. Forms. All insurance provided for in this Article may be in the form of a general coverage, floater policy or so-called blanket policies which may be furnished by Tenant, or a related corporation of Tenant or any related entity. The liability and casualty coverage set forth herein shall be issued by insurers of recognized responsibility, as may be reasonably approved by Landlord. All policies of insurance to be provided for herein by Tenant shall be issued in the names of Tenant and Landlord and for the mutual and joint benefit and protection of the parties as their interests may appear.

4.04.05. Failure to Comply Constitutes A Default. Tenant's failure to effectuate any and all such

insurance and renewal policies of insurance required as set out in this §4.04, and to pay the premiums and renewal premiums on all such policies and insurance as they become due and payable, and to deliver all such certificates of insurance and renewals thereof or duplicate originals or copies to Landlord within the time limits set out in this Article, shall constitute a material default by Tenant under the terms of this lease.

4.04.06. Landlord May Effect Insurance. In the event Tenant fails to cause the aforesaid insurance policies to be written and pay the premiums for the same and deliver all such certificates of insurance or duplicate originals or copies thereof to Landlord within the time provided for in this lease, Landlord shall nevertheless have the right, without being obligated to do so, to effect such insurance and pay the premiums therefor, and all such premiums paid by Landlord shall be repaid to Landlord on demand as additional rent, and Tenant's failure to repay the same as aforesaid shall constitute a material default under this lease.

4.04.07. Indemnity not Limited. Nothing contained in this §4.04 shall effect or limit Tenant's obligations under §4.05, infra.

#### Indemnity

§4.05. Tenant covenants and agrees that from and after the commencement of the term of this lease or any extended term, Tenant shall indemnify and hold harmless

Landlord from any and all claims, demands, expenses (including attorneys' fees and court costs) or damages for any personal injury or injuries, death(s), damages, or losses to any person(s) or property that may be suffered or sustained by Tenant or any of its agents, servants, employees, patrons, customers, invitees, visitors, licensees, departments, and concessionaires or by any other person or persons in, on or about the Leased Land or any part thereof, arising from any and all causes whatsoever, except the willful misconduct or gross negligence of Landlord.

ARTICLE 5.

CONSTRUCTION BY TENANT

Tenant's Obligation to Build

§5.01. Tenant shall, at its sole cost and expense, construct the building and improvements described in Exhibit "D" attached hereto (the "Building Project"). Construction of the Building Project shall commence within one hundred twenty (120) days after receipt of the building plans and specifications approval of Landlord as required hereunder. Construction of the Building Project shall be completed and the Building Project ready for occupancy and use within ninety (90) days of the projected construction completion date as set forth in Tenant's construction contract documents and approved by Landlord. Such time for completion shall be extended for so long as Tenant shall be prevented from completing the Building

Project by interference or other causes beyond the reasonable control of Tenant, but in no event to exceed the period of three (3) years from the execution of this lease.

5.01.01. Specifications and Plans. Tenant shall, at its own cost and expense, engage a licensed architect or engineer to prepare plans and specifications for the Building Project, and, no later than ninety (90) days from the commencement of this lease, shall submit to Landlord for approval, two (2) copies of detailed working drawings, plans and specifications prepared by such architect or engineer, including the following:

(a) Drawings and materials in the form of plans, elevations, sections and rendered perspectives sufficient to convey the architectural design of the Building Project to Landlord;

(b) Outlined specifications in sufficient detail to indicate the general description of the Building Project, the type of building or structure, the kind and quality of materials, mechanical and electrical systems to be installed in the Building Project; and

(c) The architect's estimate of the Building Project's construction cost.

5.01.02. Review and Approval. Within sixty (60) days after submission of such plans and specifications by Tenant, Landlord will review and approve the plans and

specifications by endorsing such review on the plans and specifications and returning one (1) set thereof to Tenant or Landlord will inform Tenant in writing of any objections to such plans and specifications and Tenant shall have sixty (60) days thereafter to propose in writing corrective amendments which Landlord shall accept or reject within the next thirty (30) days. Failure of Landlord to inform Tenant of objections within such thirty (30) day period shall be deemed Landlord's approval of the changes.

5.01.03. Changes in Plans. Tenant shall submit to Landlord a statement of any substantial changes in the plans and specifications required to be reviewed and approved by Landlord under this section. Failure of Landlord to object to such changed plans and specifications within thirty (30) days shall be deemed Landlord's approval of the changes. Minor changes in work or materials, not affecting the general character of the Building Project, may be made in the plans and specifications at any time without the review and approval of Landlord, but a copy of the altered plans and specifications shall be furnished to Landlord.

5.01.04. No Liability to Landlord. The review and approval of Landlord of any plans and specifications refers only to the conformity of such plans and specifications to the general architectural plan for the Leased Land. Such plans and specifications are not reviewed and approved for architectural,

structural or engineering design, and Landlord, by reviewing and approving such plans and specifications, assumes no liability or responsibility therefor or for any defect in any structure constructed or compliance from such plans or specifications or noncompliance therewith.

5.01.05. Additional Documents. Tenant shall furnish Landlord with copies of the following documents, as soon as they are available:

(a) Contract between Tenant and its architects;

(b) Contract between Tenant and all contractors engaged to work on the Building Project;

(c) Copies of all plans, specifications and working papers for the Building Project, including "as built" drawings; and

(d) All contractor and subcontractor Performance and Payment Bonds.

5.01.06. Cost to be Tenant's. The cost of any construction, renovation, enlargement, reconstruction, demolition, or of any change, alterations, or improvements, on the Leased Land shall be borne and paid for by Tenant.

5.01.07. No Liens. The Leased Land shall at all times be kept free of mechanic's and materialman's liens, as provided in ARTICLE 8, infra.

Approval of All Construction.

§5.02. No building or other improvements, the plans and specifications of which have not first received the written review and approval of Landlord, as required above or which do not comply with such approved plans and specifications, shall be constructed or maintained on the Leased Land. No addition to or alteration of any building or other improvement erected on the Leased Land shall be commenced unless and until plans and specifications covering such additions or alterations shall have first been submitted to reviewed and approved by Landlord. Failure to comply with approved plans and specifications for any building or other improvement to be constructed and maintained on the Leased Land shall constitute a material default of this lease.

Improvements To Conform To Law

§5.03. Throughout the duration of this lease, Tenant agrees that all buildings, structures, and other improvements that may be erected on the Leased Land by Tenant or any subtenants, including, but not limited to, all elevators, escalators, plumbing, electrical, heating, air conditioning and ventilation equipment and systems, and all other equipment, will be installed, operated, and maintained in accordance with the law and with the regulations and requirements of Landlord, including its Development and Building Standards, and of any and all governmental authorities, agencies, or departments,

having jurisdiction thereof, without cost or expense to Landlord.

Tenant's Ownership of Improvements and Fixtures

§5.04. During the term hereof, any and all of Tenant's improvements, fixtures, machinery, and equipment of whatsoever nature at any time constructed, placed, or maintained upon any part of the Leased Land shall remain the property of Tenant.

5.04.01. Tenant's Right to Remove Fixtures. Tenant shall have the right at any time during Tenant's occupancy of the Leased Land to remove any and all of Tenant's trade fixtures, machinery and equipment owned or placed by Tenant in, under, or upon the Leased Land, or acquired by Tenant, whether before or during the lease term; provided, Tenant shall, at its sole cost and expense, immediately repair any damage or injury to any building or other improvement on the Leased Land caused by any such removal of trade fixtures, machinery and equipment. This provision shall survive the expiration or termination of this lease.

5.04.02. Landlord's Right to Improvements. As provided in ARTICLE 11, infra, upon expiration or sooner termination of this lease, title to all buildings and other improvements on the Leased Land shall be vested in the Landlord without the payment of any consideration therefor. Landlord, alternatively, at its sole discretion, may require Tenant, at

Tenant's sole cost and expense, to remove all buildings and other improvements on the Leased Land and return the Leased Land to the same condition as it was at the time of the commencement of the term hereof. This provision shall survive the expiration or termination of the term of this lease.

ARTICLE 6.

ENCUMBRANCE OF LEASEHOLD ESTATE

Tenant's Right to Encumber With Landlord's Consent

§6.01. Tenant shall not encumber by mortgage or other security instrument, by way of assignment, or otherwise, Tenant's interest under this lease and the leasehold estate hereby created for any purpose, without the prior written consent of Landlord, which consent shall not be unreasonably withheld.

ARTICLE 7.

REPAIRS AND RESTORATION

Tenant's Duty to Repair

§7.01. Tenant, at Tenant's own cost and expense, at all times during the term of this lease, agrees to keep and maintain, or cause to be kept and maintained, all buildings and other improvements which may be erected upon the Leased Land in good condition and a good state of appearance and repair, reasonable wear and tear excepted.

Damage or Destruction - Repair

§7.02. If the Leased Land, any building or other improvement, or any part thereof are damaged or destroyed by reason of any cause whatsoever, Tenant shall within sixty (60) days, commence and diligently pursue to completion the repair or reconstruction of such buildings and improvements on the Leased Land, and this lease shall remain in full force and effect; provided, that during the last three (3) years of the term of this lease should the buildings and other improvements on the Leased Land be damaged or destroyed to such a substantial extent so as to render the Leased Land with the buildings and improvements thereon commercially unusable by Tenant, then within said sixty (60) day period, Tenant may elect to terminate the lease by delivering or assigning to Landlord all insurance proceeds received or to be received as a result of such damage or destruction and returning the Leased Land, at Tenant's sole cost, to the same condition or better as it was at the time of the commencement of the term hereof.

#### ARTICLE 8.

#### MECHANIC'S LIENS

##### Prohibition of Liens on Fee or Leasehold Interest

§8.01. Tenant shall not suffer or permit any mechanic's liens or other liens to be filed against the fee of the Leased Land nor against its leasehold interest nor any buildings or other improvements on the Leased Land by reason of any work, labor, services, or materials supplied or claimed to

have been supplied to Tenant or anyone holding the Leased Land or any part thereof through or under Tenant. In the case of any construction on the Leased Land costing in excess of \$50,000.00, Tenant shall cause its contractor or builder to post performance and payment bonds to be approved in advance by Landlord.

Removal of Liens By Tenant

§8.02. If any such mechanic's liens or materialman's lien shall be recorded against the Leased Land, or any improvements thereon, Tenant shall cause the same to be removed or, and in the alternative, if Tenant in good faith desires to contest the same, Tenant shall be privileged to do so but in such case Tenant hereby agrees to indemnify and hold Landlord harmless from all liability for damages occasioned thereby and shall, in the event of a judgment of foreclosure upon said mechanic's lien, cause the same to be discharged and removed prior to the execution of such judgment.

ARTICLE 9.

ASSIGNMENT AND SUBLEASE

No Right to Assign and Sublease

§9.01. Tenant shall not sublet or assign the Leased Land or any part or portion thereof without the prior written consent of Landlord. Any unauthorized attempt to sublet or assign shall constitute a material default of this lease and such subletting or assignment shall be deemed null and void.

ARTICLE 10.

DEFAULT AND REMEDIES

Termination by Landlord on Specified Defaults

§10.01. If Tenant shall default in the payment of rent on the date provided for in this lease and such rent default continues for a period of five (5) or more days after written notice of said default from Landlord, or in the event that Tenant shall default or fail in the performance of a covenant or agreement on his part to be performed in this lease other than the payment of rent, and such non-rental default shall not have been cured for a period of thirty (30) days after written notice of said default from Landlord, or if such default cannot, with due diligence, be cured within thirty (30) days, and Tenant shall not have commenced the remedying thereof within such period or shall not be proceeding with due diligence to remedy it (it being intended in connection with a default not susceptible of being cured by Tenant with due diligence within thirty (30) days that the time within which to remedy same shall be extended for such period as may be necessary to complete the same with due diligence), then, and in such case, it shall and may be lawful for Landlord, at Landlord's option, with or without summary proceedings, or any other appropriate legal action or proceedings, to terminate this lease and to enter upon the Leased Land or any part

thereof and expel Tenant, or any person or persons occupying the Leased Land and so to repossess and enjoy the Leased Land.

10.01.01. Other grounds for default. If, after the commencement of the term of this lease, (i) Tenant shall be adjudicated a bankrupt or adjudged to be insolvent; (ii) a receiver or trustee shall be appointed for Tenant's property and affairs; (iii) Tenant shall make an assignment for the benefit of creditors or shall file a petition in bankruptcy for insolvency or for reorganization or shall make application for the appointment of a receiver; or (iv) any execution or attachment shall be issued against Tenant or any of Tenant's property, whereby the Leased Land or any building or buildings or any improvements thereon shall be taken or occupied or attempted to be taken or occupied by someone other than Tenant, except as may herein be permitted, and such adjudication, appointment, assignment, petition, execution, or attachment shall not be set aside, vacated, discharged, or bonded within thirty (30) days after the issuance of the same, then a default hereunder shall be deemed to have occurred so that the provisions of this §10.01 shall become effective and Landlord shall have the rights and remedies provided herein.

10.01.02. Peaceable Surrender. Should the term of this lease at any time be ended under the terms and conditions of this §10.01, or in any other way, Tenant hereby covenants and agrees to surrender and deliver up the Leased

Land peaceably to Landlord immediately upon the termination of the term.

10.01.03. Reletting Leased Land. At any time or from time to time after any such default and notice thereof (if required) pursuant to this §10.01 Landlord or its representatives may, without notice, reenter the Leased Land by force, summary proceedings or otherwise, and remove all persons and contents therefrom, without being liable to prosecution therefor, and Tenant hereby expressly waives the service of any notice in writing of intention to reenter or to institute legal proceedings to that end and Tenant shall pay, at the same time as the rent becomes payable under the terms hereof, a sum equivalent to the rent and additional rent reserved herein, and Landlord may relet the Leased Land or any part or parts thereof in the name of Landlord or otherwise, for a term or terms which may at Landlord's option be less than or exceed the period which would otherwise have constituted the balance of the term of this lease without releasing Tenant from any liability, applying such rent first, to the cost of obtaining possession, second, to restoring the Leased Land to a rentable condition, third, to brokerage fees and the cost to Landlord of reletting the Leased Land, and then to the payment of rent, items or additional rent and all other charges due and to grow due to Landlord, any surplus to be paid to Tenant, who shall remain liable for any deficiency. The failure or refusal of Landlord

to relet the Leased Land or any part thereof shall not release or affect Tenant's liability. Any sums due to Landlord shall be paid in monthly installments by Tenant on the rent day specified in this lease and any suit brought to collect the amount due for any month shall not prejudice in any way the rights of Landlord to collect any sums due for any subsequent month. Landlord at its option, may make alterations, repairs, replacements or painting in the improvements on the Leased Land as Landlord may consider advisable for the purpose of reletting the Leased Land or any part thereof, and the making of such alterations, repairs, replacements or painting shall not operate to be construed to release Tenant from liability hereunder. Any mention in this lease of any particular remedy shall not preclude Landlord from any other remedy in law or in equity. Tenant hereby waives any and all rights of redemption granted by or under this lease. In the event of the termination of this lease pursuant to this §10.01, Landlord shall forthwith, notwithstanding any other provisions of this lease to the contrary, be entitled to recover from Tenant as liquidated damages an amount equal to the difference between the rent reserved in this lease for the unexpired portion of the term leased and the then fair and reasonable rental value of the Leased Land for the same period.

#### Other Remedies

§10.02. Any termination of this lease as herein provided shall not relieve Tenant from the payment of any sum or sums that shall then be due and payable to Landlord thereunder or any claim for damages then or theretofore accruing against Tenant hereunder, and any such termination shall not prevent Landlord from enforcing the payment of any such sum or sums or claim for damages by any remedy provided for by law, or from recovering damages from Tenant for any default thereunder. All rights, options, and remedies of Landlord contained in this lease shall be construed and held to be cumulative, and no one of them shall be exclusive to the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this lease.

#### Continuation of Lease During Breach

§10.03. At Landlord's option, if Tenant has breached this lease and abandoned the Leased Land, no notice of termination will be given and this lease will continue in effect for so long as Landlord does not terminate Tenant's right to possession. Landlord may in that case enforce all its right and remedies under this lease, including the right to recover rent as it becomes due.

No Waiver of Default

§10.04. Landlord's failure to take advantage of any default or breach of covenant on the part of Tenant shall not be, or be construed as a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this lease be construed to waive or to lessen the right of Landlord to insist upon the performance by Tenant any term, covenant, or condition hereof, or to exercise any rights given it on account of any such default. A waiver of a particular breach, or default, shall not be deemed to be a waiver of the same or any other subsequent breach of default. The acceptance of rent hereunder shall not be, or be construed to be, a waiver of any term, or condition of this lease.

Demand for Rent

§10.05. Except as otherwise expressly provided herein, in the event that Tenant shall be in default in the payment of any rents provided for in this lease, Tenant waives the making by Landlord of any demand for rent prior to the commencement of any action in ejectment or to obtain possession of the Leased Land.

Late Charge

§10.06. Tenant shall pay Landlord a one and one-half percent (1 1/2%) late charge on every rent payment made five (5) days or more after due date.

ARTICLE 11.

SURRENDER AND REMOVAL

Surrender of Possession

§11.01. Upon the expiration of the term of this lease or any earlier termination thereof, Tenant shall surrender to Landlord possession of the Leased Land and all buildings and improvements thereon.

Removal of Personal Property

§11.02. If Tenant shall not then be in default under any of the covenants and conditions hereof, Tenant may remove or cause to be removed all of Tenant's machinery, equipment and trade fixtures on the Leased Land; provided, Tenant shall, at its sole cost and expense, immediately repair any damage or injury to any building or other improvement on the Leased Land caused by such removal. Any of said machinery, equipment or trade fixtures that are not removed from the Leased Land within thirty (30) days after the date of expiration or any termination of this lease shall belong to Landlord without the payment of any consideration; provided, Landlord, may require Tenant to remove any or all of such machinery, equipment or trade fixtures at Tenant's sole cost and expense. The provisions of this §11.02 shall survive the expiration or termination of this lease.

Tenant's Quitclaim

§11.03. Upon the expiration of the lease term, or any sooner termination of this lease, at Landlord's request, Tenant agrees to execute, acknowledge and deliver to Landlord a proper instrument in writing, releasing, and quitclaiming to Landlord all right, title and interest of Tenant in and to the Leased Land and all buildings and other improvements thereon.

ARTICLE 12.

LANDLORD'S GENERAL PROTECTIVE PROVISIONS

Landlord's Right of Entry and Inspection

§12.01. Tenant shall permit Landlord or Landlord's agents, representatives, or employees to enter upon the Leased Land at reasonable times for the purpose of conducting an inspection in a reasonable manner to determine whether agreements in this lease are being complied with, or for the purpose of showing the Leased Land to prospective tenants, purchasers or mortgagees.

Performance of Tenant's Obligations  
After Notice or Without Notice in Emergency

§12.02. If Tenant shall default in the performance of any covenant or condition in this lease required to be performed by Tenant, Landlord may, after thirty (30) days' notice to Tenant, or without notice if in Landlord's opinion an emergency exists, perform such covenant or condition for the account and at the expense of Tenant. If Landlord shall incur

any expense, including reasonable attorneys' fees, in instituting, prosecuting, or defending any action or proceeding instituted by reason of any default of Tenant, Tenant shall reimburse Landlord for the amount of such expense. Should Tenant, pursuant to this lease, become obligated to reimburse or otherwise pay Landlord any sum of money in addition to the basic rent, the amount thereof shall be deemed additional rent and may, at the option of Landlord, be added to any subsequent installment of the basic rent due and payable under this lease, in which event Landlord shall have the remedies for default in the payment thereof provided by this lease. The provisions of this §12.02 shall survive the termination of this lease.

#### Release of Landlord After Sale

§12.03. In the event of a sale or conveyance by Landlord of the Leased Land or any part containing the Leased Land, Landlord shall be released from any future liability upon any of the covenants or conditions, expressed or implied, in favor of Tenant, and in such event, Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this lease.

#### Accord and Satisfaction

§12.04. No payment by Tenant or receipt by Landlord of a lesser amount than the rental shall be deemed to be other than on account of the rental, nor shall any endorsement or statement on any check or any letter accompanying any check or

payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of the rental or pursue any other remedy provided for in this lease.

Landlord's Contractual Security Interest

§12.05. Landlord shall have at all times a valid security interest to secure payment of all rent and other sums of money becoming due hereunder from Tenant, and to secure payment of any damages which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all fixtures and personal property of Tenant presently, or which may hereafter be, situated on the Leased Land, and all proceeds therefrom, and such property shall not be removed without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord or to become due to Landlord hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Tenant. Upon the occurrence of an event of default by Tenant, Landlord may, in addition to any other remedies provided herein, enter upon the Leased Land and take possession of any and all fixtures and personal property of Tenant situated on the Leased Land, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after

giving Tenant reasonable notice of the time and place of any public sale or of the time after which any private sale is to be made, at which sale Landlord or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable notice shall be met if such notice is given in the manner prescribed in the lease at least seven (7) days before the time of sale. Any sale made pursuant to the provision of this §12.05 shall be deemed to have been a public sale conducted in a commercially reasonable manner if held on the Leased Land or where the property is located after the time, place, and method of sale and a general description of the types of property to be sold have been advertised in a daily newspaper published in Guam, for five (5) consecutive days before the date of the sale. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorneys' fees and legal expenses), shall be the security interest granted in this §12.05. Any surplus shall be paid to Tenant or as otherwise required by law; Tenant shall pay any deficiencies forthwith. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in th

aforementioned property and proceeds thereof under the provisions of the Guam Uniform Commercial Code.

Landlord's Title

§12.06. Nothing herein contained shall empower Tenant to do any act which can, may or shall cloud or encumber Landlord's fee simple title. This lease does not grant any rights to light and air over property except over public streets, alleys or ways kept open by public authority.

Reserved Rights

§12.07. Landlord reserves the following rights: (i) To change the street address of the Leased Land without notice or liability of Landlord to Tenant; (ii) to display during the last ninety (90) days of the term without hinderance or molestation by Tenant "For Rent" and similar signs on windows or elsewhere in or on the Leased Land; (iii) during the last ninety (90) days of the term or any part thereof, if during or prior to that time Tenant vacates the Leased Land, or at any time after Tenant abandons the Leased Land, to enter and decorate, remodel, repair, alter or otherwise prepare the Leased Land for reoccupancy; and (iv) to take any and all reasonable measures, including inspections, repairs, alterations, additions and improvements to the Leased Land as may be reasonably necessary or desirable for the safety, protection or preservation of the Leased Land or Landlord's interest. Landlord may enter upon the Leased Land and may

exercise any or all of the foregoing rights hereby reserved without being deemed guilty of any eviction or disturbance of Tenant's use or possession and without being liable in any manner to Tenant.

Landlord's Right to Cure Default

§12.08. In the event Tenant shall fail to pay and discharge or caused to be paid and discharged, when due and payable any tax, assessment, or other charge upon or in connection with the Leased Land, or any lien or claim for labor or material employed or used in or any claim for damages arising out of the construction, repair, restoration, replacement, maintenance, and use of the Leased Land and the improvements, or any judgment on any contested lien or claim, or any insurance premium or expense in connection with the Leased Land and improvements, or any other claim, charge, or demand which Tenant has agreed to pay or caused to be paid under the covenants and conditions of this lease, and if Tenant, after ten (10) days written notice from Landlord to do so, shall fail to pay and discharge the same, then Landlord may, at its option, pay any such tax, assessment, insurance expense, lien, claim, charge, or demand, or settle or discharge any action therefor, or judgment thereon, and all costs, expenses, and other sums incurred or paid by Landlord in connection with any of the foregoing shall be paid by Tenant to Landlord upon demand, together with interest thereon at the

rate of one and one-half percent (1 1/2%) per month from the date incurred or paid, and any default in such repayment shall constitute a breach of the covenants and conditions of this lease.

### ARTICLE 13

#### GAA ASSURANCES TO FAA AND JOINT USE AGREEMENT

##### Compliance

§13.01. Tenant agrees to observe and obey all applicable rules and regulations promulgated by the Federal Aviation Administration ("FAA") or Landlord governing conduct on and operations at the Guam International Air Terminal and all related facilities owned and operated by Landlord including the GAA Industrial Park (collectively referred to as "GIAT"). Landlord has received federal assistance through several executed Grant Agreements for GIAT development and certain land acquisition transactions. This lease and Tenant's use of the Leased Land and GIAT shall be subject to any and all applicable terms of those certain Sponsor's Assurances that Landlord (as Sponsor therein) has made to FAA as they relate to the application, acceptance and use of federal funds for GIAT development. The Assurances applicable to this lease shall include, but not be limited to, the following specific terms and conditions:

13.01.01. Non-discrimination. (a) Tenant for itself, its successors in interest, and assigns, as a part of

the consideration hereof, does hereby covenant and agree as a covenant running with the Leased Land that in the event facilities are constructed, maintained, or otherwise operated on the Leased Land for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended; (b) Tenant for itself, its successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the Leased Land that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under the Leased Land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that Tenant shall use the Leased Land in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in

Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

13.01.02. Books, Records, Accounts.

Upon a written request of FAA, Tenant shall provide all information and reports required by FAA rules, regulations or directives pursuant thereto, and shall permit the examination of its Books, records, and its facilities, as may be determined to be pertinent to ascertain compliance with such regulations, orders and directives.

13.01.03. Service, Prices. Tenant

shall furnish services and products on a fair, equal, and non-discriminatory basis to all customers and shall charge fair, reasonable and not unjustly discriminatory prices for each unit of service and product.

13.01.04. Compatibility with GIAT Operations

and Use. Compatibility with GIAT operations and use is a primary concern for any development on or near GIAT. Safety of aircraft flight and ground operations must be and shall be given primary concern at all times. Thus, the development and use of the GAA Industrial Park, including this lease, shall be subject to and shall not be inconsistent with GIAT operations.

Guam with the United States of America dated July 19, 1974. The rights and obligations under such Joint Use Agreement have been transferred to and assumed by Landlord. It is expressly agreed that this lease is subject and subordinate to the said Joint Use Agreement and all its terms and conditions.

ARTICLE 14.

GENERAL PROVISIONS

Covenant to Execute Additional Instruments

§14.01. Landlord and Tenant agree to execute and deliver any instruments in writing necessary to carry out the agreement, term, condition, or assurance in this lease whenever the occasion shall arise and request for such instruments shall be made by the other party.

No Waiver of Breach

§14.02. No failure by either Landlord or Tenant to insist upon the strict performance by the other of any covenant, agreement, term, or condition of this lease or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or of such covenant, agreement, term, or condition. No waiver of any breach shall affect or alter this lease, but each and every covenant, condition, agreement, and term of this lease shall continue in full force and effect with respect to any other then existing or subsequent breach.

Time of Essence

§14.03. Time is of the essence of this lease, and of each provision.

Successors In Interest

§14.04. Each and all of the covenants, conditions, and restrictions in this lease shall inure to the benefit of and shall be binding upon the successors in interest of Landlord, and subject to the restrictions of ARTICLES 6 and 9, supra, the authorized encumbrancers, assignees, transferees, subtenants, licensees, and other successors in interest of Tenant.

Entire Agreement

§14.05. This lease contains the entire agreement of the parties with respect to the matters covered by this lease, and no other agreement, statement, or promise made by any party, or to any employee, officer, or agent of any party, which is not contained in this lease shall be binding or valid.

Waiver of Subrogation

§14.06. All insurance policies carried by Tenant covering the Leased Land and the building, and other improvements thereon, including but not limited to contents, fire, casualty, and other insurance, shall expressly waive any right of the insurer against Landlord. Tenant agrees that its insurance policies will include such waiver clause or endorsement.

Partial Invalidity

§14.07. If any terms, condition, or provision of this lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

Relationship of Parties

§14.08. Nothing contained in this lease shall be deemed or construed by the parties or by any third person to create the relationship of principal and agent or of partnership or of joint venture or of any association between Landlord and Tenant, and neither the provisions contained in this lease nor any acts of the parties shall be deemed to create any relationship between Landlord or Tenant, other than the relationship of landlord and tenant.

Interpretation and Definitions

§14.09. The language in all parts of this lease shall in all cases be simply construed according to its fair meaning and not strictly for or against Landlord or Tenant. Unless otherwise provided in this lease, or unless the context otherwise requires, the following definitions and rules of construction shall apply to this lease:

14.09.01. Number and Gender. In this lease the neuter gender includes the feminine and masculine, the singular number includes the plural, and vice versa.

14.09.02. Mandatory and Permissive. "Shall", "will", and "agrees" are mandatory, "may" is permissive.

14.09.03. Captions. Captions of articles, sections, and subsections of the lease and of its table of contents are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction, or meaning of the provisions of this lease.

14.09.04. Term Includes Extensions. All references to the "term" of this lease or the "lease term" shall include any extensions of such term.

14.09.05. Other Definitions. Additionally, the following words and phrases shall have the following meanings:

14.09.05.01. Authorized Representatives: Any officer, agent, employee, or independent contractor retained or employed by either party, acting within authority given him by that party.

14.09.05.02. Damage: Injury, deterioration, or loss to a person or property caused by another person's acts or omissions. Damage includes death.

14.09.05.03. Good Condition: The good physical condition of any improvements on the Leased Land and each portion of such improvements, including, without limitation, signs, windows, appurtenances, and Tenant's personal property as defined here. "In good condition" means

first-class, neat, clean and broom-clean, and is equivalent to similar phrases referring to physical adequacy in appearance and for use.

14.09.05.04. Hold Harmless: To defend and indemnify from all liability, losses, penalties, damages as defined here, costs, expenses (including, without limitation, attorneys' fees), causes of action, claims, or judgments arising out of or related to any damage, as defined here, to any person or property.

14.09.05.05. Law: Any judicial decision, statute, constitution, ordinance, resolution, regulation, rule, administrative order, or other requirement of any municipality, territorial, Federal, or other government agency or authority having jurisdiction over the parties or the Leased Land, or both, in effect either at the time of execution of the lease or at any time during the term, including, without limitation, any rule or regulation of Landlord.

14.09.05.06. Lien: A charge imposed on the Leased Land by someone other than Landlord, by which the Leased Land is made security for the performance of an act. Most of the liens referred to in this lease are mechanics' liens.

14.09.05.07. Maintain: Includes repair, replace, repaint, and clean.

### Interest

§14.11. Any sum accruing to Tenant or Landlord under the provisions of this lease which shall not be paid when due shall bear interest at the rate of one and one-half percent (1 1/2%) per month from the date the rent was due with respect to rent and from the date written notice specifying such nonpayment is given to the defaulting party, with respect to sums due other than rent.

### Modification

§14.12. This lease is not subject to modification except in writing signed by both parties.

### Delivery of Rent and Notices - Method and Time

§14.13. All rents or other sums, notices, demands, or requests from one party to another may be personally delivered or sent by mail, registered, return receipt requested, postage prepaid, to the addresses stated in this §14.13, and shall be deemed to have been given at the time of personal delivery or at the time of mailing.

14.13.01. Payment of Rent. All rents and other sums payable by Tenant to Landlord shall be by check payable to Landlord, delivered in person to the Landlord, or mailed to Landlord at P. O. Box 8770, Tamuning, Guam 96911.

14.13.02. Notices to Landlord. All notices, demands, or requests from Tenant to Landlord shall be given to

14.09.05.08. Person: One or more human beings, or legal entities or other artificial persons, including, without limitation, partnerships, corporations, trusts, estates, associations, and any combination of human beings and legal entities.

14.09.05.09. Repair: The reconstruction, rebuilding and rehabilitation that are necessary to return destroyed portions of any improvements on the Leased Land and other property to substantially the same physical condition as they were in immediately before the destruction.

Attorneys' Fees

§14.10. In the event that either party hereto shall commence any legal action or proceeding, including an action for declaratory relief, against the other by reason of the alleged failure of the other to perform or keep any term, covenant, or condition of this lease by it to be performed or kept, the party prevailing in said action or proceeding shall be entitled to recover, in addition to its court costs, reasonable attorneys' fee to be fixed by the court, and such recovery shall include court costs and attorneys' fees on appeal, if any. The court will determine who is the "prevailing party", whether or not the suit proceeds to final judgment; provided, however, that if an action is voluntarily dismissed, or dismissed pursuant to a settlement of the case, neither party will be entitled to recover its attorneys' fees.

Landlord by personal delivery or by mailing the same to P. O. Box 8770, Tamuning, Guam 96911.

14.13.03. Notices to Tenant. All notices, demands, or requests from Landlord to Tenant shall be given to Tenant at 267 South Marine Drive; UIU Building, Tamuning, Guam 96911.

14.13.04. Change of Address. Each party shall have the right, from time to time, to designate a different address by notice given in conformity with this §14.13.

#### ARTICLE 15.

#### CONDEMNATION

##### Consequences of Condemnation

§15.01. In the event during the term of this lease the Leased Land or any part thereof shall be taken or condemned by any authority having the power of eminent domain, then and in every such case the estate and interest of Tenant in any part of the Leased Land so taken or condemned shall at once cease and terminate; and the rental to be paid under this lease shall be reduced for and during the unexpired balance of the term hereof, effective as of the date when Tenant shall by reason of such taking or condemnation lose the right to possession of such part of the Leased Land, in an amount which shall be that proportion of the rental which is equivalent to the reduction in the area of the Leased Land as a result of the taking or condemnation, and Landlord shall refund to Tenant any

unearned portion of the rental thereof paid in advance prior to the effective date of such taking or condemnation.

15.01.01. Compensation and Damages. In every such case of taking or condemnation of the Leased Land or any part thereof, all compensation and damages payable for or as a result of such taking or condemnation shall be payable to and be the sole property of Landlord, and Tenant shall have no interest in or claim to such compensation or any part thereof whatsoever; and all compensation and damages payable for or on account of any buildings and other improvements on the Leased Land and any plans and other preparations therefor shall be payable to Landlord and Tenant as their respective interest shall appear, and said respective interest in such compensation and damages payable for or on account of any such buildings or other improvements shall be fixed and determined, as of the date when Tenant shall by reason of such taking or condemnation lose the right to possession of such buildings or other improvements so taken or condemned, as follows:

15.01.01.01. Landlord's Interest. The interest of Landlord therein shall be a proportionate amount of such compensation and damages in the ratio which the expired portion of the term of this lease bears to the full term of this lease; and

15.01.01.02. Tenant's Interest. Tenant's interest therein shall be the balance of such compensation and

damages after first deducting therefrom the amount of the interest of Landlord therein as hereinbefore defined.

15.01.02. Termination of Lease. In the event only part of the Leased Land shall be so taken or condemned, and either the balance of the Leased Land is unsuitable for the purpose for which leased to Tenant, or all of the buildings on the Leased Land shall be so taken or condemned, or only a part of the buildings shall be so taken or condemned, thereby rendering the remaining portion of the buildings unsuitable for Tenant's purposes under this lease, and Tenant shall remove all remains of said buildings and any other improvements from the balance of the Leased Land and restore the Leased Land to good and orderly condition under its option as herein provided, then and in every such case Tenant shall have the right at its option, by giving prior written notice thereof to Landlord within sixty (60) days after such event, to terminate this lease. Upon such termination Tenant shall be relieved of all further obligations under this lease, and Landlord shall refund to Tenant any unearned portion of the rental therefor paid in advance prior to the effective date of such termination.

#### ARTICLE 16.

#### EXECUTION, RECORDING, AND INCORPORATION BY REFERENCE

##### Recording

§16.01. Tenant shall not record this lease without the written consent of Landlord; provided, however, upon the

request of Tenant, the Landlord shall join in the execution of a memorandum of "short form" of this lease for the purpose of recordation. The memorandum or short form shall describe the parties, the Leased Land, the term of this lease, shall incorporate this lease by reference, and shall be in the form set out in Exhibit E attached hereto and incorporated herein.

Counterparts

§16.02. This lease, consisting of fifty (50) pages, plus exhibits, may be executed in several counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement, which shall be binding upon all parties hereto notwithstanding that all of the parties are not signatories.

Exhibits

§16.03. All Exhibits attached hereto are made a part of this lease by reference.

Execution

§16.04. This lease has been executed by the parties as of \_\_\_\_\_, 19\_\_.

GUAM AIRPORT AUTHORITY  
Landlord

\_\_\_\_\_  
Its

Tenant

\_\_\_\_\_  
Its

TERRITORY OF GUAM

Municipality of Agana

On this \_\_\_\_\_ day of \_\_\_\_\_, 1990, before me, a notary public in and for the Territory of Guam, personally appeared \_\_\_\_\_, the duly authorized representative of GUAM AIRPORT AUTHORITY, known to me to be the person who executed the foregoing GAA Industrial Park Ground Lease, and acknowledged to me that he executed the same on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

)SEAL( \_\_\_\_\_

TERRITORY OF GUAM

Municipality of Agana

On this \_\_\_\_\_ day of \_\_\_\_\_, 1990, before me, a notary public in and for the Territory of Guam, personally appeared \_\_\_\_\_, the duly authorized representative of \_\_\_\_\_, known to me to be the person who executed the foregoing GAA Industrial Park Ground Lease, and acknowledged to me that he executed the same on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

)SEAL( \_\_\_\_\_

EXHIBIT "A"

Property Description

Block No. \_\_, Tract No. 1427, Guam International Air Terminal Industrial Park, Municipalities of Barrigada and Dededo, Guam, containing an area of approximately \_\_\_\_\_ square meters or \_\_\_\_\_ square feet, as shown on Drawing No. DS1-S-88-25 dated March 30, 1989, prepared by registered land surveyor Nestorio C. Ignacio, RLS No. 65.

EXHIBIT "B"

§1. Rental Schedule. For the first five (5) year period commencing \_\_\_\_\_, 19\_\_ the rental rate shall be \_\_\_\_\_ per square foot per year for the total area of the Leased Land. At the end of each fifth (5th) year of the term of this lease, the rental rate for the ensuing five (5) years shall be increased by ten percent (10%) of the prior effective rental rate. Rental shall be paid monthly as specified in Section 3.01.02 of the lease.

§2. Rental Projections. Upon commencement of the term of this lease Landlord shall provide Tenant with 30 year rental projections on an annual and monthly basis.

§3. Rental During Option Periods.

The rental during the extended periods, if extended pursuant to Section 2.02 of the lease, shall be as agreed upon in writing by the parties or as determined pursuant to Section 3.01.02 of the lease. Rental during the extended periods shall include automatic escalations. At the end of each 5th year of any extended term, the rental rate for the ensuing 5 years shall be increased by 10% of the prior effective rental rate.

EXHIBIT "C"

§1. Authorized Uses and Activities:

a.

b.

c.

§2. Authorized and Required Uses and Activities:

a.

EXHIBIT "D"

Facilities to be Constructed

EXHIBIT "D"

Facilities to be Constructed



GUAM ECONOMIC DEVELOPMENT AUTHORITY

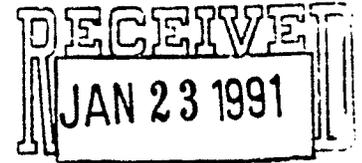
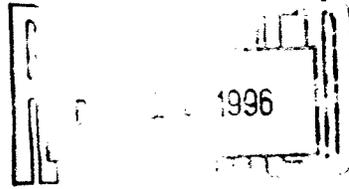
GEDA

ATURIDAD INADILANTON IKUNUMIHA GUAHAN

ESSO EASTERN INC.

January 17, 1991

Mr. Douglas C. Lenz
Branch Manager
ESSO Eastern Inc.
267 South Marine Drive
3rd Floor
Tamuning, Guam 96911



RE: Lot 2, Pumphouse & Pipeline Easement, and Lot 3A, Cabras Island Industrial Park

Dear Mr. Lenz:

This letter shall serve as formal notification to your firm of the recent action taken by the GEDA Board of Directors on January 2nd, 1991, and by the PAG Board of Directors on January 3, 1991. The method used in calculating the escalation of the lease rate is based on the appraisal forwarded to your firm in July of 1990, which reflects \$70.00 per square meter as the market value of real estate in this area. It was by mutual agreement of the GEDA Board and your firm that ten percent (10%) of the appraised value shall be the annual rental. The breakdown of the individual parcels is as follows:

RE: Lot 2 and Pumphouse & Pipeline Easement:

For Lot 2:

The lease payments for the first 10-year extension period (October 1, 1989 through September 30, 1999) shall be set at a fixed annual rate of \$141,429.19.

(20,204.17 s.m. x \$70/sq.m. = \$1,414,291.95 x 10% = \$141,429.19)
(\$141,429.19 + 12 = \$11,785.77 in monthly payments)

RETROACTIVE PAYMENT for LOT 2:

ESSO shall make retroactive payments on Lot 2 as follows:

For the period Oct. 1, 1989 - Sept. 30, 1990: \$125,429.19

(\$141,429.19 less \$16,000 credit)

For the period Oct. 1, 1990 - Jan. 31, 1991: \$31,143.06

(\$47,143.06 less \$16,000 credit)

TOTAL retroactive payment through January 31, 1991: \$156,572.25

For the Pumphouse and Pipeline Easement:

The lease payments for the first 10-year extension period (October 1, 1989 through September 30, 1999) shall be set at a fixed annual rate of \$1,750.00.

(250 s.m. x \$70/sq.m. = \$17,500 x 10% = \$1,750.00)

(\$1,750 + 12 = \$145.83 in monthly payments)

RETROACTIVE PAYMENT for the EASEMENT:

ESSO shall make retroactive payment for the Pumphouse & Pipeline Easement as follows:

For the period Oct. 1, 1989 - Sept. 30, 1990: \$1,750.00

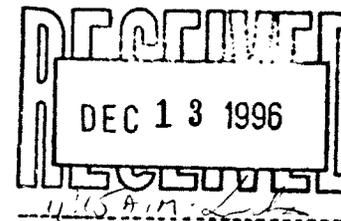
For the period Oct. 1, 1990 - Jan. 31, 1991: \$583.00

plus

For the period March 1, 1986 until September 30, 1989: \$1,260.00

(\$315.00 per annum pursuant to the Agreement dated July 11, 1986)

TOTAL retroactive payment through January 31, 1991: \$3,593.00.



008086

# GEDA

Mr. Douglas Lenz  
January 17, 1991

Page 2

**RE: Lot 3A:**

The GEDA Board, at its meeting on January 2, 1991, took the initiative to approve a new rate for the annual lease payment on Lot 3A. Commencing January 18, 1991 and thereafter through January 17, 2001, the increased payment for Lot 3A consisting of 3.214 Acres (13,006.61 s.m.), shall be in the amount of **\$91,046.27**.

$(13,006.61 \text{ s.m.} \times \$70/\text{sq. m.} = \$910,462.70 \times 10\% = \$91,046.27)$   
 $(\$91,046.27 \div 12 \text{ months} = \$7,587.19 \text{ in monthly payments})$

RETROACTIVE PAYMENT for Lot 3A:  
ESSO shall make retroactive payment on Lot 3A as follows:  
For the period Jan. 18, 1991 through Jan. 31, 1991: **\$3,426.47**

**IN SUMMARY:**

Total retroactive payments due immediately upon execution of the Amendment are in the sum of **\$163,591.72**. The breakdown is as follows:

For Lot 2:	\$156,572.25
For the Easement:	\$ 3,593.00
For Lot 3A	<u>\$ 3,426.47</u>
<b>TOTAL RETROACTIVE PAYMENTS:</b>	<b>\$163,591.72</b>

Commencing February 1, 1991 and on the first of each month thereafter until expiration of the respective terms for each Sublease Agreement and the Easement Agreement, the rent payments shall be made in advance on a monthly basis in the amounts shown below:

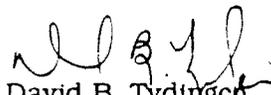
For Lot 2:	\$11,785.77	
For the Easement:	\$ 145.83	
For Lot 2 and the Easement combined:		<b>\$11,931.60</b>
For Lot 3A:		<b>\$ 7,587.19</b> ✓

The sublease agreements for these premises shall be amended to reflect monthly installment payments in lieu of advance annual payments. Attached please find the proposed Amendment to the Sublease Agreements for your review and signature. Should you have any questions regarding this matter, please call GEDA.

Sincerely,



Charles P. Crisostomo  
Administrator  
Guam Economic Development Authority

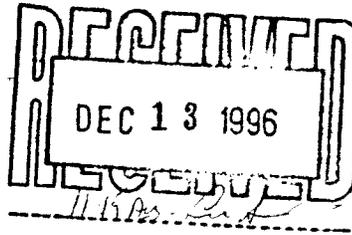


David B. Tydingco  
General Manager  
Port Authority of Guam

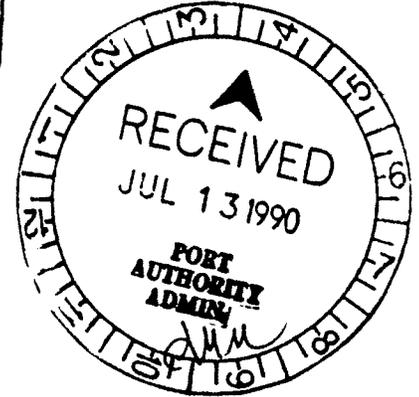
KL/dc  
Enclosure

Port Authority of Guam  
Site of the Mobil Oil and Exxon Compounds  
Lot Numbers 1, 2, and 3A, Municipality of  
Piti, Guam - June 15, 1990

**PART I - INTRODUCTION**



008087



**APPRAISAL REPORT**

**Covering**

**Market Value Estimate of the Fee Simple Interest in  
Lot Numbers 1, 2, and Portion of Lot 3 Identified as Lot 3A, containing an estimated  
total land area of 51,602.33 square meters (12.75 acres)**

**Identified as**

**The Sites Near the Existing Mobil Oil and Exxon Gas Compound and Surrounding Land**

**Located At**

**Cabras Island, Municipality of Piti, Guam**

**Prepared For**

**Port Authority of Guam  
1026 Cabras Highway  
Suite 201  
Piti, Guam 96915  
Attention: Mr. David B. Tydingco, General Manager**

**Prepared By**

**The Appraisal Desk  
Suite 224, Julale Center,  
E. O'Brien Drive, Agana, Guam 96910  
Telephone (671) 477-4207 472-8191  
Facsimile (671) 477-4198**

THE  
APPRAISAL  
DESK



**"First in GUAM Real Estate Appraisals"**

Suite 224 Julale Center, Agana, Guam 96910 • 472-8191 477-4207 • FAX: 477-4198

July 10, 1990

Port Authority of Guam  
1026 Cabras Highway  
Suite 201  
Piti, Guam 96915

Attention: Mr. David B. Tydingco, General Manager

Re: **Market Value Estimate of the Fee Simple Interest in  
Lot Numbers 1, 2, and Portion of Lot 3 Identified as Lot 3A,  
containing an estimated total land area of 51,602.33 square  
meters (12.75 acres) Identified as The Sites Near the Existing  
Mobil Oil and Exxon Gas Compound and Surrounding Land**

Gentlemen:

Pursuant to your request, we have estimated the market value of the Fee Simple Interest in the above captioned property. The property a three contiguous parcels of vacant, undeveloped land located fronting Route Number 11, in Cabras Island Sector of Piti, having a combined area of 51,602.33 square meters.

The purpose of our analysis was to derive the value of the above property, combined, as of June 15, 1990.

As of the date of the appraisal, the values of the subject property, subject to all limiting conditions and assumptions contained herein, was:

**THREE MILLION SIX HUNDRED TWELVE THOUSAND DOLLARS  
(\$3,612,000)**

The following pages comprise the description of the property and other salient information predicated our final value estimates. Should you have any questions, please contact our office. Thank you for the opportunity in completing this important assignment for you.

  
THE APPRAISAL DESK  
J.C. Concepcion - Chief Appraiser

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Port Authority of Guam  
Site of the Mobil Oil and Exxon Compounds  
Lot Numbers 1, 2, and 3A, Municipality of  
Piti, Guam - June 15, 1990

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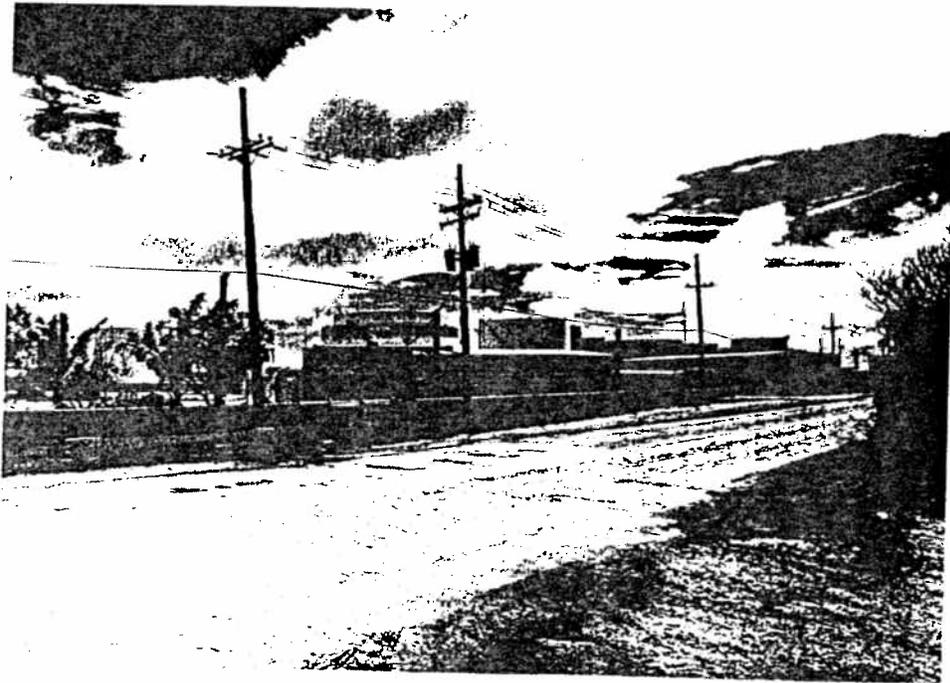
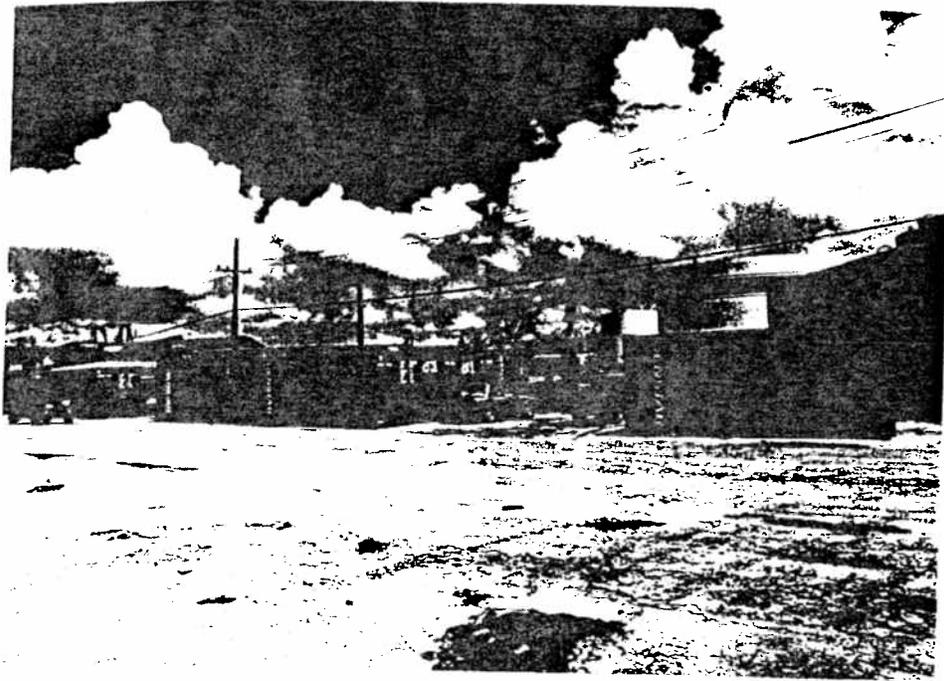
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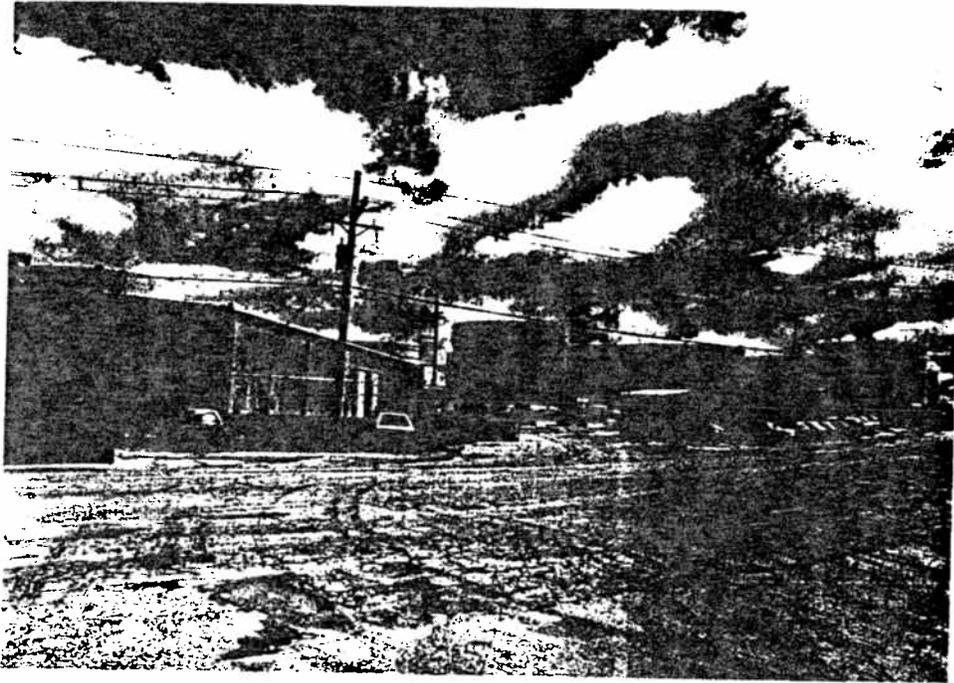
Flood Hazard Maps  
Qualifications of the Appraiser

Port Authority of Guam  
Site of the Motor Oil and Exxon Compounds  
Lot Numbers 1, 2, and 3A - Municipality of  
Piti, Guam - June 15, 1990

### Photographs of Subject Property



Port Authority of Guam  
Site of the Mobil Oil and Exxon Compounds  
Lot Numbers 1, 2, and 3A, Municipality of  
Piti, Guam - June 15, 1990



Port Authority of Guam  
Site of the Mobil Oil and Exxon Compounds  
Lot Numbers 1, 2, and 3A, Municipality of  
Piti, Guam - June 15, 1990



Port Authority of Guam  
Site of the Mobil Oil and Exxon Compounds  
Lot Numbers 1, 2, and 3A, Municipality of  
Piti, Guam - June 15, 1990



### STATEMENT OF LIMITING CONDITIONS AND ASSUMPTIONS

The certification appearing in this study is subject to the following conditions and to such other specific and limiting conditions set forth in this study.

1. This appraisal covers the property as described in this report, and the areas and dimensions as shown herein are assumed to be correct.
2. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
3. Responsible ownership and competent management are assumed.
4. No responsibility is assumed for matters involving legal or title considerations.
5. The information identified in this report as being furnished by others is believed to be reliable, but no responsibility for its accuracy is assumed.
6. Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by any but the client for whom it was made without the consent of the appraiser or client.
7. The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have been previously made.
8. The allocation of total value to land or to building, if shown in this report, is invalidated if used separately in conjunction with any other appraisal.
9. The valuation reported herein is based on current economic conditions which have been substantiated by my independent and current economic surveys in the subject area. Should economic conditions change, and if certain economic factors vary, the future value of the subject property could conceivably be more or less than the valuation figure reported.
10. The accompanying appraisal report has been prepared on the basis on information and assumptions set forth in the report. Although I believe the information and assumptions used constitute reasonable basis for preparation of the appraisal report, the achievement of any financial projection is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results achieved may vary from the projections.
11. The terms of the engagement are such that I have no obligation to update this report or revise the reported financial results because of events and transactions occurring subsequent to the date of this report.

Port Authority of Guam  
Site of the Mobil Oil and Exxon Compounds  
Lot Numbers 1, 2, and 3A, Municipality of  
Piti, Guam - June 15, 1990

12. The survey map submitted with this request indicates three contiguous Lots located within Parcel One. Lots 1 and 2 are identified with computed land areas. Lot 3A, further a portion of Lot 3, was estimated to have a land area of 8,276 square meters predicated on the "pencilled" section of the map.
13. Great weight was given to the most reliable means of valuation of a vacant parcel. This approach is known as the market comparison approach of the market data approach.
14. It is known that a lease agreement is existing for at least two of the parcels under appraisal. These leases are with Mobil Oil and Exxon Corporation. However, no leases, proposed or otherwise, were submitted. This report entails the fee simple value of the property. The major purpose of lease term conditions were not estimated.

## DEFINITION OF TERMS

Various terms are used in this report. These terms are defined to assist the reader in understanding particular terminology.

**Fee Simple Estate** - Absolute ownership unencumbered by any other interest or estate; subject only to the limitation of eminent domain, escheat, police power, and taxation.

### **Highest and Best Use -**

1. The reasonable and probable use that supports the highest present value or improved property, as defined, as of the date of appraisal.
2. That probable use which is expected to yield the highest net return to the land over a given period of time.
3. The use must be legal and in compliance with regulations and ordinances within the police power of the city, county and state, including health regulations, zoning ordinances, building code requirements, etc.
4. The most profitable use.

**Market Value** - Is the major focus of most real property appraisal assignments. Both economic and legal definitions have been developed and refined. Continual refinement is essential to the growth of the appraisal profession. The current economic definition of market value can be stated as follows:

Market value is defined as the most probable price estimated in terms of money (U.S. legal tender) which a property would bring if exposed for sale for a reasonable period of time on the open market, to a seller, willing but not compelled to buy; both parties being fully informed of all the purposes of which the property is best adapted and is capable of being used.

Fundamental assumptions and conditions presumed in this definition are:

1. Buyer and seller are motivated by self-interest.
2. Buyer and seller are well informed and are acting prudently.
3. The property is exposed for a reasonable time on the open market.
4. Payment is made in cash or its equivalent, or specified financing terms.
5. Specified financing, if any, may be the financing actually in place or on terms generally available for the property type in its locale on the effective appraisal date.
6. In effect, if any, on the amount of market value of a typical financing, services, or fees shall be clearly and precisely revealed in the appraisal report.

**Square Meter** - The square meter is a commonly used land measurement in Guam. One square meter equals 10.764 square feet; 4,046.88 square meters approximate one acre.

## **PART II - FACTUAL DATA**

### **PURPOSE OF THE APPRAISAL**

There are three (3) parcels of land under study by the Port Authority of Guam, for consideration for part of a redevelopment plan of the Cabras Island Sector of Piti. The plan calls for a complete redevelopment of the existing lots for a probable relocation move by the long-term tenants, Mobil Oil and Exxon Corporation. The subject parcels are in the vicinity of the Commercial Port of Guam encompassing some twelve and three quarter (12.75) acres of land.

Port Authority of Guam, represented by Mr. David B. Tydingco, its General Manager, had requested an appraisal report of the subject parcels with which such a report may be used as a reference to assist in reflecting a value conducive to a development plan and further extend an aid in determining a probable lease term and conditions.

The purpose of the appraisal is to:

1. Determine the Market Value of the FEE SIMPLE INTEREST of the subject parcels or portions of these parcels, combined, identified as Lot Numbers 1, 2, and 3A, Piti, Guam. In reviewing the submitted map, the parcels are more elaborated as:

**Lot 1 of Parcel Number One** - This parcel is located northwesterly of Lot 2 and is fronting the harbor to the west and Route 11 to the north. It contains a total land area of 23,121,44 square meters or 5.71 acres.

**Lot 2 of Parcel Number One** - A 20,204.91 square meter parcel (5 acres), a corner parcel fronting Route 11 to the northeast and a 100 feet easement to the south.

**Lot 3A within Lot 3 of Parcel Number One** - Estimated to have about 8,276 square meters of land, this pieced-out portion of Lot 3 is wedged between Lot 2 and Lot 3B. It fronts a 100 feet wide easement to the south.

The total area appraised, an aggregate of the above parcels or portions thereof, is 51,602.33 square meters (12.75 acres).

### **FUNCTION OF THE APPRAISAL**

The function of the report is to be used as a reference to in reflecting a total value of the parcels combined, which would serve as an aid to a proposed redevelopment and relocation probable lease term and conditions. The date of this report is **June 15, 1990**.

### **DOCUMENTATION**

The following was submitted by the Port Authority of Guam:

1. Property Survey Map titled "Survey and Parcelling of Proposed Commercial Port Parcel 1, Cabras Island within Apra Harbor Reservation, Municipality of Piti", Drawing Number 3048-3, prepared by ESCO INTERNATIONAL, undated and unrecorded.

## ISLAND, DISTRICT AND NEIGHBORHOOD DATA

### ISLAND OF GUAM

#### Physical Characteristics

Guam, an unincorporated United States territory, is the largest and most populated island in the western Pacific Ocean between Hawaii and the Philippines. The island is over 30 miles long and ranges from 4 miles at its narrowest point to 8.5 Miles at its widest, with an area of 209 square miles. Guam lies 13 degrees 28'29"N and 144 degrees 44'55"E at Agana, the capital city on the central western coast. It is substantially closer to many Asian countries than to the nearest state, Hawaii. It lies 3,700 miles west-southwest of Honolulu, 1,500 miles east of Manila, and 1,500 miles south-southeast of Tokyo.

Guam is a volcanic island. To the south are located two of the deepest part of all the oceans of the world, Challenger Deep and Nero Deep, each plunging more than 6 miles to the ocean bed.

The northern half of the island is geologically characterized by a raised limestone plateau with a maximum elevation of 500 feet. Water easily percolates through the soil, providing a good source of fresh water but resulting in poor agricultural soil due to the leaching of nutrients.

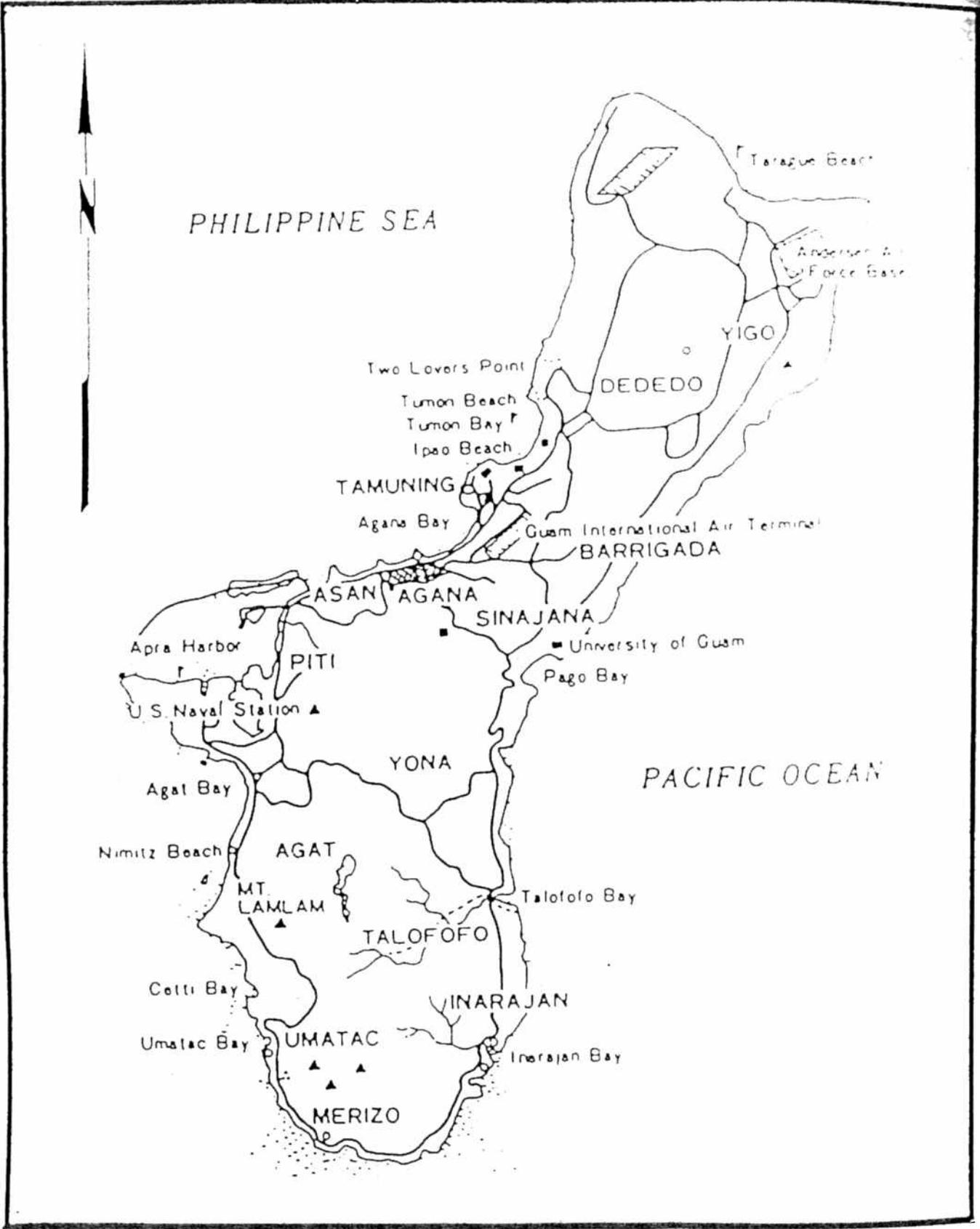
The central waist of Guam geologically represents a transitional-zone between the northern limestone and southern volcanic formations. This portion, in which the capital city is located, is flat to the sea, but gently rising hills break the flatness.

Southern Guam is mountainous, with up to 1,300 feet elevation. Since the soil is derived from volcanic rock, it has high clay content. This part has rapid water runoff and scattered pockets of good soils for agriculture. However due to the hills and soil composition, infrastructure is expensive to construct.

Generally, the climate is warm and humid regardless of the time of the year. Temperature range from 70 to 98 degrees Fahrenheit, with a mean annual temperature of about 81 degrees. May and June are the hottest months, with most rainfall occurring from July through September. The average yearly precipitation is 70 inches. Guam finds relief in the trade-winds during the dry season, December through April, but also periodically experiences major tropical storms and typhoon.

#### **Overview of the Economy**

The nineties will be the peak out of the strong economic recovery of the island of Guam shown in the last decade of the eighties. Massive development projects would not drastically see an end however would stabilize and concentrate more on housing needs outside the centralized areas of the island. Currently, construction of new hotels compliment the increasing influx of tourists on the island. The island relies generally on tourism as the major means of economy in the private sector, thus nourishment of this main economic pot of the island is basically the most important. Accommodations for attracting these foreigners mostly from Japan are rapidly being developed, some carry overs from the eighties. A



PHILIPPINE SEA

Tarague Beach

Anderson Air Force Base

YIGO

DEDEDO

Two Lovers Point  
Tumon Beach  
Tumon Bay  
Ipao Beach

TAMUNING

Agana Bay

Guam International Air Terminal  
BARRIGADA

ASAN

AGANA

SINAJANA

Apra Harbor

PITI

University of Guam

Pago Bay

U.S. Naval Station

YONA

PACIFIC OCEAN

Agat Bay

AGAT

Talofolo Bay

MT. LAMLAM

TALOFOFO

Cotti Bay

INARAJAN

Umatac Bay

UMATAC

Inarajan Bay

MERIZO

proposed multi-million dollar development will be taking place in the south in the Talofofo and Inarajan districts entailing a first-class hotel, two golf courses, marinas, condominiums and even a stadium. In the south central area of the island, Yona, a proposed commercial and residential community are also in the planning stages. In Agat, land development plans include golf courses and the near completed Agat Marina. Other than single family facilities on the island (including apartments and condominiums), there were 765 building permits issued in 1989 totaling over \$275 million. Of this dollar figure, more than 41% went to new hotel development. Seven percent of the total went to additional hotel/motel unit construction to already existing complexes.

Housing construction is also enjoying vigor. Both in new home construction and extensions, including apartments and condominiums, they total \$109 million in total cost for the year 1989. About 1,200 building permits were issued for housing construction in 1989. Funds available for these homes are mostly at the level of local banking institutions not so much as the great reduction in the once ever-increasing interest and prime rates but with more flexibility on the part of these financiers. Government subsidies include the federally funded Farmer's Home Loan Program, Guam Housing Corporation, and the Guam Economic Development Authority.

After more than forty years of the federal government taking of some of the island's major location, settlement of almost forty million dollars was finally accepted to some 1,400 property owners. The defunct and much anticipated three hundred million revenue bond sponsored by the Guam Economic Development Authority for the construction of some 4000 apartment units, seems nothing but a temporary set back for the island's new growth as other investors provide financing for these projects.

Other development programs by off island investors include the under construction Palace Hotel, the new Hatsuho and Agana Bay Condominium Towers, several proposed hotels in Tumon Bay and the Tamuning districts, a proposed high-rise hotel in Dededo, the Pacific Star Hotel, the new Hatsuho golf and country club located in the municipality of Dededo and the Pagat Golf course, recently completed Hilton and Pacific Island Hotel expansions and the Guam Reef Hotel extension, and a multitude of both private and government sponsored housing subdivisions are indications that the island is flourishing economically. Attraction of the island to foreign groups, mostly Japanese investors, as the closest U.S. soil in the Western Pacific outside of Hawaii, is relatively on the upswing and could reasonably be assumed to continue until a drastic change in monetary values or collapse of the economy should take place, which appear very unlikely.

Generally, property values on the island are rapidly increasing taking advantage of the housing shortage and attractiveness of current financing availability. The average priced home on the island is about \$150,000. This is on a conventional all concrete home located in both tract development or in the village. This is about a 50 percent increase from prices only three years ago at an average of \$75,000. Vacant land, especially had a very good increase over the past two years. In the district of Yigo, a distant village located below Andersen Air Base (incidentally the largest outside of Clark Air Base in the Pacific), values have moderately soared as demand increased. The average half-acre agricultural lot in Yigo today is about \$30,000. Quite an increase considering that two years ago you could purchase an acre lot for \$14,000. Most remarkable and finest example of both demand and expectancy of a high investment rate of return is the per meter value in the Tumon Bay area.

In June of 1986 year we found a sale for \$213 per square meter and in early 1987, we discovered a sale aggregating \$300 per square meter. In April of the same year, we found a sale pending at \$600 per square meter. In 1988, even residentially zoned parcels along the Sanvitores thoroughfare (main drag of Tumon) are selling at \$ 750 per square meter.

Considering the limited use of such a parcel, demand and values ANYWHERE in Tumon seem un-ending. Current values in Tumon are at an all time high. With limited land availability, we discovered a sale during the last year of \$ 5,000 per square meter on a beach front parcel. None of the areas in Tumon could command and get anything less than \$ 1,500 per square meter.

Elsewhere, a parcel in Barrigada Heights located 5 miles from Agana, was purchased for \$8 per square meter in September of 1986. In March of 1987, the same parcel sold for \$80 per square meter. In January of 1989, the same parcel went up for sale at \$150 per square meter. In Agat, located about 13 miles south of Agana and considered a remote area by all means, beach site properties are going at \$40.00 per square meter where we found older sales (two year old) that indicated about \$ 5.00 to \$ 10.00 per square meter.

These are bona fide sales and are contained in our data files. They not only create a fairly diversified value indication but possibly sets a trend in values commensurate with the growing demand for all types of property on the island of Guam.

### Population

Guam's population has increased from 9,700 at the beginning of the century to 105,800 in 1980 based on the most current census performed in 1980 and is expected to increase to about 145,000 by this year. A census is underway. A more recent study (1985) performed by the Department of Defense indicates this as being relatively accurate. Guam's population in 1980 was up 24 percent over 1970 and as stated expected to increase by about 25% by the end of this year. In the last decade, the annual population growth rate in Guam was 2.2 Percent, only about one-tenth of one percent lower than the average growth in less developed countries; the average growth rate in more developed countries was 0.8 Percent. Guam's population is growing twice as fast as that of the rest of the United States, mainly the result of having a low mortality rate and high fertility rate.

The population in the five northern districts (Yigo, Dededo, Tamuning, Barrigada, and Mangilao) accounts of 60 percent of the total population. In April 1980 there were 11,500 active duty military personnel, 10,000 military dependents. They accounted for approximately 22 percent of the total population. Please see chart of projected growth in population.

### Housing

The number of housing units has increased much more rapidly than population and the demand is still on the rise. Major reasoning is in response to population growth with the influx of immigrants ( mostly from the Philippines ) and because more young couples live away from their parents. During the period 1960 - 1980, the number of housing units increased 128 percent ( from 12,373 to 28,212 ), compared with a 58 percent increase in population. Since 1970, the number of housing units increased in every district except

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Agana and Sinajana, here it had a 27 and nine percent decrease, respectively. Dededo had the largest number increase in housing of 3,260 ( from 2,300 in 1970 to 5,560 in 1980 ), while Mangilao had the largest percentage increase of 179.

The civilian population is expected to grow at 1.3 Percent and 2.5 Percent annually between 1980 and the year 2000 under the low and high projections respectively by the year 2000.

### Local Government

Guam residents as citizens of the United States enjoy most rights and privileges granted through the U.S. Constitution, except for voting in the presidential election. Until 1950, when the Organic Act was enacted, the island was administered by the U.S. Department of the Navy. In 1970, Guam elected it's first governor. From 1950 to 1970, the Governor of Guam was appointed by the president of the United States.

The year 1972 was an important year of the people of Guam electing their first congressman to the U.S. House of Representatives. This delegate participates fully in the congressional committees and other affairs, but may not vote in the house of representatives. Guam's congressman, however, may vote in committees of which he is a member.

The local government consists of three branches - Executive, Legislative, and Judiciary. The Governor of Guam is the Chief Executive with the responsibility of implementing all local and federal laws pertaining to the territory while overseeing the operations of the local agencies within the executive branch. The governor and lieutenant governor are elected for a term of four years.

The Judicial Branch is comprised of one federal district court, and two local courts -- the Superior Court and Traffic Court. A judge is appointed by the President of the United States presides over the Federal District Court of Guam. The court has jurisdiction over both civil and criminal cases involving federal issues. The Superior Court of Guam has authority over all other cases directly pertaining to local issues. Five superior court judges serving eight-year terms are also appointed by the Governor with the consent of the legislature. Term extension is decided by a majority of votes in a general election.

Currently, Guam, as well as other U.S. Territories are in pursuit of political status options leading towards greater self-determination and political development. The desire to gain greater governing authority and constant assessment of the island's status options which entail commonwealth, statehood and independence are apparent. A " Committee for Self-Determination " was recently formed after the change of administration. With Guam assessing the commonwealth option continuing the historic trends toward a more identifiable political and financial development, the Commonwealth Draft Act was introduced to the floor of the United States Congress in March of 1988. Right now in the hands of the U.S., this particular issue was voted for in the August 1987 plebiscite. Review and either rejection or approval seems naturally forth coming after negotiations between this committee and the U.S. Congress.

The Honorable Governor of Guam, Joseph Ada, chairing this committee seems confident that realization of the desired political status would occur during his administration or at least over the next 4 years. Because of the need for an identification of political direction in

a growing international economy, the people of Guam **insist** that a self-sustaining government be realized.

The general feeling of the people of Guam is bitterness. The ongoing Commonwealth issue is actually an added factor to this. Several matters that have met the "axe" of congress include the Land Claims and the War Reparations issues.

The Land Claims Issue entails compensation to the landowners taken by the federal government during the post war (WWII) years. While this was approved in the U.S. Congress, the original request of \$600 Million was trimmed to a tidy \$40 Million.

The War Reparation Issue is the compensation of individuals or families of individuals that were on the Island of Guam during the Japanese occupation between 1941 to 1944 that were tortured, maimed, force marched, labored against their will, executed or died as a result of the war. The United States Federal Government flatly refused to recognize this request.

Except for a flat denial of these "rights", these current issues at stake which would do more good than harm for the people of Guam seems to almost be ignored by the U.S..

#### **Tourism**

Of the six categories in the private sector economic enhancement to the island, tourism ranks as foremost. Based on the most current issue of Guam economic review (1989), the number of visitors who came to the island totalled 658,883 persons, eighty-five percent of which are from Japan. By percentage, this is an influx growth of over 18% from the year 1988. The 1990 quarterly review reveals that the first two (2) months of the year increased by about 5% and almost 13%, respectively, from the same period of 1989.

In light of increasing influx of tourist new hotels are either under-construction or in the planning stage. Further accommodations include expansion of the existing hotels including Guam Hilton's newly completed 200 room extension, and the Dai-Ichi's and Pacific Island Hotel renovations. In 1982, Cocos Island located off the southern tip of Guam, opened a resort hotel over 120 units. Nauru development had recently completed an additional 400-room hotel in the Tumon hotel road. Inventory of hotel rooms increased to over 3600 as of the date of this writing and a proposed construction of more than 550 rooms outside the Tumon Bay facility has started construction. It is noted that by the year 1993, more than 12,000 hotel rooms would be available on the island. Between now and 1993, more than 8,500 units would be added.

No other economic activity contributes as much to the Government of Guam as tourism. The thirteen-percent occupancy tax was responsible for almost \$12 million dollars of revenue into the government fund in 1989. The first three months of 1990 has already exceeded \$3.4 million. The estimated visitor expenditures for 1988 exceeded \$450 million, averaging about \$771 per visitor. These figures estimated by the Department of Commerce seems rather conservative as appreciation of the yen rate from 1986 to 1988 was not accounted. The figures for 1989 as of the date of this writing was not available. It is estimated based on the most recent tourism impact study conducted by the Department of Commerce that the tourist industry on Guam is responsible for over 13,000 workers.

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Guam reportedly ranked 10th of the 44 destinations attracting Japanese visitors. Attributed by its proximity to Japan ergo the low cost of travel and its tropical climate and beaches, enhanced by the yen's appreciation against the dollar over the past few years, helped stimulate growth on Guam. Further tourist influx could be brought by the announcement of Korea that it would lift age limit restrictions and issuing multiple passports for outbound travellers as of January 1989. These forms of revenue contributed greatly to improvements of the island's highways, beaches, and resort areas, which makes the island a more appealing investment to potential investors. It is also anticipated that the impending termination of Hongkong and Great Britain ties in this decade would create more than a significant influx of these particular foreign groups and investors.



## NEIGHBORHOOD

The subject is located in the Cabras Island sector in the Municipality of Piti, in the southwest central portion of the island. Cabras Island was federally held and controlled until recent transfer to the Government of Guam. Piti bounds Asan to the northeast, Agat to the south, the Pacific Ocean to the north.

Piti village is basically an older residential community developed predominantly of varied quality single family homes some dating and reflecting the styles of the pre-war (WWII) era. For the most part homes today are of the most modern construction of concrete and tropical design. Home value range from \$30,000 (flimsy wood framed and self constructed homes) to a high of about \$150,000. As in most districts, Piti is serviced by small retail, Mom & Pop outlets, a community church and playground and a grade school.

Market activity in the district has been steady although transactions of both vacant parcels and residences were noted. The majority of these sales are however transpiring between families for property inheritance. The past year has however shown a more active increase as changes in lifestyles became more obvious as plans for a mass development project in these outskirts initiation of purchasing and selling. While these activities may not equal the vigor and almost absurd increases in the market experienced in the more central portion of Guam, the area does however become more salable than ever before.

At present, the district is a limited self-sustaining community. Serving the small population, the district has a school, a church and a police substation. A mayor, elected by the residence serve as the leader of the community. Several small neighborhood shopping facilities are available, however, major shopping facilities are located in Agana, some three miles north east.

Piti is accessed by Marine Drive as are most of these central communities. Marine Drive services the entire western coastal line of the island from the most distant district of Yigo to the north intersecting with Route 2 onto the village of Agat to the south.

The Cabras Island sector of Piti is a man-made peninsula located to the west of the village. It services the Piti Power plant amongst other industrial developments. The most notable is the Commercial Port of Guam.

LOT 1		
LINE	BEARING	DISTANCE
1 - 2	S 75° 44' 24" E	C = 46.57'
2 - 3	S 53° 24' 43" W	796.08'
3 - 4	N 14° 57' 00" E	24.62'
4 - 5	N 05° 46' 00" W	91.50'
5 - 6	N 25° 31' 00" W	94.50'
6 - 7	N 34° 38' 00" W	41.00'
7 - 8	N 01° 23' 53" E	35.25'
8 - 9	N 36° 28' 00" W	74.50'
9 - 10	N 61° 25' 00" W	69.00'
10 - 11	N 50° 05' 00" W	89.00'
11 - 12	N 63° 58' 57" W	84.59'
12 - 13	DUE NORTH	85.50'
13 - 14	S 89° 43' 27" E	618.55'
14 - 15	S 83° 07' 55" E	C = 141.90'
15 - 1	S 76° 32' 23" E	153.55'

LOT 2		
LINE	BEARING	DISTANCE
1 - 2	N 38° 35' 17" W	400.00'
2 - 3	N 53° 24' 43" E	407.65'
3 - 4	S 71° 53' 15" E	C = 178.11'
ALONG CURVE: Δ = 6° 08' 25", R = 167178', L = 178.19'		
4 - 5	S 68° 50' 00" E	287.39'
5 - 6	S 68° 13' 38" E	C = 49.38'
ALONG CURVE: Δ = 1° 13' 00", R = 2325', L = 49.37'		
6 - 1	S 53° 24' 43" W	870.59'

LOT 3		
LINE	BEARING	DISTANCE
1 - 2	N 53° 24' 43" E	388.53'
2 - 3	S 36° 35' 17" E	400.00'
3 - 4	S 53° 24' 43" W	647.52'
4 - 5	N 25° 50' 00" W	1.62'
5 - 6	N 14° 13' 00" W	132.50'
6 - 7	N 25° 37' 04" W	94.67'
7 - 8	N 10° 12' 00" E	66.50'
8 - 9	N 07° 33' 00" W	102.50'
9 - 10	N 37° 50' 00" E	51.50'
10 - 1	N 14° 57' 00" E	54.58'

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## PROPERTY DATA

### Legal Description

No "Legal Descriptions" were submitted. The map submitted describing the properties indicate:

**Lot 1, 2, and 3A within Lot 3, of Parcel  
One, Municipality of Piti, Guam.**

The property survey map that was submitted on the subject property indicates a total of three (3) contiguous parcels located in Cabras Island proper. They combine a total land area of 12.75 acres.

The current owner of the parcels is **GOVERNMENT OF GUAM.**

### Assessed Values

Real property is assessed at 35 percent of market value. Market values are estimated by the government by way of a private contractor assessment every three (3) years. Generally, assessment values often varies greatly and thus, assessed values are not considered as valid indicators of market value. The subject is owned by the Government of Guam, it is not assessed.

### Real Estate Taxes

The tax rate established by the Government of Guam is currently one percent of the assessed value on improvements and 1/2 percent of the assessed value on land. The 1987 tri-annual assessment performed by the firm of Cowell and Associates, a Hawaii based firm, could foresee restructure of these tax rates in the near future. Tax rates on the island of Guam is actually an incentive for investment ventures on the island. A drastic rate change following the assessment due this year, is however not necessarily foreseen.

### Zoning

Guam has a comprehensive zoning law entailing urged land use. Changing land uses however throughout the years have forced warranted re-zoning of parcels enticing a changing trend in use. The most recent zoning map provided by the Department of Land Management is actually old and in some instances indicates incorrect zoning at first glance. These are especially true in the more outlying areas in the rural sectors of the island where re-zoning have indeed been granted by the Territory Land Use Commission (TLUC) formerly Territorial Planning Commission (TPC) or the SDRC (Subdivision and Development Review Committee). Information on the property as submitted shows that the entire sector of Cabras Island is zoned "M-2" or Heavy Industrial Use after the transfer of lands to the Government of Guam from the Federal Government. Permitted uses in this zoning include Junk-yards and all uses permitted in M-1 or light industrial use parcels.

The subject parcels and potentials of the planned development and the basic trend of the area conforms to the zoning.

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### PROPERTY DESCRIPTION

#### **Site:**

As shown on the map sketch opposite this page, the subject are portions of Parcel One, a government parcel located in the Cabras Island sector of Piti. They combine three (3) contiguous lots along Route 11, the main thoroughfare into the Commercial Port.

The site is mostly vacant with the exception of several improved areas, not significant to value. It is of level terrain with access from the east via Route 11 which intersects with Marine Drive.

Utilities are located within the site itself.

The whole site is located within a Flood Hazard Area as per FEMA Map No. 660001, Panel 0037 B, dated November 15, 1985.

#### **Improvements:**

This is an appraisal on some seventy three acres of vacant and unimproved raw land. No improvements were included in this report.

### **PART III - VALUATION**

#### **A. Rights Appraised**

The rights appraised in this report involve the FEE SIMPLE INTEREST on the subject parcels.

#### **B. Highest and Best Use**

Highest and Best Use is:

1. The reasonable and probable use that supports the highest present value or improved property, as defined, as of the date of appraisal.
2. That probable use which is expected to yield the highest net return to the land over a given period of time.
3. The use must be legal and in compliance with regulations and ordinances within the police power of the city, county and state, including health regulations, zoning ordinances, building code requirements, etc.
4. The most profitable use.

The subject parcel are zoned "M-2", as are most parcels in this particular area. The parcels combined are certainly large enough to accommodate a development plan, offering a substantially adequate location servicing the business and industrial population of the island.

#### **C. Approaches to Value**

The valuation of any parcel of real estate is derived principally through three approaches to value; estimated reproduction cost, less depreciation (if any); capitalization of income; and comparative sales analyses. From the indications of these analyses and the weight accorded to each, an opinion of value is reached.

##### **1. Reproduction Cost**

This approach to value embodies estimates of the worth of the land, as if vacant, and the reproduction cost of the improvements. From these are deducted the appraiser's estimates of physical deterioration, functional obsolescence and economic obsolescence, if any, affecting the subject property. The reproduction costs considered synonymous with replacement cost. The replacement cost approach is based on the premise that, except under most unusual circumstances, the value of a property cannot be greater than the cost of constructing a similar building on a comparable site. This approach was waived as the subject is a vacant parcel of land.

2. **Capitalized Value (Income Approach to Value)**

An investment property is normally valued in proportion to its ability to produce income. Hence, the income approach involves an analysis of the property in terms of its ability to provide a net annual income in dollars. This is the approach most favored in the valuation of a commercial or income producing complex.

3. **Market Comparison (Market Data Approach)**

Traditionally, an appraisal procedure in which the market estimate is predicated upon prices paid in actual market transactions and market current listings, the former fixing the lower limit of value in a static or advancing market (price wise), and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market. It is a process of analyzing sales of similar recently sold properties in order to derive an indication of the most probable sales price of the property being appraised. The reliability of this technique is dependant upon:

- (a) the availability of comparable sales data,
- (b) the verification of the sales data,
- (c) the degree of compatibility or extent of adjustment necessary for time differences and;
- (d) the absence of non-typical conditions affecting the sales price.

In essence, all approaches to value (particularly when the purpose of the appraisal is to establish market value) are market data approaches since the inputs are presumably market derived. This is the premise of value of the subject parcel.

**Development Analysis**

A "fourth approach" to value was considered in this particular case. A method suggested by the American Institute of Real Estate Appraisers, "The Development Analysis" method analyzes and evaluates the subject as a potential subdivision. This method predicated on the determination of the appraiser of:

1. The type of subdivision that would be best in the particular location;
2. The number of sites or classes of sites to be prepared for sale;

3. The prices obtainable for finished sites; and
4. The rate at which sites can probably be absorbed by the market.

With these four essential items determined, an estimate can be made of gross income (thus the similarity to the income approach) from the sale of sites during each year of development, and expenses. From these factors, the value of land would normally be the difference between the gross sales income and expenses of development. A discounting process is applied in estimating the land value to reflect the present worth of future cash receipts. This is method, also known as the Anticipated Use Method was used in the current value estimate supporting our value assignment which was predicated on the market data analysis.

#### **D. Method of Appraisal Used**

The method of valuation used in this report is:

1. The Market Data Analysis or Comparison Approach

#### **Current Market Summary**

In the market data analysis the fee simple interest valuation of the subject site, the site was assumed in its current state as vacant and available for development in relation to its highest and best use. Based on the principle of substitution, the value of land is best measured by prices generally obtained within the area or other areas similar in characteristics and demand. It involves comparing and relating these transactions and adjusting them for amenities, size and other comparative differences. The difficulty in this method would be the lack of sales available of land as large as the subject in the area. Further augmented by the on-going "seller's market" attitude and practices, it would also be reasonably assumed that these areas could command and receive a price commensurate with the potential or actual use anticipated.

We researched sales of properties in the area, some dating back to two years. Based on the analysis of these sales and transactions in the vicinity of the subject property, we have formed the opinion that the market value of the Fee Simple Interest in the subject parcels, combined and containing a total land area of 51,602.33 square meters (12.75 acres) was:

**THREE MILLION SIX HUNDRED TWELVE THOUSAND DOLLARS  
(\$ 3,612,000)**

The value per unit (per square meter) assigned to the subject parcel is \$ 70.00. The next pages contain the Land Comparable Data and the Sales Comparison Analysis in which this value was predicated.

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### COMPARABLE SALE NUMBER ONE

Address:	Lot No. 439-1-2, Route 2A, Agat, Guam
Sale Price:	\$ 1,657,000
Per S.M.:	\$ 91.01
Zone:	M-2 - Heavy Industrial Use
Land Area:	18,205 square meters
Topography:	Level to gentle slope
Closing Date:	May 15, 1990
Sale Terms:	Cash

This parcel is the Shell Oil refinery located along Route 2A, the major road leading south into Agat Village. The sale included a 4,000 square foot, metal warehouse with an office space. The parcel is approximately 88% useable, as reported and remaining area is somewhat marsh-land. This is the latest known sale in the Agat district similar in zoning to the subject although way smaller. This property was listed by Multiple Listing Service (MLS) on March of 1990 for \$ 1,200,000. The actual sales price indicates 38% more than the listed price.

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#### COMPARABLE SALE NUMBER TWO

Address:	Lot 303-4, Agat, Guam
Sale Price:	\$ 360,000
Per S.M.:	\$ 28.91
Zone:	M-1 - Light Industrial Use
Land Area:	12,451 square meters
Topography:	Level-Sloping Similar terrain to subject
Closing Date:	April 18, 1990
Sale Terms:	Cash

Located adjoining inland to the west of Route 2 near the old Agat Spanish bridge. This parcel was listed by MLS on September 1989 for \$ 501,640 or \$ 40.29 per square meter.

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### COMPARABLE SALE NUMBER THREE

Address:	Portion of Tract 249, Agat, Guam.
Sale Price:	\$ 22,647,897
Per S.M.:	\$30.75
Zone:	A - Rural
Land Area:	736,517 square meters
Topography:	Sloping terrain with beach front and view
Closing Date:	January 1989
Sale Terms:	CASH

This is part of the "Torres" parcels located in the Agat proper. These sales provided a trend of values in the area which had been quite stable for long period of time. Other sales shows a per unit value of up to \$ 65.00 per square meter.

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#### COMPARABLE SALE NUMBER FOUR

Address:	Lot No. A-6, Nimitz Hill, Asan-Piti, Guam.
Sold Price:	\$ 2,560,994
Per S.M.:	\$ 43.00
Zone:	R-1
Land Area:	29,558 square meters
Topography:	Level, sloping
Closing Date:	September 1989
Sale Terms:	All cash

Located in the more appealing Nimitz Hill Area but with similar land composition except for waterfront amenities in the subject.

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#### COMPARABLE SALE NUMBER FIVE

Address: Lot No. 5027-2-R1-NEW-NEW-2, and R2, Harmon, Dededo,  
Sale Price: \$ 205,000  
Per S.M.: \$ 126.82  
Zone: R-2 - Multi-Family Use  
Land Area: 1,617 square meters  
Topography: Level  
Closing Date: September 7, 1989  
Sale Terms: Cash

This parcel is in the easterly portion of the Harmon Industrial Park north of the Old Agana-Yigo Road and near the Pacific Drilling compound.

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#### COMPARABLE SALE NUMBER SIX

Address: Lots 5089#1-2 and 3, Harmon, Dededo, Guam  
Sale Price: \$ 1,555,904  
Per S.M.: \$ 90.00  
Zone: R-2 - Multi-Family Use  
Land Area: 17,289 square meters  
Topography: Level  
Closing Date: May 04, 1989  
Sale Terms: \$ 1,000,000 Cash, Balance is assumption of mortgage

Located to the south of Harmon Village Apartments.

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COMPARABLE SALE NUMBER SEVEN

Address: Lot 5128-2-7, Harmon, Dededo, Guam  
Sale Price: \$ 120,000  
Per S.M.: \$ 124.10  
Zone: M-1 - Light Industrial Use  
Land Area: 967 square meters  
Topography: Level  
Closing Date: September 27, 1989  
Sale Terms: CASH

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### COMPARABLE SALE NUMBER EIGHT

Address: Lot No. 5074#1-R7, Harmon, Dededo, Guam  
Sale Price: \$ 2,171,610  
Per S.M.: \$ 175.13  
Zone: M-1 - Light Industrial Use  
Land Area: 12,400.20 square meters  
Topography: Level  
Closing Date: October 27, 1989  
Sale Terms: All cash

Located near Shen's Furniture Building west of Route 16.

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COMPARABLE SALE NUMBER NINE

Address: Lot No. 5089#1-6-R1, Harmon, Dededo, Guam  
Sale Price: \$ 465,857  
Per S.M.: \$ 115.06  
Zone: R-2 - Multi-Family Use  
Land Area: 4,048.87 square meters  
Topography: Level  
Closing Date: August 18, 1989  
Sale Terms: All cash

Located north of the main Harmon Strip Road near the Pacific Drilling Compound.

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#### PART IV - VALUE CONCLUSIONS

The indicated value presented by the Market Data Approach considered is as follows:

Market Data Analysis      **\$ 3,612,000**

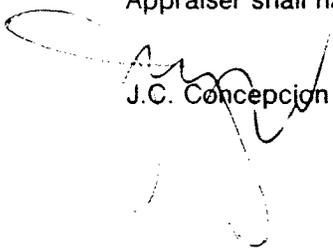
The value indicated by this process is cognizant of all factors involved in the likelihood of market unloading over a reasonable amount of time. The market data analysis with what are regarded as reasonable adjustments dictated by the market, was felt the most representative of the subject. The resulted figures shown in the comparable analysis sheet, offer a comfortable range of probable values reflecting the current economic conditions and market demands.

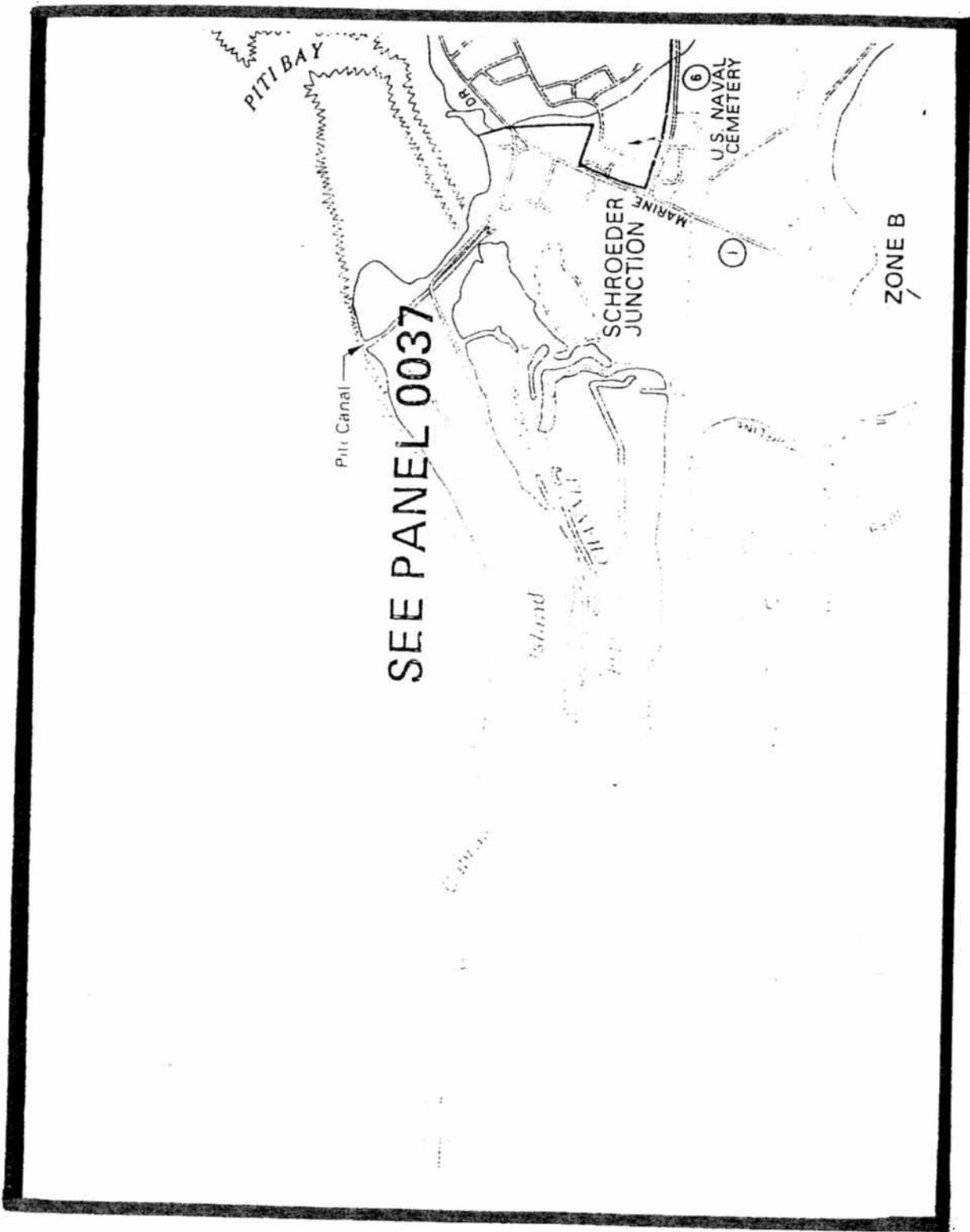
Therefore, as of the date of this appraisal, the aggregated value of the Fee Simple Interest in the subject property based on all data contained herein and subject to the appraiser's statement of limiting conditions and assumptions, is:

**THREE MILLION SIX HUNDRED TWELVE THOUSAND DOLLARS  
(\$ 3,612,000)**

### CERTIFICATION OF APPRAISER

1. The appraiser has no present or contemplated future interest in the property appraised; and neither employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The Appraiser has no personal interest in, or, bias with respect to the subject matter of the appraisal report or the participants to the sale. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the properties in the vicinity of the property appraised.
3. The Appraiser has personally inspected the property, both inside and out, and has made an exterior inspection of all comparable sales and listings listed in the report. To the best of the Appraiser's knowledge and belief, all statements and information shown in this report are true and correct, and the Appraiser has not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained here (imposed by the terms of assignment or by the undersigned affecting the analyses, opinions, and conclusions contained in the report).
5. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the appraisal organizations with which the Appraiser is affiliated.
6. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report, unless indicated as "Review Appraiser". No change of any items in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.

  
J.C. Concepcion



PERSONAL RESUME

MR. J.C. CONCEPCION

**Personal Data:**

Born: October 30, 1950  
Marital Status: Married - Three Children  
Birthplace: Tamuning, Guam  
Current Residence: Tamuning, Guam

**Education:**

Elementary Level: Tamuning Elementary School  
High School: John F. Kennedy High School  
Class of 1968  
College: University of Guam

**Special Education:**

"The Appraisal of Real Estate" - Sponsored by the American Institute of Real Estate Appraisers and the Society of Real Estate Appraiser - University of California - Linda Vista, San Diego, CA - August 1978

"The Cost Approach to Value" - Bank of America, Northern California Region Headquarters, Montgomery Street, San Francisco, CA - May 1978

"Blueprint Reading" - Bank of America, Northern California Region Headquarters, Montgomery Street, San Francisco, CA - June 1978

"The Income Approach to Value" - Bank of America, Northern California Region Headquarters, Montgomery Street, San Francisco, CA - June 1978

"Market Data Analysis" - Bank of America, Northern California Region Headquarters, Montgomery Street, San Francisco, CA - July 1978

"Subdivision Survey, Industrial, Income Producing Property Appraisal Techniques, Bank of America, Northern California Region Headquarters, Montgomery Street, San Francisco, CA - May - July 1978

"Full Banking Operation" - In-house Trainee - Full Service Banking Departments - July 1977 - May 1978

"International Banking" - American Institute of Banking, Guam Chapter, - July 1972

"Real Estate Lending" - American Institute of Banking, Guam Chapter, - June 1973

"Field Artillery Digital Computer Operation and Repair" - Fort Sill, Oklahoma - December 1969

"Military Basic Training - Fort Ord, CA - July 1969

"Basic Welding Techniques" - U.S. Naval Apprenticeship Program - U.S. Naval Station, Sumay, GU - July 1968

**Work Experience:**

- Jan 1985 to Present - Chief Appraiser, THE APPRAISAL DESK, Suite 224, Julale Shopping Center, Agana, Guam
- Jul 1984 to Jan 1985- Owner - J.C. CONCEPCION REAL ESTATE APPRAISAL SERVICES, P.O. Box 6264, Tamuning, Guam
- Nov 1981 to Jul 1984- Appraiser, ASFAMCO (American Savings Financial Management Corporation), Suite 201, Julale Shopping Center, Agana, Guam
- Sep 1979 to Nov 1981- District Appraisal Officer/Assistant Cashier, BANK OF AMERICA, NT & SA, Guam and the Trust Territory Region
- Sep 1978 to Sep 1979- Staff Appraiser/ Pro-Assistant Cashier, BANK OF AMERICA, NT & SA, Guam and the Trust Territory Region
- Apr 1978 to Aug 1978- Staff Appraiser - Various Bay Area (California), Bank of America Appraisal Offices to include San Francisco and San Jose Counties.
- Apr 1977 to Apr 1979- Head of Cash - Bank of America, NT & SA, Agana Branch, Agana, Guam
- Nov 1972 to Apr 1977- Staff Appraiser/ Pro Assistant Cashier - Guam and the Trust Territory District Appraisal Office, Agana, Guam
- May 1972 to Nov 1972- Insurance Clerk - Real Estate Note Department, Bank of America, NT & SA, Tamuning Branch, Tamuning, Guam
- Jul 1969 to May 1972- U.S. Army - Tour of Duty in Fort Dix, NJ, and Giessen, Germany. Temporary Tour of Duty in Kadena Air Base, Naha, Okinawa. Honorably discharged as Specialist Five (E-5).
- Jun 1968 to Jul 1969- Apprentice Welder - Naval Apprenticeship Program, Ship Repair Facility, Naval Station, Sumay, Guam

**License:**

Government of Guam - Real Estate Appraisal Services

Commonwealth of the Northern Marianas - Real Estate Appraisal Services

**Designations and Memberships:**

Chairman - Governor's State Council on Vocational Education (SCOVE)

Member of Guam Board of Realtors by virtue of affiliate membership of THE APPRAISAL DESK

Member of the Multiple Listing Service by virtue of affiliate membership of THE APPRAISAL DESK

Certified by the FEDERAL HOUSING ADMINISTRATION / HOUSING and URBAN DEVELOPMENT to perform Real Estate Appraisals

**Type of Appraisals Performed:**

Vacant Land	Single Family Dwellings
Condominiums	Townhouses
Planned Unit Development	Subdivision Surveys
Shopping Centers	Industrial Buildings
Storage Warehouses	Apartments
Office Buildings	Hotels/Motels
Churches	Movie Theaters
Professional Buildings	Commercial Buildings

Valuation for Condemnation Purposes  
Valuation for Tax Purposes (as of a specific date)  
Valuation for Insurance Purposes  
Valuation for Mortgage Loan Purposes  
Valuation for Foreclosure Purposes  
Valuation of Leasehold Interest  
Valuation for Leaseback Purchase

PARTIAL LIST OF CLIENTS WHOM WORK HAS BEEN PERFORMED

**Government:**

Federal

Federal Aviation Administration - U.S. Department of Transportation (FAA)

Federal Housing Administration/Housing and Urban Development (FHA/HUD)

Small Business Administration (SBA)

Local

Guam Housing and Urban Renewal Authority (GHURA)

Guam Housing Corporation (GHC)

Guam Economic Development Authority (GEDA)

Department of Land Management

Department of Revenue & Taxation  
Public Utility Agency of Guam (PUAG)  
Guam Power Authority (GPA)  
Guam Public Works, Rights of Way Division

Private

Bank of America	Bank of Guam
Bank of Hawaii	Bank of the Orient
CITIBANK	First Hawaiian Bank
Guam Savings & Loan	Metropolitan Bank
Merrill Lynch Relocation	Equity Relocation
BANCORP Finance	MVP Enterprises
Calvo Enterprises	Dairy Farms
J & G Enterprises	Ada's Inc.
Hyatt Regency Hotel	Continental Hotel
Island Motel	Universal Theaters
Guam Capital International Investment	Hatsuho Development
Pagoda Motel	Sgro Investment
Top Enterprises	Various Attorneys
Century 21 Real Estate	Various Brokers

COPY

received  
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RECORDATION  
DEPARTMENT  
OF  
LAND  
MANAGEMENT

TERRITORY OF GUAM, DEPARTMENT OF LAND MANAGEMENT  
 OFFICE OF THE RECORDER

INSTRUMENT NUMBER 407616

This instrument was filed for record on 29  
 Day of Nov, 1988, at 2:44 A.M.  
 P.M.

& duly recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_

Recording Fee DE OFFICE Voucher No. \_\_\_\_\_

[Signature]  
Deputy Recorder

MODIFICATION AND ASSIGNMENT OF LEASE

This Assignment and Modification of Lease is entered into this 29th day of November, 1988, by and between the GOVERNMENT OF GUAM, further referred to as "Lessor", and the GUAM ECONOMIC DEVELOPMENT AUTHORITY, further referred to as "GEDA", and the PORT AUTHORITY OF GUAM, further referred to as "the Port", and concerns the following described real property (further referred to as "the property"):

Parcel 1(1) containing 32.1283 acres, more or less, as shown and more particularly described on Yards and Docks (Y&D), Drawing No. 1051218, dated May 3, 1966 and approved as satisfactory to the Government of Guam on May 3, 1966, by Paul B. Souder, a copy of which is annexed hereto and made a part hereof, marked as Exhibit A and commonly known as "Cabras Industrial Park."

R E C I T A L S

A. On April 4, 1969, the Secretary of the Interior of the United States of America issued a Quitclaim Deed in favor of the Government of Guam for 62 acres of land located within the Commercial Port area of the Territory of Guam, and the property was a portion of the land so conveyed.

B. On August 29th, 1969, the Government of Guam leased to GEDA the property, which lease was filed with the Department of Land Management on September 3, 1969, under Instrument No. 81523, for the purpose of the development of an industrial park and since that time GEDA has maintained and administered the land for that

Exhibit B

407616

purpose and has entered into various subleases for various portions of the property.

C. The property is within those lands described and subject to the Master Plan for the Port Authority of Guam dated Feb. 1981 and is generally within those areas of the Commercial Port which are subject to the Port's jurisdiction under Public Law 13-87 and further, it is agreed by the parties hereto that the Port is the appropriate agency of the Government of Guam for the administration and maintenance of the property and, therefore, the parties agree as follows:

NOW, THEREFORE, for good and valuable consideration of the mutual promises and covenants set forth herein, the parties agree as follows:

1. Paragraph 3 of the Lease between the Government of Guam and GEDA is amended to read as follows:

This Lease may be assigned by Lessee to another agency of the Government of Guam, but only upon the express written approval of the Governor of Guam and, subject to the approval of the Governor of Guam, Lessee or its assignee, may sublet sites to private persons, firms or corporations, for use in conformance with the provisions of this lease.

2. GEDA hereby assigns, transfers and conveys to the Port the Lease under Instrument No. 81523, as referred to in Paragraph B above, all of its interest in the property as described on page 1 above containing 32.1283 acres, and in those subleases for portions of the property set forth in Exhibit C hereto.

GOVERNMENT OF THE TERRITORY OF  
GUAM

\*OFF-ISLAND

By \_\_\_\_\_  
JOSEPH F. ADA, Governor  
Territory of Guam

Date: NOV 29 1988

By \_\_\_\_\_  
FRANK F. BLAS,  
Lieutenant Governor and Acting Governor  
Territory of Guam



**GUAM ECONOMIC DEVELOPMENT  
AUTHORITY**

By   
\_\_\_\_\_  
JOHN S. MARTINEZ,  
Its Administrator as authorized  
by the resolution of its  
Board of Directors dated  
September 21, 1988

**PORT AUTHORITY OF GUAM**

By   
\_\_\_\_\_  
DAVID B. TYDINGCO,  
General Manager

By   
\_\_\_\_\_  
PHILIP FLORES, Chairman  
Board of Directors

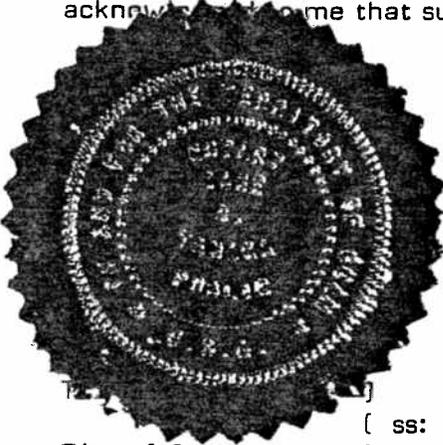
APPROVED AS TO FORM:

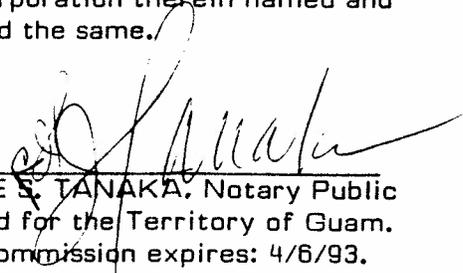
  
\_\_\_\_\_  
ELIZABETH BARRETT-ANDERSON  
Attorney General,  
Territory of Guam 1/18/88

DGM/lk F#  
DOC: MODLEASE.914

Territory of Guam )  
[ ss:  
City of Agana )

On this 29th day of November, 1988, before me, a notary public in and for the Territory of Guam, personally appeared John S. Martinez, known to me to be the Administrator of the Guam Economic Development Authority, that executed the within instrument on behalf of the corporation therein named and acknowledged to me that such corporation executed the same.



  
JANE S. TANAKA, Notary Public  
in and for the Territory of Guam.  
My commission expires: 4/6/93.

[ ss:  
City of Agana )

On this 29th day of November, 1988, before me, a notary public in and for the Territory of Guam, personally appeared David B. Tydingco, known to me to be the General Manager of the Port Authority of Guam and Philip Flores, known to me to be the Chairman of the Board of Directors of the Port Authority of Guam, that executed the within instrument on behalf of the Port Authority of Guam therein named and acknowledged to me that such Authority executed the same.



  
KATHERINE A. MARAMAN,  
Notary Public in and for the Territory  
of Guam. My commission expires  
4/3/90.

407616

Sublease Agreement, other documents, encumbrances on filed, as follows

Date of Tenant Subleases, etc	LM Document No	Lease term	Commencing clearly	Lease designation	Area sq. ft.	Area	Option of increased rents	Remarks
3-29-72	Mobil Petroleum Company Inc	30 yrs	3-22-70 \$16,000.00	1	5	5-F	Lease	Ref to Document No. 98069
1-23-87	Consent to Assignment of Sublease: to Mobil Oil/Grain Inc.	982993						
7-11-86	Assignment, Pipeline and Pump House		3-1-86 \$35.00					
	GEDA to Esso Eastern Inc.		9-22-89 to be determined		5			
1-18-71	Sublease Agreement w/Esso	20 yrs	1-18-71 \$10,285.00	3	32		Successive	Ref. Doc. No. C.B. attached to Doc. No. 99074 - 3.1 Area
6-7-71	Sublease (Esso to Torco) Northmost Section of Lot 3A	18 yrs	4-1-71 to \$3,500.00	3A	3		Successive	Ref. Doc. No. C.B. attached to Doc. No. 99074 - 3.1 Area
10-1-69	Sublease Agreement w/Esso	20 yrs	10-1-69 \$16,000.00	2	5		Successive	Ref. Doc. No. C.B. attached to Doc. No. 99074 - 3.1 Area
9-4-71	Sublease Agreement w/Island Farms #10152	20 yrs	3-4-71 \$3,500.00	3B	19		Successive	Ref. Doc. No. C.B. attached to Doc. No. 99074 - 3.1 Area
4-14-71	Assignment of lease to ICO from Island Movers, Inc.							Ref. to Document No. 100152
10-20-87	Assignment Consent to Assignment of lease to Mobil by GEDH							
12-1-72	Guam Industrial Bank (Guam Industrial Bank) (First Defect Agreement) (and Authority - Esoman)							
8-12-71	Address of Guam Development and Investment Corporation	20 yrs	8-12-71 11,000 sq. ft. \$19,000.00	4	3.8		Successive	Ref. Doc. No. C.B. attached to Doc. No. 99074 - 3.1 Area
7-14-83	Assignment to Successors of Esoman, Successors interest to Jillingham							

EXHIBIT "C"

PRODUCED BY GOVERNMENT OF GUAM EXPENSE





PARCEL SITUATED AT CABRAS ISLAND WITHIN APPA HARBOR RESERVE.

BEGINNING AT A POINT MARKED "1" ON THIS DRAWING BEING SOUTH 72 DEGREES 13 MINUTES 34 SECONDS WEST 1756.172 M. (5778.0 FT.) TO AN ANGLE OF 107.00 DEGREES TO THE POINT OF BEGINNING.

SOUTH 31 DEGREES 38 MINUTES 37 SECONDS EAST 156.699 M. (5146.91 FT.) TO A POINT MARKED "2" ON THIS DRAWING BEING SOUTH 76 DEGREES 13 MINUTES 34 SECONDS WEST 1756.172 M. (5778.0 FT.) TO AN ANGLE OF 107.00 DEGREES TO THE POINT OF BEGINNING.

ALONG THE SHORELINE TO THE POINT OF BEGINNING CONTAINING AN AREA OF 48,308.48 SQ. M. (11,855,72.34 AC.) 19372 PAGES MCP

PARCEL

SITUATED AT CABRAS ISLAND WITHIN APPA HARBOR RESERVE. BEGINNING AT A POINT MARKED "1" ON THIS DRAWING BEING SOUTH 76 DEGREES 13 MINUTES 34 SECONDS WEST 1756.172 M. (5778.0 FT.) TO AN ANGLE OF 107.00 DEGREES TO THE POINT OF BEGINNING.

NORTH 31 DEGREES 38 MINUTES 37 SECONDS EAST 156.699 M. (5146.91 FT.) TO A POINT MARKED "2" ON THIS DRAWING BEING SOUTH 76 DEGREES 13 MINUTES 34 SECONDS WEST 1756.172 M. (5778.0 FT.) TO AN ANGLE OF 107.00 DEGREES TO THE POINT OF BEGINNING.

CONTAINING AN AREA OF 48,308.48 SQ. M. (11,855,72.34 AC.) 19372 PAGES MCP

CASPER

SECTION 21  
TOWNSHIP 21 NORTH  
RANGE 10 WEST  
MONTANA

51 DEGREES 14 MINUTES 43 SECONDS EAST  
 52 DEGREES 01 MINUTE 34 SECONDS EAST  
 53 SECONDS WEST  
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PARCEL 2 SITUATED AT CABRAS ISLAND WITHIN APRRA HARBOUR RESERVATION  
 BEGINNING AT A POINT MARKED "A" ON THIS DRAWING BEARING  
 SOUTH 71 DEGREES 08 MINUTES 5 SECONDS WEST, 157.44 M. TO  
 TRIANGULATION STATION "CABRAS" (USC&C 1965) THENCE  
 475.49 M. (1560.00 FT.) ALONG THE ARC OF A CURVE HAVING A RADIUS OF 511.46 M.  
 AND A CENTRAL ANGLE OF 04 DEGREES 33 MINUTES 38 SECONDS, WITH A CHORD BEARING  
 NORTH 70 DEGREES 13 MINUTES 33 SECONDS WEST, 47.537 M. (155.96 FT.) TO CORNER  
 NORTH 67 DEGREES 56 MINUTES 43 SECONDS WEST, 12.981 M. (42.59 FT.) TO CORNER  
 238.366 M. (782.04 FT.) ALONG THE ARC OF A CURVE HAVING A RADIUS OF 1761.620 M.  
 AND A CENTRAL ANGLE OF 07 DEGREES 45 MINUTES 10 SECONDS, WITH A CHORD BEARING  
 NORTH 64 DEGREES 04 MINUTES 08 SECONDS WEST, 238.186 M. (781.45 FT.) TO CORNER  
 NORTH 60 DEGREES 11 MINUTES 33 SECONDS WEST, 164.982 M. (541.28 FT.) TO CORNER  
 SOUTH 53 DEGREES 24 MINUTES 18 SECONDS WEST, 204.853 M. (672.09 FT.) TO CORNER  
 SOUTH 37 DEGREES 40 MINUTES 00 SECONDS EAST, 227.951 M. (747.87 FT.) TO CORNER  
 SOUTH 89 DEGREES 26 MINUTES 33 SECONDS EAST, 38.100 M. (125.00 FT.) TO CORNER  
 ALONG THE SHORELINE TO THE POINT OF BEGINNING  
 CONTAINING AN AREA OF 69,565.99 SQ. M. (748,799.13 SQ. FT., 17,190 ACRES) MORE

PARCEL 3 SITUATED AT CABRAS ISLAND WITHIN APRRA HARBOUR RESERVATION  
 BEGINNING AT A POINT MARKED "B" ON THIS DRAWING BEARING  
 SOUTH 67 DEGREES 21 MINUTES 59 SECONDS WEST, 1449.905 M. TO  
 TRIANGULATION STATION "CABRAS" (USC&C 1965) THENCE  
 NORTH 00 DEGREES 33 MINUTES 27 SECONDS EAST, 20.576 M. (67.85 FT.) TO CORNER  
 NORTH 87 DEGREES 17 MINUTES 29 SECONDS WEST, 5.658 M. (18.58 FT.) TO CORNER  
 109.728 M. (360.00 FT.) ALONG THE ARC OF A CURVE WITH A RADIUS OF 107.107 M.  
 AND A CENTRAL ANGLE OF 10 DEGREES 31 MINUTES 29 SECONDS, WITH A CHORD BEARING  
 NORTH 82 DEGREES 01 MINUTES 45 SECONDS WEST, 109.371 M. (359.49 FT.) TO CORNER  
 ALONG THE SHORELINE TO THE POINT OF BEGINNING

PREPARED AT GOVERNMENT OF GUAM EXPENSE

UNITED STATES GEOLOGICAL SURVEY

2. COMMUNICATION STATION CABRAS ARE

N 140 367 14 FT

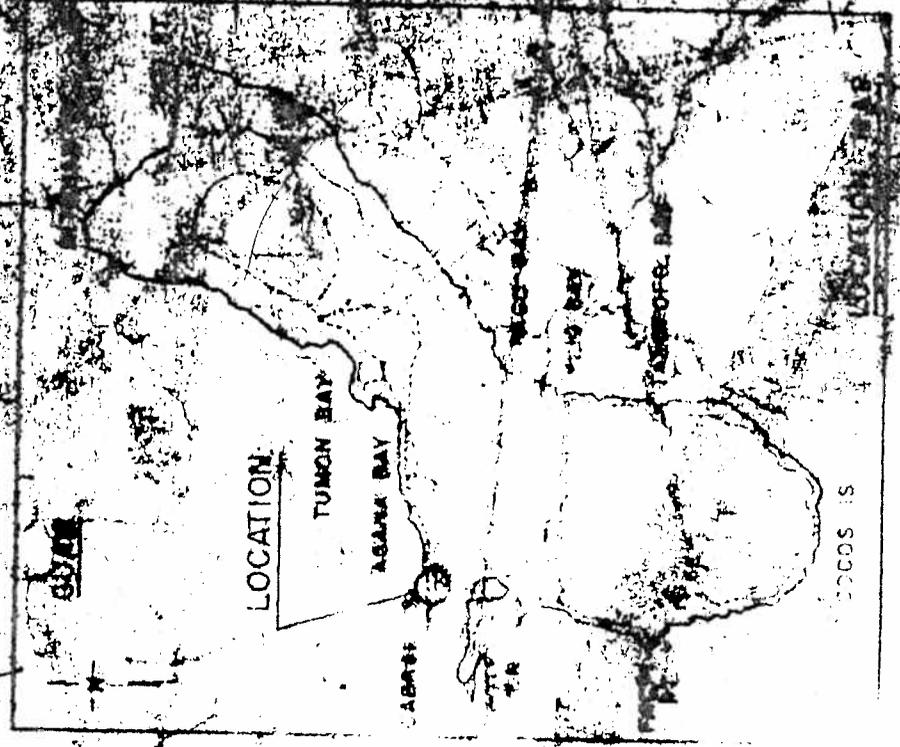
140 367 14 FT

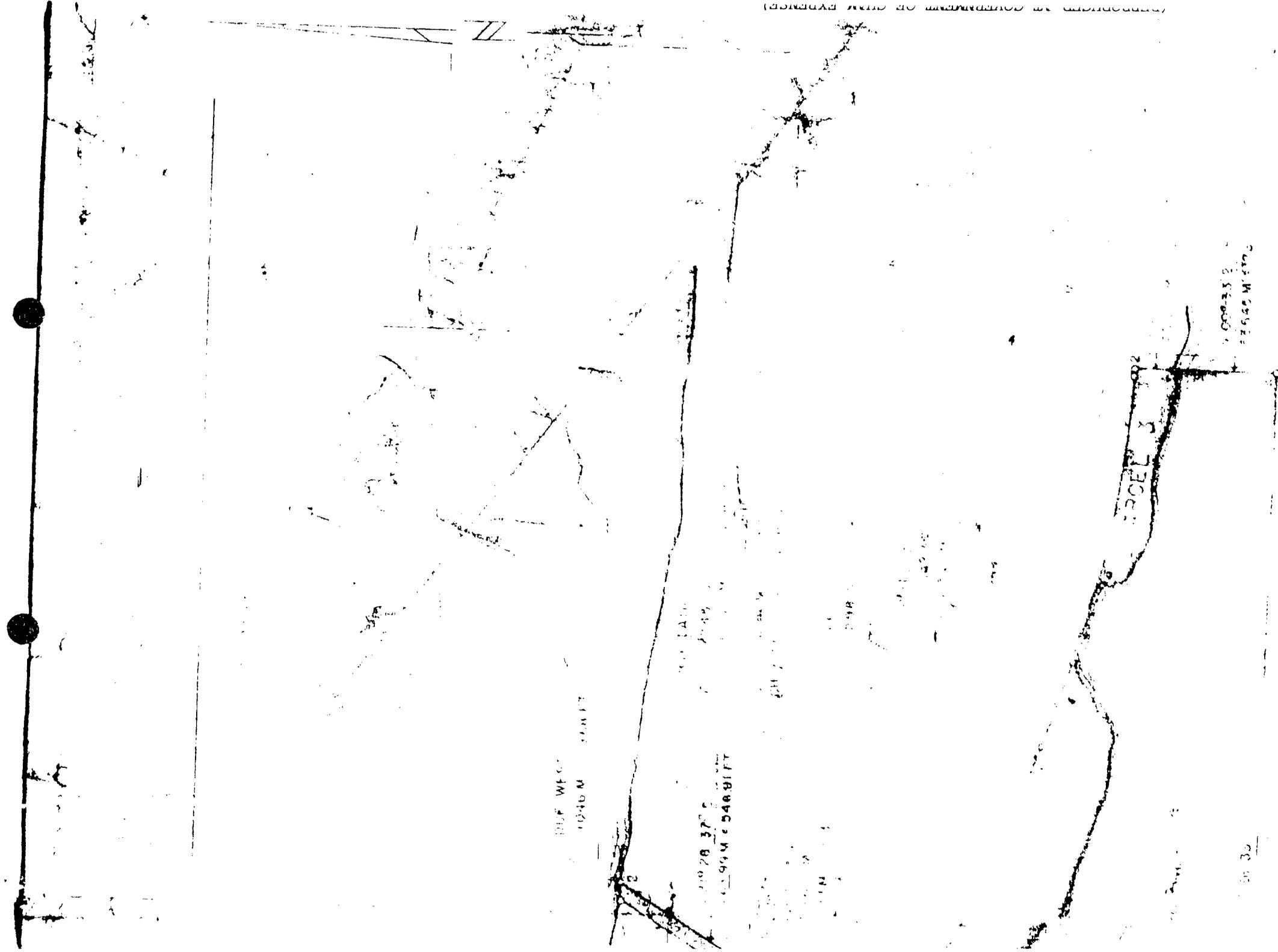
GRAPHIC SCALE



407616

SYN	DESCRIPTION	DATE	BY





DEPT WEG  
1040M 34FT

1020 375  
1199M 5488FT

PLOT 3

1000 32  
17545 M 2702

100 32



CURVE DATA

Δ = 03° 37' 18"  
R = 708.661 M = 2325.00 FT  
T = 193 M = 633.16 FT  
L = 107 M = 351.04 FT  
CH BRNG = 153° 00' 00" W

CURVE DATA

Δ = 01° 09'  
R = 168 M = 551.17 FT  
T = 47.04 M = 154.50 FT  
L = 74.879 M = 245.61 FT  
CH BRNG = N 62° 42' 07.5" W

MOBILE PETROLEUM CO. INC.  
TANK AREA NO. 2  
(SEE APWDWG NO. 1362)

N 08° 50' 00" W  
76.524 M = 251.19 FT

CURVE DATA

Δ = 07° 42' 24"  
R = 204.860 M = 672.18 FT  
T = 68.837 M = 225.81 FT  
L = 114.240 M = 374.85 FT  
CH BRNG = 153° 00' 00" W

N 50° 00' 00" N  
150 M = 492.13 FT

PA

(REPRODUCED AT GOVERNMENT OF GUAM EXPENSE)

407616

**FISCAL NOTE**  
**BUDGET OF BUDGET AND MANAGEMENT RESEARCH**

Bill No. 768 Date Received: 12/12/96  
 Amendatory Bill: Yes Date Reviewed: 12/12/96  
 Department/Agency Affected: Port Authority of Guam  
 Department/Agency Head: Eloy Bermudes, General Manager  
 Total FY Appropriation to Date: \$0

Bill Title (preamble): AN ACT TO APPROVE THE ASSIGNMENT OF PORT AUTHORITY OF GUAM'S LEASES WITH ESSO EASTERN, INC. TO SHELL GUAM, INC.

Change in Law: N/A

**Bill's Impact on Present Program Funding:**

Increase \_\_\_\_\_ Decrease \_\_\_\_\_ Reallocation \_\_\_\_\_ No Change X

Bill is for:  
 Operations: \_\_\_\_\_ Capital Improvement: \_\_\_\_\_ Other: X

**FINANCIAL/PROGRAM IMPACT**

ESTIMATED SINGLE-YEAR FUND REQUIREMENTS (Per Bill)			
Program Category	General Fund	OTHER	TOTAL
Economics & Finance			1/

ESTIMATED MULTI-YEAR FUND REQUIREMENTS (Per Bill)						
FUND	1st	2nd	3rd	4th	5th	Total
GENERAL FUND						
OTHER						
TOTAL						1/

FUNDS ADEQUATE TO COVER INTENT OF THE BILL?

N/A

IF NO, ADDITIONAL AMOUNT REQUIRED:

1/

AGENCY/PERSON/DATE CONTACTED:

ESTIMATED POTENTIAL MULTI-YEAR REVENUES (Per Bill)						
FUND	1st	2nd	3rd	4th	5th	Total
GENERAL FUND						
OTHER						
TOTAL						N/A

ANALYST: Paul Leon Guerrero

DATE: DEC 13 1996

DIRECTOR: Joseph E. Rivera Acting

DATE: DEC 13 1996

**FOOTNOTE:**

1/ The assignment and transfer of easement agreement would pose no impact on the General Fund.





Committee on Economic-Agricultural  
Development and Insurance  
TWENTY-THIRD GUAM LEGISLATURE  
424 W. O'Brien Dr., J.A. Shopping Center, Suite #218  
Agana, Guam 96910  
Tel: (871) 477-8527/9120 • Fax: (871) 477-5570

**NOTICE OF JOINT PUBLIC HEARINGS**  
**COMMITTEE ON ECONOMIC-AGRICULTURAL**  
**DEVELOPMENT AND INSURANCE**

**AND**  
**COMMITTEE ON TOURISM AND TRANSPORTATION**  
Twenty-Third Guam Legislature  
**SENATOR JOE T. SAN AGUSTIN**  
Chairman

Wednesday, December 11, 1996  
2 P.M.

Guam Legislature Public Hearing Room  
155 Hesler Street  
Agana, Guam

Telephone No.: 477-8527/9120  
Fax No.: 477-5570

**AGENDA**

\*BILL NO. 778 AN ACT TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE OF UP TO \$63,000,000 OF REVENUE BONDS OF THE GUAM HOUSING CORPORATION; TO ADD NEW SUBSECTION 4103.5, 4104 (n), 4106.1, AND A NEW ARTICLE 6, AND TO AMEND SUBSECTION 4101, 4104 (a), 4104 (m), 4105, 4106, AND 4214 OF TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO THE AUTHORITY OF THE GUAM HOUSING CORPORATION TO ENTER INTO THESE PARTICULAR BOND ISSUANCES; AND TO AMEND SECTIONS 4, 7, 8, 10, AND 13 OF P. L. 20-225, RELATIVE TO THE LADA ESTATES AFFORDABLE HOUSING PROJECT. (Introduced by S. L. Orsini, Chairman, Committee on Rules at the Request of the Governor in Accordance with the Organic Act of Guam)

\*BILL NO. 768 AN ACT TO APPROVE THE ASSIGNMENT OF PORT AUTHORITY OF GUAM'S LEASES WITH ESSO EASTERN, INC. TO SHELL GUAM, INC. (Introduced by S. L. Orsini, Chairman, Committee on Rules at the Request of the Governor in Accordance with the Organic Act of Guam)

\*BILL NO. 779 AN ACT TO APPROPRIATE TWENTY-FIVE MILLION DOLLARS (\$25,000,000) FROM THE FISCAL YEAR 1997, 1998, 1999, AND 2000 SURPLUSES OF THE TOURIST ATTRACTION FUND TO THE DEPARTMENT OF PUBLIC WORKS (DPW) TO BEGIN THE REDEVELOPMENT OF TUMON BAY; AND TO ALLOW THE GUAM VISITORS BUREAU TO ACCEPT PRIVATE CONTRIBUTIONS OF FUNDS AND IN-KIND SERVICES FOR THE REDEVELOPMENT PROJECT. (Introduced by J. P. Aguon,

\*\* The public is invited to express their views \*\*



# Committee on Economic-Agricultural Development and Insurance

TWENTY-THIRD GUAM LEGISLATURE  
424 W. O'Brien Dr., Julale Shopping Center, Suite #218  
Agaña, Guam 96910  
Tel: (671) 477-8527/9120 • Fax: (671) 477-5570

SENATOR JOE T. SAN AGUSTIN (D)  
CHAIRMAN

December 4, 1996

## MEMORANDUM

**TO:** Members, Committee on Economic-Agricultural  
Development & Insurance  
Members, Committee on Tourism and Transportation

**FROM:** Chairman

**SUBJECT:** Joint Public Hearings - December 11, 1996

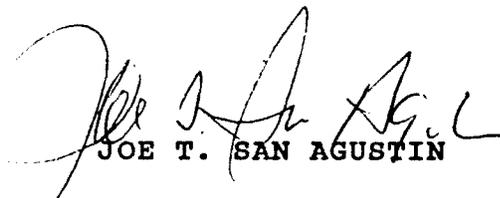
The Committee on Economic-Agricultural Development and Insurance and Committee on Tourism and Transportation are conducting a public hearings on Wednesday, December 11, 1996, at 2 p.m., in the Guam Legislature Public Hearing Room on the following:

- Bill No. 778** AN ACT TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE OF UP TO \$63,000,000 OF REVENUE BONDS OF THE GUAM HOUSING CORPORATION; TO ADD NEW SUBSECTION 4103.5, 4104(n), 4106.1, AND A NEW ARTICLE 6, AND TO AMEND SUBSECTION 4101, 4104(a), 4104(m), 4105, 4106, AND 4214 OF TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO THE AUTHORITY OF THE GUAM HOUSING CORPORATION TO ENTER INTO THESE PARTICULAR BOND ISSUANCES; AND TO AMEND SECTIONS 4,7,8,10, AND 13 OF P. L. 20-225, RELATIVE TO THE LADA ESTATES AFFORDABLE HOUSING PROJECT. (Introduced by S. L. Orsini, Chairman, Committee on Rules, at the Request of the Governor in Accordance with the Organic Act of Guam)
- \*BILL NO. 768** AN ACT TO APPROVE THE ASSIGNMENT OF PORT AUTHORITY OF GUAM'S LEASES WITH ESSO EASTERN, INC. TO SHELL GUAM, INC. (Introduced by S. L. Orsini, Chairman, Committee on Rules at the Request of the Governor in Accordance with the Organic Act of Guam)

Joint Public Hearings - December 11, 1996  
December 4, 1996  
Page 2

**\*BILL NO.779** AN ACT TO APPROPRIATE TWENTY-FIVE MILLION DOLLARS (\$25,000,000) FROM THE FISCAL YEAR 1997, 1998, 1999, AND 2000 SURPLUSES OF THE TOURIST ATTRACTION FUND TO THE DEPARTMENT OF PUBLIC WORKS (DPW) TO BEGIN THE REDEVELOPMENT OF TUMON BAY; AND TO ALLOW THE GUAM VISITORS BUREAU TO ACCEPT PRIVATE CONTRIBUTIONS OF FUNDS AND IN-KIND SERVICES FOR THE REDEVELOPMENT PROJECT. (Introduced by J. P. Aguon, J. T. San Agustin)

The Confirmation Hearing for Mr. Joseph C. Cruz, Director, Department of Commerce; Mr. Edward G. Untalan, Administrator, Guam Economic Development Authority; and Mr. Paul J. Bordallo, Member, Guam Economic Development Authority Board of Directors will still be held at 10:30 a.m., Wednesday, December 11. Your presence at these hearings is appreciated. Thank you for your attention to this matter.

  
JOE T. SAN AGUSTIN

Attachments

cc: Executive Director  
Protocol Office  
Maintenance  
Security  
Legal  
Archives  
Audio  
All Senators  
All Media



# COMMITTEE ON RULES

Twenty-Third Guam Legislature  
155 Hesler St., Agana, Guam 96910

December 3, 1996

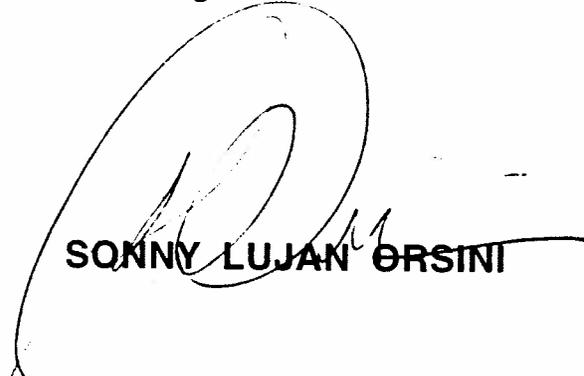
## MEMORANDUM

**TO:** Chairman, Committee on Tourism and Transportation

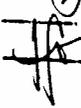
**FROM:** Chairman, Committee on Rules

**SUBJECT:** Referral - Bill No. 768

The above Bill is referred to your Committee as the principal committee. Please note that the referral is subject to ratification by the Committee on Rules at its next meeting.

  
SONNY LUJAN ORSINI

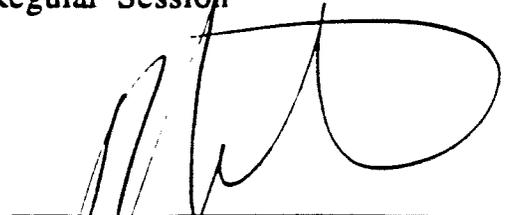
Attachment:

RECEIVED  
COMMITTEE ON ECONOMIC-AGRICULTURAL  
UNEMPLOYMENT INSURANCE  
DATE: 12/3/96  
TIME: 5:30 PM  
REC'D BY: 

TWENTY-THIRD GUAM LEGISLATURE  
1996 (SECOND) Regular Session

Bill No. 768

Introduced by:

  
by request of the Governor in  
accordance with the Organic Act  
of Guam.

AN ACT TO APPROVE THE ASSIGNMENT OF PORT  
AUTHORITY OF GUAM'S LEASES WITH ESSO EASTERN,  
INC. TO SHELL GUAM, INC.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

2 **Section 1. (a) Background.** The Port Authority of Guam  
3 supervises and administers various parcels of real property within the  
4 area of the Commercial Port of Guam. Esso Eastern, Inc. is the holder of  
5 certain duly authorized leases and an easement within the Commercial  
6 Port of Guam properties, described as:

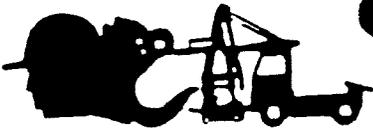
- 7 1) Lot No. 2, Cabras Island, Piti;
- 8 2) a portion of Lot No. 3 designated as Lot No. 3A in Cabras Island  
9 Industrial Park;
- 10 3) Esso Fire Fighting Pump House and Fire Fighting System, Piti  
11 Land Square 21, Section 2; and
- 12 4) a Five (5) foot wide Pipeline Easement, Piti, Land Square 21,  
13 Section 2.

14 Esso Eastern, Inc. desires to assign all its interests in the foregoing leases,  
15 and transfer the easement, to Shell Guam, Inc. On September 19, 1996, at a  
16 meeting of the Board of Directors of the Port Authority of Guam, an  
17 assignment of the leases and transfer of the easement was approved,  
18 subject to the approval of the Legislature.

1           **(b) Approval of assignment and transfer of easement.** The  
2 Assignment of leaseholds and transfer of easement of the following  
3 properties, now held by Esso Eastern, Inc. from the Port Authority of  
4 Guam, which is the successor in interest of the same interests previously  
5 held by Guam Economic Development Authority, from Esso Eastern, Inc., to  
6 Shell Guam, Inc., a Guam Corporation, are hereby approved:

- 7           1) Lot No. 2, Cabras Island, Piti
- 8           2) a portion of Lot No. 3 designated as Lot No. 3A in Cabras Island  
9                           Industrial Park;
- 10          3) Esso Fire Fighting Pump House and Fire Fighting System, Piti  
11                           Land Square 21, Section 2; and
- 12          4) a Five (5) foot wide Pipeline Easement, Piti, Land Square 21,  
13                           Section 2.

14           **(c) Condition of approval of assignment and transfer of**  
15 **easement.** The assignment of leaseholds and transfer of easement  
16 approved in Subsection (b) of this Section is approved upon the condition  
17 that Shell Guam, Inc. agrees to be bound by all of the same terms and  
18 conditions of the leases and easement with Esso Eastern, Inc., including but  
19 not limited to any restrictions on uses of the land.



PORT AUTHORITY OF GUAM  
ATAURIDAT I PUETTON GUAM  
GOVERNMENT OF GUAM  
1026 Cabras Highway  
Suite 201  
P.O. Box 96925

Telephone (671) 477-5931/35  
(671) 477-2683/85  
Telex (721) 6689 PAGGJM  
Facsimile (671) 477-2685

October 10, 1996

Honorable Carl T.C. Gutierrez  
Governor of Guam  
P.O. Box 2950  
Agana, Guam 96910

Re: **Consent To Esso Eastern Assignment Of Leases  
To Shell Guam, Inc.**

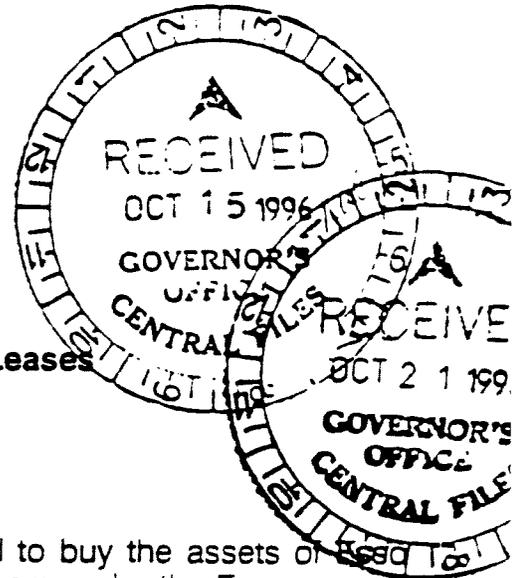
Dear Governor Gutierrez:

As you are aware, Shell Guam, Inc. recently agreed to buy the assets of Esso Eastern Inc., Guam branch, which markets products on Guam under the Exxon name. As explained to the Port, Shell will acquire Exxon's assets on Guam which includes Exxon's Cabras terminal and the LPG storage facilities, fourteen retail service stations including ten convenient stores.

Presently, the Port Authority supervises and administers various parcels of real property within the area of the Port Authority. Esso Eastern is the holder of certain duly authorized leases and an easement (collectively the "PAG Leases") within the Commercial Port properties described as (1) Lot No. 2, Cabras Island, Piti; (2) a portion of Lot No. 3 designated as Lot No. 3A in Cabras Island Industrial Park; (3) Esso Fire Fighting Pump House and Fire Fighting System, Piti, Land Square 21, Section 2; and (4) a five foot wide pipeline easement, Piti, Land Square 21, Section 2. Esso Eastern desires to assign all its interest in the foregoing PAG leases to Shell Guam.

On September 19, 1996 at a meeting of the Board of Directors of the Port Authority, an assignment of the PAG Leases from Esso Eastern, Inc. to Shell Guam Inc. was approved, subject to the approval of the Governor and the Guam Legislature. The purpose of this letter is to obtain the approval of your office to the assignment. Enclosed for your review is the Port Authority Board Resolution, the form of the Assignment, and the proposed Bill consenting to the assignment for transmission to the Guam Legislature.

Esso Eastern and Shell Guam advises that time is of the essence. The transaction is scheduled to close in January of 1997. In order for the Guam Legislature to have sufficient time to act on the proposed Bill, Shell Guam and Esso Eastern is requesting that the proposed Bill be transmitted to the Guam Legislature in time for consideration in its November session.



Commonwealth Now!

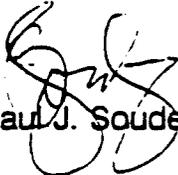
Honorable Carl C. Gutierrez  
October 10, 1999

Page 2

If I can be of further assistance in answering any questions regarding this matter, do not hesitate to contact me or the Port's General Manager, Captain Bermudes.

Thank you for your attention and assistance.

Sincerely yours,



Paul J. Souder, Chairman

cc: Captain E.C. Bermudes, General Manager  
Mr. David O'Brien, Shell Guam Inc.  
Mr. Greg Krogel, Esso Eastern, Inc.  
PAG\Governor.ltr

**RESOLUTION**  
**OF THE**  
**BOARD OF DIRECTORS**  
**OF THE**  
**PORT AUTHORITY OF GUAM**

This Resolution is adopted at the September 19, 1996 special meeting of the Board of Directors of the Port Authority of Guam as follows:

**WHEREAS**, the Guam Economic Development Authority has entered into a Sublease with Esso Eastern, Inc. dated January 18, 1971, which was extended by Notice of Exercise of Option to Extend dated October 24, 1990 for Lot 3A of the Cabras Island Industrial Park consisting of 3.214 acres; and

**WHEREAS**, the Guam Economic Development Authority also entered into a Sublease with Esso Eastern, Inc. dated October 1, 1969, which was extended by Notice of Exercise of Option to Extend dated July 6, 1989 for Lot 2 of the Cabras Island Industrial Park consisting of 5 acres; and

**WHEREAS**, there is also an easement granted by the Guam Economic Development Authority to Esso Eastern, Inc. dated July 11, 1986; and

**WHEREAS**, the interest of Guam Economic Development Authority in said Subleases and easement (hereinafter collectively "Subleases") has been transferred to the Port Authority of Guam; and

**WHEREAS**, Shell Guam, Inc. and Esso Eastern, Inc. have entered into an agreement whereby, subject to certain conditions being met, Shell Guam, Inc. will acquire the interest of Esso Eastern, Inc. in the Subleases; and

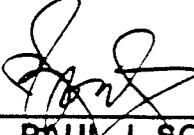
**WHEREAS**, one of the conditions to the closing of the Purchase and Sale Agreement is that the consent of Government of Guam be obtained for the Assignment of said Subleases;

**NOW THEREFORE, BE IT KNOWN THAT IT IS HEREBY RESOLVED**, that the Port Authority of Guam consents to the Assignment of the Subleases from Esso Eastern, Inc. to Shell Guam, Inc. in substantially the same form as the Assignment set forth in Exhibit "A" attached hereto and respectfully request the Governor of Guam and Guam Legislature approve and consent to the Assignment;

**BE IT FURTHER RESOLVED** that the General Manager and legal counsel for the Port Authority of Guam take such steps as are reasonably necessary to obtain such consent and approval.

Dated this 19th day of September, 1996.

**PORT AUTHORITY OF GUAM**

By: 

Name: PAUL J. SOUDER

Title: CHAIRMAN OF THE BOARD

ATTEST:



ELEANOR A. HILLS, Secretary

---

**ASSIGNMENT OF LEASED LANDED ASSETS SITES**

This Assignment ("Assignment") is made as of October 7, 1996, by and between **ESSO EASTERN, INC.** (formerly known as Esso Standard Eastern Inc.) GUAM BRANCH ("Seller") and **SHELL GUAM INC.** ("Purchaser").

Purchaser and Seller have entered into a certain Asset Purchase and Sale Agreement dated September 9, 1996, ("Asset Purchase and Sale Agreement") to sell to Purchaser and Purchaser has agreed to buy from Seller certain assets including without limitation certain leasehold interests held by Seller as lessee in real property located within the Territory of Guam.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree upon Closing ("Closing" as defined in the Asset Purchase and Sale Agreement) as follows:

1. Assignment. Effective on Closing, Seller assigns, transfers and conveys to Purchaser all of the Seller's right, title and interest as lessee in and to the following lease agreements ("Leases"):

See Exhibit "A" attached hereto and incorporated herein by reference.  
Together with all improvements thereon and all appurtenances thereunto belonging.

2. Assumption. Effective on Closing, Purchaser accepts, all of Seller's right, title, and interest in the Lease and hereby assumes and agrees to timely perform, pay, and discharge all of the duties and obligations of Seller under the Lease.

TO HAVE AND TO HOLD the Leases unto the Purchaser and its successors and assigns forever, subject to the terms and conditions contained in the Leases, which leasehold terms and conditions Purchaser, subject to Closing occurring, does hereby assume and agree to perform according to their tenor. This Assignment is additionally made subject to the following matters which are specifically excluded from any covenants or warranties, express or implied, contained in this instrument: (i) any and all tenancies and licenses (referred to in Exhibit A to the Asset Purchase and Sale Agreement), easements, ground rents, rights-of-way, conditions, covenants, restrictions, reservations, and exceptions of records applicable to the Leases and/or the real property which is the subject of the Leases; (iii) any facts, rights, interest, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof; and (iv) discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose (references to map numbers and areas in this instrument are for descriptive purposes and do not constitute representations or warranties).

3. Warranty Seller warrants:

- a. That the Seller has not conveyed the Leases to any third party and that no encumbrances which constitute any lien on the Leases have been made by the Seller or knowingly suffered by Seller except the lien of current real estate taxes (if any) and any easements of record; and
- b. That the Seller is not party to any agreement with any governmental

authority in respect to any restriction relating to the Leases which has not been disclosed in writing to the Purchaser.

4. Consent. To the extent any transfer or assignment of the Leases shall require that the prior approval or consent of the lessor or of any other party be obtained to the assignment or transfer of such Lease, this Assignment shall not be deemed effective for any purpose until such approval or consent has been fully obtained.

5. Assignment subject to Asset Purchase and Sale Agreement This Assignment is made subject to the Asset Purchase and Sale Agreement and in the event of any conflict between any term or provision of this Assignment and any term or provision of the Asset Purchase and Sale Agreement, the term or provision of the Asset Purchase and Sale Agreement shall control.

6. Assignment to Bind Successors and Assigns. This Assignment shall bind and benefit the parties hereto and their respective successors, legal representatives and assigns.

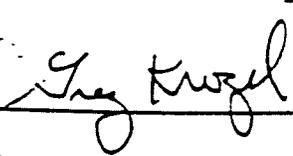
7. General Provisions. Time is of the essence of this Assignment. This Assignment shall be governed by the Laws of the Territory of Guam. All representations, warranties and indemnities herein shall survive execution, termination or enforcement of this Assignment. No modification, waiver approval or consent under this Assignment shall be effective unless in a writing executed by the parties. No waiver of any breach or default shall be deemed a waiver of any breach or default thereafter occurring. The Section headings herein are for convenience and reference only and shall not enter into the interpretation hereof. The parties agree to perform such further acts and execute and deliver such further documents as may be reasonably required to carry out the provisions of this Assignment and the intentions of the parties. This Assignment may be executed in counterparts. In the event any provision of this Assignment is held to be illegal, invalid or unenforceable, such provision shall be severed and shall not affect the remainder of the Assignment.

in counterparts. In the event any provision of this Assignment is held to be illegal, invalid or unenforceable, such provision shall be severed and shall not affect the remainder of the Assignment.

IN WITNESS WHEREOF, the parties have executed this Assignment effective as of the date first set forth above.

ESSO EASTERN, INC., GUAM BRANCH

By:

  
\_\_\_\_\_

Its Duly Authorized Representative

SHELL GUAM INC.

By:

  
\_\_\_\_\_

Its Duly Authorized Representative

**CONSENT OF PORT AUTHORITY OF GUAM**

1. Consent. PAG, by execution hereof does hereby consent to the foregoing assignment. The consent herein is expressly conditional on the Closing (as defined in the Asset Purchase and Sale Agreement) of the Asset Purchase and Sale Agreement and the approval of the Government of Guam to the assignment hereto.

2. Continuation of Terms. All of the terms and conditions of the Lease shall apply with continued force to Purchaser.

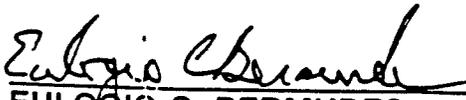
IN WITNESS WHEREOF, the parties have executed this Consent to Assignment of Lease this 4th day of October, 1996.

PORT AUTHORITY OF GUAM

By:

  
\_\_\_\_\_  
PAUL J. SOUDER,  
Chairman of the Board

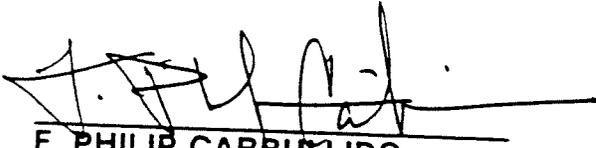
By:

  
\_\_\_\_\_  
EULOGIO C. BERMUDES,  
General Manager

APPROVED AS TO FORM:

CARBULLIDO, PIPES & BORDALLO  
Attorneys for Port Authority of Guam

By:

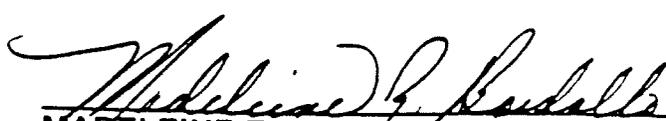
  
\_\_\_\_\_  
F. PHILIP CARBULLIDO

**CONSENT OF GOVERNMENT OF GUAM**

In accordance with P.L. \_\_\_\_\_, the Government of Guam hereby consents to and concurs in the foregoing Assignment of Leased Landed Assets Sites (the "Assignment") to the extent of its interest in the Leases and the parcels of property described in the Leases.

GOVERNMENT OF GUAM

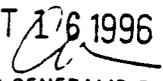
By:   
\_\_\_\_\_  
**CARL T.C. GUTIERREZ,**  
Governor of Guam

By:   
\_\_\_\_\_  
**MADELEINE Z. BORDALLO,**  
Lt. Governor

APPROVED AS TO FORM:

OFFICE OF THE ATTORNEY GENERAL

By:   
\_\_\_\_\_  
**CALVIN HOLLOWAY,**  
Attorney General *10/18/96*

**RECEIVED.**  
OCT 17 1996  
  
**ATTORNEY GENERAL'S OFFICE**

TERRITORY OF GUAM )  
 ) SS:  
CITY OF AGANA )

On this 2<sup>nd</sup> day of October, 1996, before me the undersigned notary, personally appeared, **PAUL J. SOUDER**, the person whose name is signed on the preceding or attached document, and acknowledged to me that he signed it voluntarily for its stated purpose as **CHAIRMAN OF THE BOARD** of **PORT AUTHORITY OF GUAM, GOVERNMENT OF GUAM.**

(S E A L)

*Roxanne T. Flores*

NOTARY PUBLIC

**ROXANNE T. FLORES**  
Notary Public  
In and for the Territory of Guam USA  
My Commission Expires: 12-14-97  
P.O. Box 26073  
GMF, Guam 96921

TERRITORY OF GUAM )  
 ) SS:  
CITY OF AGANA )

On this 4<sup>th</sup> day of October, 1996, before me the undersigned notary, personally appeared, **EULOGIO C. BERMUDES**, the person whose name is signed on the preceding or attached document, and acknowledged to me that he signed it voluntarily for its stated purpose as **GENERAL MANAGER** of **PORT AUTHORITY OF GUAM, GOVERNMENT OF GUAM.**

(S E A L)

*Roxanne T. Flores*

NOTARY PUBLIC

**ROXANNE T. FLORES**  
Notary Public  
In and for the Territory of Guam USA  
My Commission Expires: 12-14-97  
P.O. Box 26073  
GMF, Guam 96921

TERRITORY OF GUAM )  
 ) SS:  
CITY OF AGANA )

On this \_\_\_\_ day of \_\_\_\_\_, 1996, before me the undersigned notary, personally appeared, **GOVERNOR CARL T.C. GUTIERREZ**, the person whose name is signed on the preceding or attached document, and acknowledged to me that he signed it voluntarily for its stated purpose as **GOVERNOR** of the **TERRITORY OF GUAM**.

( S E A L )

\_\_\_\_\_  
NOTARY PUBLIC

TERRITORY OF GUAM )  
 ) SS:  
CITY OF AGANA )

On this \_\_\_\_ day of \_\_\_\_\_, 1996, before me the undersigned notary, personally appeared, **LT. GOVERNOR MADELEINE Z. BORDALLO**, the person whose name is signed on the preceding or attached document, and acknowledged to me that she signed it voluntarily for its stated purpose as **LT. GOVERNOR** of the **TERRITORY OF GUAM**.

( S E A L )

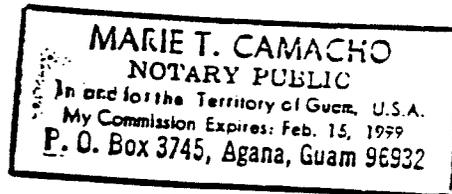
\_\_\_\_\_  
NOTARY PUBLIC

TERRITORY OF GUAM )  
 ) ss:  
CITY OF AGANA )

On this 8<sup>th</sup> day of OCTOBER, 1996, before me, a Notary Public in and for the Territory of Guam, personally appeared GREG C. KROEGL known to me to be the \_\_\_\_\_ of ESSO EASTERN, INC., and acknowledged to me that he/she executed the foregoing ASSIGNMENT in such capacity, being fully authorized to do so, and for the purposes and considerations contained therein.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the date last above written.

  
NOTARY PUBLIC

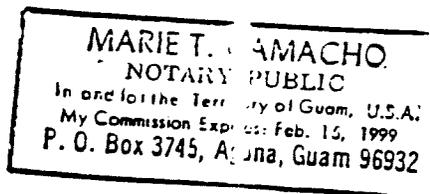


TERRITORY OF GUAM )  
 ) ss:  
CITY OF AGANA )

On this 8TH day of OCTOBER, 1996, before me, a Notary Public in and for the Territory of Guam, personally appeared GRAHAM TALBOT, known to me to be the DIRECTOR OF FINANCE of SHELL GUAM, INC., and acknowledged to me that he/she executed the foregoing ASSIGNMENT in such capacity, being fully authorized to do so, and for the purposes and considerations contained therein.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the date last above written.

  
NOTARY PUBLIC



SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT, made and entered into the day of October, 1969, by and between the GUAM ECONOMIC DEVELOPMENT AUTHORITY, a public corporation created by Public Law 8-80, Eighth Guam Legislature, and ESSO STANDARD EASTERN, INC., a corporation organized under the laws of the State of Delaware, duly registered to do business within Guam, hereinafter sometimes referred to as Lessor, and ESSO STANDARD EASTERN, INC., a corporation organized under the laws of the State of Delaware, duly registered to do business within Guam, hereinafter sometimes referred to as Lessee,

WITNESSETH:

FOR AND IN CONSIDERATION of the payment of rent, and of the other terms, conditions and covenants hereinafter contained, Lessor does hereby sublease to the Lessee, and the Lessee does hereby take from the Lessor, for purposes of Lessee's constructing, maintaining, and operating thereon facilities necessary and/or incident to its business of selling, delivering, disposing, warehousing and stocking petroleum products, as well as all businesses allied or incident thereto, a parcel of land containing an area of five (5) acres, more or less, including the right of egress and ingress, to and from the subleased premises, together with all the improvements thereon, and described on the attached exhibit marked "A" and made a part hereof.

TO HAVE AND TO HOLD the same unto the Lessee, its successors and assigns, for a term of TWENTY (20) years, commencing the date of execution hereof, upon the following rental, terms and conditions:

1. The Lessor reserves and the Lessee agrees to pay as rental for the said premises, the sum of Sixteen Thousand Dollars (\$16,000.00) lawful money of the U. S., PER YEAR, payable in advance annually, commencing the effective date hereof.

AREA=5 ACRES (LOT 2)

9/868

2. It is mutually agreed that the subleased premises are in suitable condition for Lessee's occupancy and that no action of site preparation need be done by Lessor.

3. The Lessor agrees to execute and deliver to the Lessee such easements and/or rights-of-way on and along common thoroughfares as the Lessor may determine necessary, for the purposes of the Lessee and which shall not be inconsistent with any other agreement, covenant, conveyance or grant executed by and between the Lessor and any third party and which are not otherwise included within the subleased premises.

4. In the event the Lessee, for any reason other than self imposed, be deprived of the possession or use of any part or portion of the subleased premises, the yearly rental shall abate in proportion to that portion or portions unusable, and in proportion to the number of days that the Lessee is not in possession thereof.

5. The Lessee shall have the right, pursuant to the existing laws of Guam, and after obtaining the appropriate permits from the Government of Guam, to erect and construct on the subleased premises any and all buildings, facilities, structures, pipelines, gas works, terminals, as well as install therein any equipment, machineries or any property of whatsoever nature without the necessity of securing the consent or approval of the Lessor. No buildings, structures, improvements and equipments, erected, constructed, installed or owned by the Lessee shall become part of the subleased premises, but shall remain the property of the Lessee and may be removed by the Lessee within ninety (90) days after the termination or cancellation of this sublease; provided, that the Lessee shall restore the subleased premises to its condition then existing as of the date of the execution hereof. Lessee shall have the right to use the subleased premises in any manner which the Lessee deems

91868

necessary to the conduct of its business, and the Lessee shall have the right freely to excavate, level, pile or otherwise move the soil of the subleased premises. In erecting or constructing such facilities, the Lessee agrees not to perform any acts or carry on any practices which may be a nuisance or menace to other tenants of the Cabras Island Industrial Complex.

6. ~~The Lessee shall not sublease the demised premises or any portion thereof to any third party unless it shall have first obtained in writing the consent of the Lessor and the approval of the Governor.~~

7. Real Estate Taxes, if any, levied and assessed against the demised premises, and real estate taxes, if any, levied and assessed against the improvements to be constructed thereon, shall be borne by the Lessee. Lessee shall also pay all taxes and assessments levied against any business conducted on the subleased premises or in connection therewith and shall pay all proper charges for utilities services furnished or provided to the property sublet.

8. The Lessee hereby undertakes to hold the Lessor free and harmless from any and all claims by any person or persons on account of any injury or property damage suffered within the subleased premises during the term of this agreement. The Lessee shall, during the entire term hereof, keep in full force and effect, a policy of public liability insurance satisfactory to the Lessor with respect to the subleased premises and the improvements thereon.

9. The Lessor does hereby grant to the Lessee, the option to extend this sublease for seven (7) successive terms of ten (10) years each term, upon the same covenants and conditions as are contained herein, except that the rental shall be established at mutually agreeable levels for each such successive term. In the event the parties are unable to agree on the rental for any extended term within thirty (30) days from and after the expiration of the sublease, the Lessor and Lessee shall each appoint an appraiser who

shall so determine the rental for the extended term; and if said two appraisers are unable to so agree, within thirty (30) days from their date of appointment, then they shall appoint a third appraiser whose decision shall be binding and final. Lessee may exercise its option to extend hereunder by giving Lessor notice in writing at any time prior to the expiration of the term granted herein or any extension hereof.

10. Attached as Exhibit "B" is the Quitclaim Deed from the United States of America to the Government of the Territory of Guam which is by this reference made a part of this sublease. The conditions and reservations contained therein insofar as relevant to this lease are an express condition of Lessor's obligations under this sublease. If the United States of America exercises any rights arising out of the conditions and reservations of Exhibit "B", and such rights conflict with the provisions of this sublease, then to the extent of such conflict this sublease will be modified without further action by the parties. Attached as Exhibit "C" is the Lease of August 29, 1969, between the Government of Guam and the Guam Economic Development Authority which is by this reference made a part of this lease. The conditions and reservations contained therein insofar as relevant to this sublease are also an express condition of Lessor's obligations under this sublease. If the Government of Guam exercises any rights arising out of the conditions and reservations of Exhibit "C", and such rights conflict with the provisions of this sublease, then to the extent of any such conflict this sublease will be modified without further action by the parties.

11. Notwithstanding any of the covenants and conditions contained herein, it is expressly agreed between the parties hereto that the Lessee may, at its option, cancel and terminate this sublease at any time after the expiration of one (1) year from date hereof by giving the Lessor written notice not less than

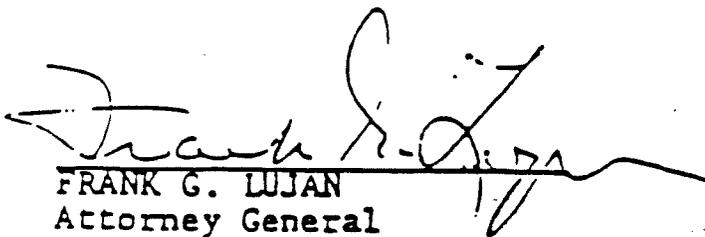
thirty (30) days prior to the date of such cancellation or termination, and upon payment by the Lessee to the Lessor of one (1) year's rental as liquidated damages, and restoration of subleased premises to its condition then existing as of the date of execution hereof, this sublease shall be deemed cancelled and terminated without further action by the parties.

12. This Agreement shall inure to the benefit of, and bind, the Lessor and the Lessee, their respective successors and assigns.

IN WITNESS WHEREOF, the Lessor and the Lessee, by the duly authorized representatives, have caused to be executed at Agana, Guam, the day and date first above written.

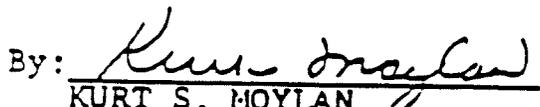
APPROVED AS TO FORM:

GUAM ECONOMIC DEVELOPMENT AUTHORITY

  
FRANK G. LUJAN  
Attorney General

By:   
JESUS S. L. GUERRERO  
Chairman, Board of Director

APPROVED:

By:   
KURT S. MOYLAN  
Acting Governor of Guam

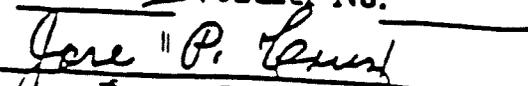
By:   
JAMES C. HALLIDAY  
Administrator  
ESSO STANDARD EASTERN, INC.

By:   
J. L. RICHARDS

TERRITORY OF GUAM, DEPARTMENT OF LAND MANAGEMENT  
OFFICE OF THE RECORDER

INSTRUMENT NUMBER 91868

This instrument was filed for record on 1 day of Oct, 19 1968 at 3:42 P.M.  
and duly recorded in Book 235 at Page 77  
Recording Fee 77 Voucher No. 77

  
Deputy Recorder

91868

TERRITORY OF GUAM  
CITY OF AGANA

}  
} ss:

On this 1st day of October, 1969; before me, a Notary Public in and for the territory of Guam, personally appeared J. L. RICHARDS, known to me to be the duly authorized representative of Esso Standard Eastern, Inc., that executed the within instrument and acknowledged to me that such corporation executed the same.

WITNESS my hand and seal the date above written.

*Felicita P. Borja*  
FELICITA P. BORJA

My commission expires:  
March 11, 1970.

NOTARY PUBLIC in and for the  
territory of Guam

TERRITORY OF GUAM  
CITY OF AGANA

}  
} ss:

On this 1st day of October, 1969, before me, a Notary Public in and for the territory of Guam, personally appeared JESUS S. L. GUERRERO, known to me to be the duly authorized representative of the Guam Economic Development Authority that executed the within instrument and acknowledged to me that such corporation executed the same.

WITNESS my hand and seal the date above written.

*Felicita P. Borja*  
FELICITA P. BORJA

My commission expires:  
March 11, 1970.

NOTARY PUBLIC in and for the  
territory of Guam

91868

GOVERNMENT OF GUAM  
DEPARTMENT OF LAND MANAGEMENT  
LAND RECORDS SECTION

INSTRUMENT NO.: 91868 TYPE OF INSTRUMENT: SUBLEASE AGREEMENT

10/1/69 TIME: \_\_\_\_\_ A.M. 3:42 P.M.

TEMPORARY INDEX (LAND) (MISC.) \_\_\_\_\_ ( ) ( )

NUMERICAL INDEX URBAN \_\_\_\_\_ SUB. \_\_\_\_\_ VOL. \_\_\_\_\_ ( ) ( )

ALPHABETICAL GRANTOR (LAND) (MISC) \_\_\_\_\_ ( ) ( )

ALPHABETICAL GRANTEE (LAND) (MISC) \_\_\_\_\_ ( ) ( )

MARGINAL NOTATION C.T. NO. \_\_\_\_\_ G. C. \_\_\_\_\_ C.T. \_\_\_\_\_ ( ) ( )

ISSUANCE OF C.T. NO. \_\_\_\_\_ ( ) ( )

CANCELLATION OF C.T. NO. \_\_\_\_\_ G. C. \_\_\_\_\_ ( ) ( )

COMPLETED DOCUMENT PROCESSED, FILED BY: \_\_\_\_\_ ( ) ( )

NAME \_\_\_\_\_ C.T. NO. \_\_\_\_\_ AGE \_\_\_\_\_

RESIDENCE \_\_\_\_\_ AND HIS WIFE \_\_\_\_\_

DATE OF BIRTH \_\_\_\_\_ AGE \_\_\_\_\_ OCCUPATION \_\_\_\_\_

RESIDING AT \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_

PROPERTY LISTING DAILY SALES DATA NO. \_\_\_\_\_

REMARKS: Recorded by request of att.

General in front junior payments

Harry A. Sicker

*Map attached*

3094 [Signature]

THIS SUBLEASE AGREEMENT, made and entered into the 18th day

January, 1971, by and between the PORT AUTHORITY OF GUAM ECONOMIC DEVELOPMENT

AUTHORITY, a public corporation created by Public Law 8-80, Eighth Guam Legislature, hereinafter sometimes referred to as Lessor, and ESSO STAND. EASTERN, INC., a corporation organized under the laws of the State of Delaware, duly registered to do business within Guam, hereinafter sometimes referred to as Lessee,

WITNESSETH:

FOR AND IN CONSIDERATION of the payment of rent, and of the other terms, conditions and covenants hereinafter contained, Lessor does hereby sublease to the Lessee, and the Lessee does hereby take from the Lessor, for purposes of Lessee's constructing, maintaining, and operating thereon facilities necessary and/or incident to its business of selling, delivering, disposing, warehousing and stocking petroleum products, as well as all businesses allied or incident thereto, a parcel of land containing an area of three and two hundred fourteen thousandths acres (3.214), including the right of egress and ingress, to and from the subleased premises, together with all the improvements thereon, and described on the attached exhibit marked "A" and made a part hereof.

TO HAVE AND TO HOLD the same unto the Lessee, its successors or assigns, for a term of TWENTY (20) years, commencing the date of execution hereof, upon the following rental, terms and conditions:

1. The Lessor reserves and the Lessee agrees to pay as rental for the said premises, the sum of TEN THOUSAND TWO HUNDRED EIGHTY FIVE (\$10,285.00), lawful money of the United States, PER YEAR, payable in advance annually, commencing the effective date hereof.

2. It is mutually agreed that the subleased premises are in suitable condition for Lessee's occupancy and that no action of site preparation need be done by Lessor.

AREA - 3.214 ACRES (LOT 3A)

3. The Lessor agrees to execute and record such easements and/or rights-of-way on along common thoroughfares as the Lessor may determine necessary for the purposes of the Lessee and which shall not be inconsistent with any other agreement, covenant, conveyance or grant executed by and between the Lessor and any third party and which are not otherwise included within the subleased premises.

4. In the event the Lessee, for any reason other than self-imposed, be deprived of the possession or use of any part or portion of the subleased premises, the yearly rental shall abate in proportion to that portion or portions unusable, and in proportion to the number of days that the Lessee is not in possession thereof.

5. The Lessee shall have the right, pursuant to the existing laws of Guam, and after obtaining the appropriate permits from the Government of Guam, to erect and construct on the subleased premises any and all buildings, facilities, structures, pipelines, gas works, terminals, as well as install therein any equipment, machineries or any property of whatsoever nature without the necessity of securing the consent or approval of the Lessor. No buildings, structures, improvements and equipments, erected, constructed, installed or owned by the Lessee shall become part of the subleased premises, but shall remain the property of the Lessee and may be removed by the Lessee within ninety (90) days after the termination or cancellation of this sublease; provided, that the Lessee shall restore the subleased premises to its condition then existing as of the date of the execution hereof. Lessee shall have the right to use the subleased premises in any manner which the Lessee deems necessary to the conduct of its business, and the Lessee shall have the right freely to excavate level, pile or otherwise move the soil of the subleased premises. In erecting or constructing such facilities, the Lessee agrees not to perform any acts or carry on any practices which may be a nuisance or

menace to other tenants of the Cabras Island Industrial Center.

6. ~~The Lessee shall not lease the demised premises or any portion thereof to any third party unless it shall have first obtained in writing the consent of the Lessor and the approval of the Governor.~~

7. Real Estate Taxes, if any, levied and assessed against the demised premises, and real estate taxes, if any, levied and assessed against the improvements to be constructed thereon, shall be borne by the Lessee. Lessee shall also pay all taxes and assessments levied against any business conducted on the subleased premises or in connection therewith and shall pay all proper charges for utilities services furnished or provided to the property sublet.

8. The Lessee hereby undertakes to hold the Lessor free and harmless from any and all claims by any person or persons on account of any injury or property damage suffered within the subleased premises during the term of this agreement. The Lessee shall, during the entire term hereof, keep in full force and effect, a policy of public liability insurance satisfactory to the Lessor with respect to the subleased premises and the improvements thereon.

9. The Lessor does hereby grant to the Lessee, the option to extend this sublease for seven (7) successive terms of ten (10) years each term, upon the same covenants and conditions as are contained hereon except that the rental shall be established at mutually agreeable levels for each such successive term. In the event the parties are unable to agree on the rental for any extended term within thirty (30) days from and after the expiration of the sublease, the Lessor and Lessee shall each appoint an appraiser who shall so determine the rental for the extended term; and if said two appraisers are unable to so agree, within thirty (30) days from their date of appointment, then they shall appoint a third appraiser whose decision shall be binding and final. Lessee may exercise its option to extend hereunder by giving Lessor notice in writing at any time prior to the expiration of the term granted herein or any extension hereof.

10. Attached as Exhibit "B" is ENC QUIETENANCE DEED FROM THE United States of America to the Government of the Territory of Guam which is by this reference made a part of this sublease. The conditions and reservations contained therein insofar as relevant to this lease are an express condition of Lessor's obligations under this sublease. If the United States of America exercises any rights arising out of the conditions and reservations of Exhibit "B", and such rights conflict with the provisions of this sublease, then to the extent of such conflict this sublease will be modified without further action by the parties. Attached as Exhibit "C" is the Lease of August 29, 1969, between the Government of Guam and the Guam Economic Development Authority which is by this reference made a part of this lease. The conditions and reservations contained therein insofar as relevant to this sublease are also an express condition of Lessor's obligations under this sublease. If the Government of Guam exercises any rights arising out of the conditions and reservations of Exhibit "C", and such rights conflict with the provisions of this sublease, then to the extent of any such conflict this sublease will be modified without further action by the parties.

11. Notwithstanding any of the covenants and conditions contained herein, it is expressly agreed between the parties hereto that the Lessee may, at its option, cancel and terminate this sublease at any time after the expiration of one (1) year from date hereof by giving the Lessor written notice not less than thirty (30) days prior to the date of such cancellation or termination, and upon payment by the Lessee to the Lessor of one (1) year's rental as liquidated damages, and restoration of subleased premises to its condition then existing as of the date of execution hereof, this sublease shall be deemed cancelled and terminated without further action by the parties.

12. This Agreement shall inure to the benefit of, and bind, the Lessor and the Lessee, their respective successors and assigns.

That certain portion of Lot No. 3, designated as Lot No. 3A, situated in Cabras Island Industrial Park and delineated in red on the attached ESCO International Drawing No. 3048-3, approved by the Department of Land Management on February 10, 1970, and by reference made a part hereof; more particularly bounded and described as follows:

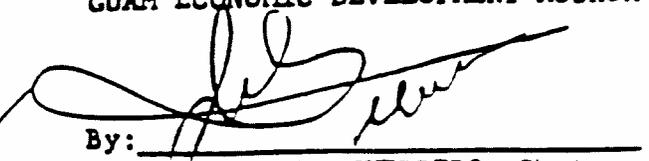
Commencing at a point marked "2" of basic Lot No. 3 of said drawing as the true point of beginning, proceed S 36° 35' 17" E, 400 feet to point 3; thence S 53° 24' 43" W, 350 feet to a point on the northern edge of the 100' R/W; thence N 36° 35' 17" W, 400 feet to a 4" x 4" concrete monument with washer stamped "L.S. 18'" and 38.43 feet from point "1" of basic lot No. 3; thence N 53° 24' 43" E, 350 feet to the true point of beginning for an area of 3.2 acres.

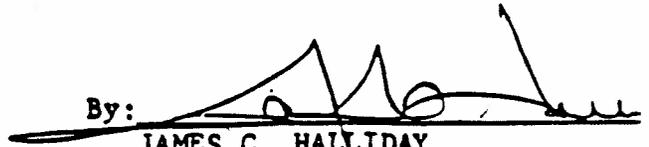
IN WITNESS WHEREOF, the Lessor and the Lessee, by the duly authorized representatives, have caused to be executed at Agaña, Guam, the day and date first above written.

APPROVED AS TO FORM:

GUAM ECONOMIC DEVELOPMENT AUTHOR

  
VICENTE T. PEREZ  
Attorney General

  
By: JESUS S. L. GUERRERO, Chairman  
Board of Directors

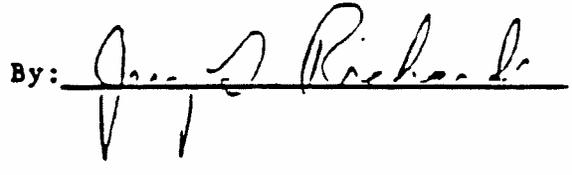
  
By: JAMES C. HALLIDAY  
Administrator

ESSO STANDARD EASTERN, INC.

APPROVED:

s/ Carlos G. Camacho

CARLOS G. CAMACHO  
Governor of Guam

By: 

ATTEST:

s/ Kurt S. Moylan

KURT S. MOYLAN  
Lieutenant Governor of Guam

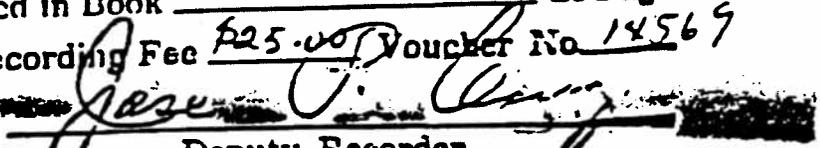
TERRITORY OF GUAM, DEPARTMENT OF LAND MANAGEMENT  
OFFICE OF THE RECORDER  
INSTRUMENT NUMBER 99074

This instrument was filed for record on 21

day of January, 19 71, at 3:19 P.M.

and duly recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_

Recording Fee \$25.00 Voucher No 14569

  
Deputy Recorder

TERRITORY OF GUAM )

) ss.

City of Agana. )

On this 28th day of December, 1970, before me, a Notary Public in and for the territory of Guam, personally appeared

• • • JERRY L. RICHARDS • • • known to me to be the duly authorized representative of ESSO STANDARD EASTERN, INC. • • •

that executed the within instrument and acknowledged to me that such corporation executed the same.

WITNESS my hand and seal the date above written.



Notary Public

My Commission Expires:

DOLORES A. MUNA  
Notary Public

In and for the territory of Guam.  
My commission expires: Aug. 3, 1973

TERRITORY OF GUAM )

) ss.

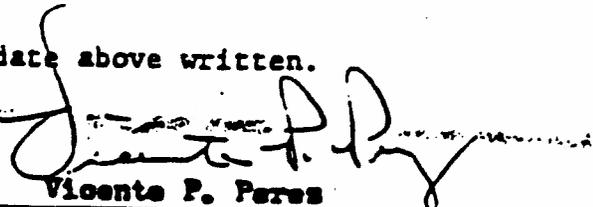
CITY OF AGANA )

On this 28th day of December, 1970, before me, a Notary Public in and for the territory of Guam, personally appeared

Jesus S. Leon Guerrero known to me to be the duly authorized

representative of the GUAM ECONOMIC DEVELOPMENT AUTHORITY that executed the within instrument and acknowledged to me that such corporation executed the same.

WITNESS my hand and seal the date above written.



Vicente P. Peres

~~XXXXXXXXXXXXX~~

In and for the territory of Guam.

My Commission Expires:

May 10, 1973

TERMINAL OF GUAM, DEPARTMENT OF LAND MANAGEMENT  
OFFICE OF THE RECORDER 373883

Exhibit A of  
Buy In Agreement

INSTRUMENT NUMBER

This instrument was filed for record on

Day of

19

at

and duly recorded in Book

Recording Fee

Voucher No.

Deputy Recorder

EASEMENT FOR CONSTRUCTION AND MAINTENANCE OF  
PIPELINE AND PUMPHOUSE

1. THIS INDENTURE, made and entered into this 11th  
day of July, 1986, by and between GUAM ECONOMIC  
DEVELOPMENT AUTHORITY ("Grantor"), a public corporation,  
whose mailing address is P.O. Box 3280, Agana, Guam 96910  
and ESSO EASTERN INC. ("Grantee"), a Delaware Corporation,  
whose mailing address is 1118 Cabras Highway, Piti, Guam  
969 0;

2. WITNESSETH, that for and in consideration of annual  
payments to be made by Grantee pursuant to the provisions of  
paragraph 6 of this Easement, Grantor has this day bargained  
and sold, and by these presents does bargain, sell, convey,  
transfer, and deliver unto Grantee, an easement and right of  
way, including the right to enter upon the real estate  
hereinafter described, at any time that it may see fit, and

(a) construct, maintain, and repair underground pipelines and/or mains for the purpose of conveying seawater over, across, through, and under the lands hereinafter described, together with the right to excavate and refill ditches and/or trenches for the location of said pipelines and/or mains;

(b) construct, erect, operate, maintain, repair, alter, inspect, and replace pumphouse structure for a pumping plant or plants, consisting of pumps, motors, pipes, valves, gates, and other mechanical parts and equipment appurtenant to said pumping plant.

3. The easement and right of way hereby granted covers a parcel of land located at Cabras Island, all as shown in Drawing No. C-3, prepared by Gillham, Koebig & Koebig, Inc., attached hereto and made a part of this grant.

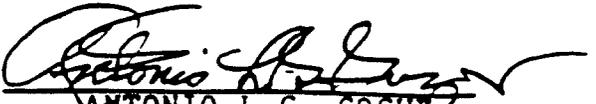
4. Together with all rights of ingress and egress necessary for the full and complete use, occupation and enjoyment of the easement hereby granted, and all rights and privileges incident thereto, including the right from time to time to cut, trim, and remove trees, brush, overhanging branches, and other obstructions which may injure or interfere with the Grantee's use, occupation, or enjoyment of this easement and the operation, maintenance, and repair of the Grantee's seawater intake and pumphouse structures for its fire-fighting facilities at Grantee's Terminal Fire Fighting System.

5. To have and to hold said easement and right of way unto Grantee, and unto its successors and assigns for the remainder of the term specified in those Sublease Agreements between the same parties hereto, one dated October 1, 1969, for a five-acre parcel, Instrument No. 91868, and the other dated January 18, 1971, for a 3.2 acre parcel, Instrument No. 99074, with the extension or extensions contained therein.

6. Grantee shall pay to Grantor the sum of Three Hundred Fifteen Dollars (\$ 315.00 ) lawful money of the United States, Per Year, payable in advance annually, commencing March 1, 1986. The amount of this annual payment shall remain unchanged until September 30, 1989, after which the amount of the payment shall be established at mutually agreeable levels for each successive ten (10) term. In the event the parties are unable to agree on the annual payment for any extended ten (10) year term within thirty (30) days from and after the expiration of the previous term of the Easement, the Grantor and Grantee shall each appoint an appraiser who shall so determine the annual payment for the extended term; and if said two appraisers are unable to so agree, within thirty (30) days from their date of appointment, then they shall appoint a third appraiser whose decision shall be binding and final.

IN WITNESS WHEREOF, the Grantor has caused these present to be executed the day and year first above written.

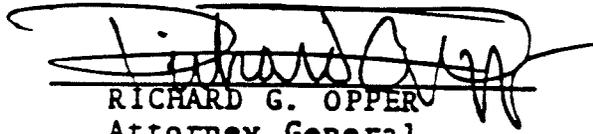
GUAM ECONOMIC DEVELOPMENT  
AUTHORITY

By:   
ANTONIO L.G. GOGUE  
Chairman, Board of  
Directors

By:   
DAVID D.L. FLORES  
Administrator

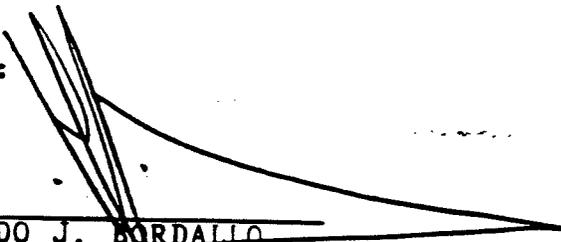
APPROVED AS TO FORM:

ESSO EASTERN, INC.

  
RICHARD G. OPPER  
Attorney General

By:   
JACK S. MILLER  
General Manager

APPROVED:

  
RICARDO J. BORDALLO  
Governor of Guam

JUL 1 1 1986





Territory of Guam        )  
                                  )  ss:  
City of Agana            )

Before me, a Notary Public in and for the Territory of Guam, personally appeared JACK J. MILLER, known to me to be the General Manager of Esso Eastern, Inc., the said Corporation and the person who executed the within instrument on behalf of corporation therein named and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

*Helen M. Perez*

HELEN M. PEREZ  
NOTARY PUBLIC  
In and for the Territory of Guam  
My Commission Expires: May 27, 1986